



**SCHUYLER COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2003-69
July 15, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

July 2003

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Schuyler, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Schuyler County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The Schedule of Expenditures of Federal Awards prepared by the county was not complete or accurate. In addition, the county did not establish cash management procedures to ensure the minimum time elapsed between receipt of federal grant monies for a bridge project and the distribution of such monies to the contractors, as required by the grant program. We noted seven reimbursements totaling \$55,574 which were received and held from 10 to 18 days before the related payment was made to the contractor.
- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Schuyler County's Associate County Commissioners' salaries were each increased approximately \$2,686 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$5,372 for the two years ended December 31, 2000, should be repaid.

- The County Treasurer's salary was increased \$5,731 annually, effective with the start of a new term of office on January 1, 2003, based on approval given by the salary commission at a meeting held in October 2002. There was no legal documentation supporting whether that meeting complied with Section 50.333, RSMo 2000.

YELLOW SHEET

- The county's budgets and published financial statements for the two years ended December 31, 2002 excluded some cash, receipts, and disbursements amounts such as interest totaling approximately \$23,000 earned on certificates of deposits for several funds, an advance of \$1,000 on a Community Development Block Grant, and \$9,870 received from a Federal Emergency Management Agency grant which was subsequently passed through to a Special Road District.
- The county had not adopted formal policies and procedures over the sale of rock and culverts to the public and other governmental entities. A bill of sale may not always have been prepared by the County Clerk or County Treasurer for each sale and a bill of sale/receipt was not required to pick up materials from the Road and Bridge Department. These sales totaled approximately \$26,000 during the two years ended December 31, 2002.

The audit also suggested improvements to procedures over the handling of Road and Bridge Department invoices, inventory records of construction materials and fuel, county bidding and contracting practices, and fixed assets. In addition, the audit recommended the Schuyler County Senior Citizens Service Board enter into, and monitor, contracts with entities to which it provides funding. The audit also recommended the Schuyler County Health Center Board not authorize expenditures in excess of budgeted amounts.

All reports are available on our website: www.auditor.state.mo.us

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Schuyler County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Schuyler County, Missouri, as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Schuyler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2002 and 2001, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 24, 2003, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Schuyler County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.



Claire McCaskill
State Auditor

March 24, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Lonnie Breeding III, CPA
Audit Staff:	Jeff Wilson
	Keri Wright
	Gary Raines



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Schuyler County, Missouri

We have audited the financial statements of various funds of Schuyler County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Schuyler County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Schuyler County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Schuyler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

March 24, 2003 (fieldwork completion date)

Financial Statements

Exhibit A-1

SCHUYLER COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 200,697	343,050	357,443	186,304
Special Road and Bridge	159,285	1,122,935	1,054,278	227,942
Assessment	2,766	44,202	42,401	4,567
Law Enforcement Training	2,043	1,365	2,496	912
Prosecuting Attorney Training	250	203	336	117
Law Sales Tax	9,578	235,030	242,499	2,109
Recorder's User Fees	2,975	1,874	439	4,410
Sales Tax Trust	130,179	128,911	128,007	131,083
Prosecuting Attorney Bad Check	4,162	3,149	4,809	2,502
Sheriff's Civil Service	1,466	3,745	3,756	1,455
Election Fees	541	18	0	559
Recorder	438	1,590	0	2,028
Domestic Violence	375	150	0	525
Circuit Court Interest	392	151	285	258
Associate Judge Interest	529	123	52	600
Law Library	184	2,432	1,396	1,220
Health Center	102,243	410,672	389,200	123,715
Senior Citizens Service	3,102	18,120	19,423	1,799
Collector Tax Maintenance	0	142	0	142
Total	\$ 621,205	2,317,862	2,246,820	692,247

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SCHUYLER COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 243,491	325,613	368,407	200,697
Special Road and Bridge	263,310	574,779	678,804	159,285
Assessment	3,825	42,813	43,872	2,766
Law Enforcement Training	2,141	1,663	1,761	2,043
Prosecuting Attorney Training	33	267	50	250
Law Sales Tax	1,750	249,472	241,644	9,578
Recorder's User Fees	1,744	1,646	415	2,975
Sales Tax Trust	124,786	131,914	126,521	130,179
Prosecuting Attorney Bad Check	6,292	3,536	5,666	4,162
Sheriff's Civil Service	653	3,931	3,118	1,466
Domestic Violence	205	170	0	375
Circuit Court Interest	2,478	494	2,580	392
Associate Judge Interest	1,013	229	713	529
Law Library	525	1,425	1,766	184
Health Center	62,418	390,553	350,728	102,243
Senior Citizens Service	3,283	17,544	17,725	3,102
Recorder	0	438	0	438
Election Fees	0	541	0	541
Law Sales Grant	0	4,582	4,582	0
Total	\$ 717,947	1,751,610	1,848,352	621,205

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SCHUYLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 2,614,698	2,317,720	(296,978)	1,927,539	1,746,049	(181,490)
DISBURSEMENTS	2,741,528	2,246,820	494,708	2,314,612	1,843,770	470,842
RECEIPTS OVER (UNDER) DISBURSEMENTS	(126,830)	70,900	197,730	(387,073)	(97,721)	289,352
CASH, JANUARY 1	621,205	621,205	0	717,947	717,947	0
CASH, DECEMBER 31	494,375	692,105	197,730	330,874	620,226	289,352
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	101,400	100,646	(754)	101,400	96,770	(4,630)
Sales taxes	123,000	126,753	3,753	120,000	123,373	3,373
Intergovernmental	3,900	4,330	430	5,050	4,255	(795)
Charges for service:	62,475	66,528	4,053	62,700	64,651	1,951
Interest	7,000	3,149	(3,851)	11,000	17,956	6,956
Other	13,432	11,313	(2,119)	10,580	18,608	8,028
Transfers in	36,000	30,331	(5,669)	20,500	0	(20,500)
Total Receipts	347,207	343,050	(4,157)	331,230	325,613	(5,617)
DISBURSEMENTS						
County Commissioner	47,518	47,088	430	47,357	47,340	17
County Clerk	43,175	42,432	743	42,627	38,557	4,070
Elections	25,500	7,411	18,089	22,000	10,033	11,967
Buildings and grounds	36,600	33,020	3,580	57,600	49,088	8,512
Employee fringe benefit	15,500	13,104	2,396	16,000	12,967	3,033
County Treasurer	17,559	17,166	393	17,534	17,417	117
County Collector	39,599	37,712	1,887	38,100	37,214	886
Circuit Clerk	4,200	3,140	1,060	4,050	2,952	1,098
Associate Circuit Court	3,000	2,155	845	3,850	2,892	958
Associate Circuit (Probate)	400	216	184	500	124	376
Court administration	7,561	4,299	3,262	7,423	2,944	4,479
Public Administrator	13,500	12,520	980	12,325	11,884	441
University Extension Service	22,000	22,000	0	20,100	20,100	0
Insurance	16,000	15,914	86	16,000	14,954	1,046
General county government	16,679	5,168	11,511	15,413	7,131	8,282
Public health and welfare service	17,328	10,344	6,984	8,966	4,912	4,054
Transfers out	98,536	83,754	14,782	104,068	87,898	16,170
Emergency Fund	10,416	0	10,416	13,017	0	13,017
Total Disbursements	435,071	357,443	77,628	446,930	368,407	78,523
RECEIPTS OVER (UNDER) DISBURSEMENTS	(87,864)	(14,393)	73,471	(115,700)	(42,794)	72,906
CASH, JANUARY 1	200,697	200,697	0	243,491	243,491	0
CASH, DECEMBER 31	112,833	186,304	73,471	127,791	200,697	72,906

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	215,000	212,890	(2,110)	199,300	215,457	16,157
Intergovernmental	1,210,750	878,156	(332,594)	574,400	316,731	(257,669)
Charges for service:	7,000	11,425	4,425	14,600	18,314	3,714
Interest	5,000	4,642	(358)	10,000	17,490	7,490
Donations	0	15,390	15,390	0	0	0
Other	1,250	432	(818)	3,800	6,787	2,987
Total Receipts	1,439,000	1,122,935	(316,065)	802,100	574,779	(227,321)
DISBURSEMENTS						
Salaries	216,000	172,707	43,293	210,000	186,520	23,480
Employee fringe benefit	29,500	25,888	3,612	29,500	25,281	4,219
Supplies	40,500	31,945	8,555	46,000	37,229	8,771
Insurance	10,000	9,351	649	10,000	8,601	1,399
Road and bridge materials	287,110	255,743	31,367	188,000	171,781	16,219
Equipment repairs	30,000	22,055	7,945	35,000	28,597	6,403
Rentals	5,000	5,263	(263)	15,000	2,950	12,050
Equipment purchases	40,000	14,224	25,776	165,000	166,577	(1,577)
Construction, repair, and maintenance	717,578	439,831	277,747	287,973	16,621	271,352
Return to towns	25,439	25,439	0	24,728	24,728	0
Special Road District #4	0	9,871	(9,871)	0	0	0
Other	14,501	11,630	2,871	13,001	9,919	3,082
Transfers out	42,469	30,331	12,138	30,726	0	30,726
Total Disbursements	1,458,097	1,054,278	403,819	1,054,928	678,804	376,124
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,097)	68,657	87,754	(252,828)	(104,025)	148,803
CASH, JANUARY 1	159,285	159,285	0	263,310	263,310	0
CASH, DECEMBER 31	140,188	227,942	87,754	10,482	159,285	148,803

Exhibit B

SCHUYLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	46,823	43,001	(3,822)	44,411	41,421	(2,990)
Charges for services	800	626	(174)	1,000	617	(383)
Interest income	600	217	(383)	600	509	(91)
Other	300	358	58	300	266	(34)
Transfers in	722	0	(722)	4,112	0	(4,112)
Total Receipts	49,245	44,202	(5,043)	50,423	42,813	(7,610)
DISBURSEMENTS						
Assessor	49,245	42,401	6,844	50,423	43,872	6,551
Total Disbursements	49,245	42,401	6,844	50,423	43,872	6,551
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,801	1,801	0	(1,059)	(1,059)
CASH, JANUARY 1	2,766	2,766	0	3,825	3,825	0
CASH, DECEMBER 31	2,766	4,567	1,801	3,825	2,766	(1,059)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	500	500	0	620	500	(120)
Charges for services	1,010	848	(162)	1,100	1,083	(17)
Interest	75	17	(58)	50	80	30
Total Receipts	1,585	1,365	(220)	1,770	1,663	(107)
DISBURSEMENTS						
Sheriff	3,000	2,496	504	3,750	1,761	1,989
Total Disbursements	3,000	2,496	504	3,750	1,761	1,989
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,415)	(1,131)	284	(1,980)	(98)	1,882
CASH, JANUARY 1	2,043	2,043	0	2,141	2,141	0
CASH, DECEMBER 31	628	912	284	161	2,043	1,882
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	300	203	(97)	300	267	(33)
Total Receipts	300	203	(97)	300	267	(33)
DISBURSEMENTS						
Prosecuting Attorney	550	336	214	333	50	283
Total Disbursements	550	336	214	333	50	283
RECEIPTS OVER (UNDER) DISBURSEMENTS	(250)	(133)	117	(33)	217	250
CASH, JANUARY 1	250	250	0	33	33	0
CASH, DECEMBER 31	0	117	117	0	250	250

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW SALES TAX FUND</u>						
RECEIPTS						
Sales tax	120,000	126,793	6,793	120,000	123,643	3,643
Intergovernmental	2,634	1,059	(1,575)	1,500	11,190	9,690
Charges for service:	27,387	22,285	(5,102)	29,925	25,826	(4,099)
Other	1,000	1,139	139	1,400	915	(485)
Transfers in	97,814	83,754	(14,060)	99,956	87,898	(12,058)
Total Receipts	248,835	235,030	(13,805)	252,781	249,472	(3,309)
DISBURSEMENTS						
Sheriff	117,884	115,971	1,913	116,739	112,113	4,626
Jail	60,836	57,620	3,216	58,200	60,346	(2,146)
Prosecutor	41,798	41,828	(30)	41,362	40,858	504
Juvenile office	8,625	3,205	5,420	8,050	4,015	4,035
Coroner	10,270	6,692	3,578	10,180	7,798	2,382
Fringe benefits	19,000	17,183	1,817	20,000	16,514	3,486
Total Disbursements	258,413	242,499	15,914	254,531	241,644	12,887
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,578)	(7,469)	2,109	(1,750)	7,828	9,578
CASH, JANUARY 1	9,578	9,578	0	1,750	1,750	0
CASH, DECEMBER 31	0	2,109	2,109	0	9,578	9,578
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for service:	1,500	1,806	306	1,400	1,540	140
Interest	90	68	(22)	75	106	31
Total Receipts	1,590	1,874	284	1,475	1,646	171
DISBURSEMENTS						
Recorder	1,800	439	1,361	3,219	415	2,804
Total Disbursements	1,800	439	1,361	3,219	415	2,804
RECEIPTS OVER (UNDER) DISBURSEMENTS	(210)	1,435	1,645	(1,744)	1,231	2,975
CASH, JANUARY 1	2,975	2,975	0	1,744	1,744	0
CASH, DECEMBER 31	2,765	4,410	1,645	0	2,975	2,975

Exhibit B

SCHUYLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SALES TAX TRUST FUND</u>						
RECEIPTS						
Sales tax	123,000	126,754	3,754	120,000	123,647	3,647
Interest	4,300	2,157	(2,143)	6,000	8,267	2,267
Total Receipts	127,300	128,911	1,611	126,000	131,914	5,914
DISBURSEMENTS						
Rock	67,685	67,685	0	63,570	63,570	0
Rock hauling	41,748	41,748	0	44,593	44,593	0
Road 4	18,574	18,574	0	18,358	18,358	0
Total Disbursements	128,007	128,007	0	126,521	126,521	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(707)	904	1,611	(521)	5,393	5,914
CASH, JANUARY 1	130,179	130,179	0	124,786	124,786	0
CASH, DECEMBER 31	129,472	131,083	1,611	124,265	130,179	5,914
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	4,000	3,149	(851)	4,000	3,536	(464)
Total Receipts	4,000	3,149	(851)	4,000	3,536	(464)
DISBURSEMENTS						
Prosecuting Attorney	6,750	4,809	1,941	8,550	5,666	2,884
Total Disbursements	6,750	4,809	1,941	8,550	5,666	2,884
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,750)	(1,660)	1,090	(4,550)	(2,130)	2,420
CASH, JANUARY 1	4,162	4,162	0	6,292	6,292	0
CASH, DECEMBER 31	1,412	2,502	1,090	1,742	4,162	2,420
<u>SHERIFF'S CIVIL SERVICE FUND</u>						
RECEIPTS						
Charges for service:	3,931	3,745	(186)	4,000	3,931	(69)
Total Receipts	3,931	3,745	(186)	4,000	3,931	(69)
DISBURSEMENTS						
Sheriff	3,759	3,756	3	4,653	3,118	1,535
Total Disbursements	3,759	3,756	3	4,653	3,118	1,535
RECEIPTS OVER (UNDER) DISBURSEMENTS	172	(11)	(183)	(653)	813	1,466
CASH, JANUARY 1	1,466	1,466	0	653	653	0
CASH, DECEMBER 31	1,638	1,455	(183)	0	1,466	1,466

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION FEES FUND</u>						
RECEIPTS						
Charges for service:	500	18	(482)			
Total Receipts	500	18	(482)			
DISBURSEMENTS						
County Clerk	1,041	0	1,041			
Total Disbursements	1,041	0	1,041			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(541)	18	559			
CASH, JANUARY 1	541	541	0			
CASH, DECEMBER 31	0	559	559			
<u>RECORDER FUND</u>						
RECEIPTS						
Charges for service:	400	1,590	1,190			
Total Receipts	400	1,590	1,190			
DISBURSEMENTS						
Recorder	800	0	800			
Total Disbursements	800	0	800			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(400)	1,590	1,990			
CASH, JANUARY 1	438	438	0			
CASH, DECEMBER 31	38	2,028	1,990			

Exhibit B

SCHUYLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for service:	170	150	(20)	190	170	(20)
Total Receipts	170	150	(20)	190	170	(20)
DISBURSEMENTS						
Domestic violence	545	0	545	205	0	205
Total Disbursements	545	0	545	205	0	205
RECEIPTS OVER (UNDER) DISBURSEMENTS	(375)	150	525	(15)	170	185
CASH, JANUARY 1	375	375	0	205	205	0
CASH, DECEMBER 31	0	525	525	190	375	185
<u>CIRCUIT COURT INTEREST FUND</u>						
RECEIPTS						
Interest	240	151	(89)	1,000	494	(506)
Total Receipts	240	151	(89)	1,000	494	(506)
DISBURSEMENTS						
Circuit Clerk	240	285	(45)	3,478	2,580	898
Total Disbursements	240	285	(45)	3,478	2,580	898
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(134)	(134)	(2,478)	(2,086)	392
CASH, JANUARY 1	392	392	0	2,478	2,478	0
CASH, DECEMBER 31	392	258	(134)	0	392	392
<u>ASSOCIATE JUDGE INTEREST FUND</u>						
RECEIPTS						
Interest	200	71	(129)	245	229	(16)
Other	0	52	52	0	0	0
Total Receipts	200	123	(77)	245	229	(16)
DISBURSEMENTS						
Associate Judge	729	52	677	1,258	713	545
Total Disbursements	729	52	677	1,258	713	545
RECEIPTS OVER (UNDER) DISBURSEMENTS	(529)	71	600	(1,013)	(484)	529
CASH, JANUARY 1	529	529	0	1,013	1,013	0
CASH, DECEMBER 31	0	600	600	0	529	529

Exhibit B

SCHUYLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	1,600	2,432	832	1,900	1,425	(475)
Total Receipts	1,600	2,432	832	1,900	1,425	(475)
DISBURSEMENTS						
Office expenditures:	1,784	1,396	388	2,425	1,766	659
Total Disbursements	1,784	1,396	388	2,425	1,766	659
RECEIPTS OVER (UNDER) DISBURSEMENTS	(184)	1,036	1,220	(525)	(341)	184
CASH, JANUARY 1	184	184	0	525	525	0
CASH, DECEMBER 31	0	1,220	1,220	0	184	184
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	50,475	51,861	1,386	46,525	49,812	3,287
Intergovernmental	285,247	314,970	29,723	250,575	303,678	53,103
Charges for service:	26,210	24,676	(1,534)	26,850	25,053	(1,797)
Interest	2,500	2,125	(375)	3,000	3,135	135
Other	6,648	17,040	10,392	6,100	8,875	2,775
Total Receipts	371,080	410,672	39,592	333,050	390,553	57,503
DISBURSEMENTS						
Salaries	289,950	308,329	(18,379)	267,700	277,435	(9,735)
Office expenditure:	19,780	21,676	(1,896)	14,350	19,382	(5,032)
Equipment	18,950	18,618	332	14,000	14,380	(380)
Mileage & training	11,000	10,499	501	7,000	11,036	(4,036)
Multi-county sanitation program	28,333	28,333	0	27,813	27,813	0
Other	3,067	1,745	1,322	2,187	682	1,505
Total Disbursements	371,080	389,200	(18,120)	333,050	350,728	(17,678)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	21,472	21,472	0	39,825	39,825
CASH, JANUARY 1	102,243	102,243	0	62,418	62,418	0
CASH, DECEMBER 31	102,243	123,715	21,472	62,418	102,243	39,825

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SENIOR CITIZENS SERVICE FUND</u>						
RECEIPTS						
Property tax	17,300	17,960	660	16,800	17,273	473
Intergovernmental	65	81	16	75	65	(10)
Interest	150	79	(71)	200	206	6
Total Receipts	<u>17,515</u>	<u>18,120</u>	<u>605</u>	<u>17,075</u>	<u>17,544</u>	<u>469</u>
DISBURSEMENTS						
Senior center	13,500	13,500	0	12,500	12,500	0
OATS	4,000	3,908	92	4,500	3,210	1,290
Library	2,000	2,000	0	2,000	2,000	0
Other	1,117	15	1,102	1,358	15	1,343
Total Disbursements	<u>20,617</u>	<u>19,423</u>	<u>1,194</u>	<u>20,358</u>	<u>17,725</u>	<u>2,633</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(3,102)</u>	<u>(1,303)</u>	<u>1,799</u>	<u>(3,283)</u>	<u>(181)</u>	<u>3,102</u>
CASH, JANUARY 1	<u>3,102</u>	<u>3,102</u>	<u>0</u>	<u>3,283</u>	<u>3,283</u>	<u>0</u>
CASH, DECEMBER 31	<u>0</u>	<u>1,799</u>	<u>1,799</u>	<u>0</u>	<u>3,102</u>	<u>3,102</u>

The accompanying Notes to the Financial Statements are an integral part of this statement

Notes to the Financial Statements

SCHUYLER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Schuyler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senior Citizens Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Collector Tax Maintenance Fund	2002
Recorder Fund	2001
Election Fees Fund	2001
Law Sales Grant Fund	2001

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Health Center Fund	2002 and 2001
Circuit Clerk Interest Fund	2002

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county's published financial statements for the years ended December 31, 2002 and 2001, included all funds presented in the accompanying financial statements.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the Health Center Board's deposits at December 31, 2002 and 2001, were entirely covered by federal depository insurance or by collateral securities held by the county's and the board's custodial bank in the county's or the board's name.

The Senior Citizens Service Board's deposits at December 31, 2002 and 2001, were entirely covered by federal depository insurance.

3. Property Taxes

Through December 31, 2002, Schuyler County collected \$21,359 in excess property taxes. Section 67.505, RSMo 2000, requires the county to reduce property taxes for a percentage of sales taxes collected. Schuyler County voters enacted a half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

4. Prior Period Adjustment

The Surplus Land Fund's and Unclaimed Fees Fund's cash balances of \$766 and \$150, respectively, at January 1, 2001, were previously reported but have been removed as these are not considered county operating funds.

Supplementary Schedule

Schedule

SCHUYLER COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state Department of Health and Senior Services				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-2199W ERS045-1199W	\$ 12,924 0	0 14,139
	Program Total		<u>12,924</u>	<u>14,139</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Economic Development -				
14.228	Community Development Block Grants/State' Program	2001-PF-19	178,153	4,425
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO-1640440 ERO-1640376	5,000 0	0 5,000
	Program Total		<u>5,000</u>	<u>5,000</u>
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission -				
20.205	Highway Planning and Constructior	BRO-098 (14) BRO-098 (16)	401,913 10,843	13,305 14,550
	Program Total		<u>412,756</u>	<u>27,855</u>
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration				
39.003	Donation of Federal Surplus Personal Propert	N/A	2,773	2,409

Schedule

SCHUYLER COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety				
83.544	Public Assistance Grants	FEMA-1412-DR-MO	36,051	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state Department of Health and Senior Services				
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Level in Children	ERS-146-2199L ERS-146-1199L	2,498 0	0 1,468
	Program Total		<u>2,498</u>	<u>1,468</u>
93.268	Immunization Grants	PGA064-2199A PGA064-1199A	11,737 0	0 7,521
	Program Total		<u>11,737</u>	<u>7,521</u>
93.569	Homeless Challenge Grant	PCH-50	1,800	1,800
93.575	Child Care and Development Block Grant	PGA067-2229C PGA067-1229C	3,035 0	0 3,538
	Program Total		<u>3,035</u>	<u>3,538</u>
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERS146-2199C ERS146-1199C	64,715 0	0 55,368
	Program Total		<u>64,715</u>	<u>55,368</u>
93.994	Maternal and Child Health Service: Block Grant to the States	ERS146-2199M ERS146-1199M	12,095 0	0 11,473
	Program Total		<u>12,095</u>	<u>11,473</u>
	Total Expenditures of Federal Award:		\$ <u><u>743,537</u></u>	<u><u>134,996</u></u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Notes to the Supplementary Schedule

SCHUYLER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Schuyler County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$9,870 to a subrecipient under the Public Assistance Grants Program (CFDA number 83.544) during the year ended December 31, 2002.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Schuyler County, Missouri

Compliance

We have audited the compliance of Schuyler County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2002 and 2001. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Schuyler County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended

December 31, 2002 and 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

Internal Control Over Compliance

The management of Schuyler County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Schuyler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 24, 2003 (fieldwork completion date)

Schedule

SCHUYLER COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2002 AND 2001

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? yes no

Reportable conditions identified that are not considered to be a material weaknesses? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major program:

Material weaknesses identified? yes no

Reportable condition identified that is not considered to be a material weakness? yes none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? yes no

Identification of major program:

CFDA or Other Identifying <u>Number</u> 20.205	<u>Program Title</u> Highway Planning and Construction
---	---

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

02-1	Federal Awards
-------------	-----------------------

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity Identifying Number:	BRO-098(14), (16)
Award Years:	2002 and 2001
Questioned Costs:	N/A

A. Section .310(b) of Circular A-133, *Audit of States, Local Governments, and Non-profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

The county does not have procedures in place to adequately track federal awards for the preparation of the SEFA. For the years ended December 31, 2002 and 2001, the county's SEFA contained several errors and omissions. For example, the Community Developmental Block Grants/State's Program was overstated by \$3,473 and the Highway Planning and Construction program was understated by \$6,040 for the year ended December 31, 2002. In addition, five grants were misstated by \$5,874 and five other grants with expenditures totaling \$13,537 and \$44,010 were omitted from the SEFA for the years ended December 31, 2002 and 2001, respectively. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

- B. The county has not established cash management procedures to ensure the minimum time elapses between its receipt of federal Highway Planning and Construction - Offsystem Bridge Replacement (BRO) project monies and the distribution of such monies to contractors. We noted seven reimbursements totaling \$55,574 which were received and held from 10 to 18 days before the related payment was made to the contractor. While the liability was incurred prior to reimbursement, payment was not made to the contractor in a timely manner.

Section XII -2 of Missouri Department of Transportation's Local Program Agency Manual requires that BRO funds shall be requested such that they are received not more than two days prior to their disbursement.

WE RECOMMEND the County Commission:

- A. And the County Clerk prepare complete and accurate schedules of expenditures of federal awards to submit to the State Auditor's Office as a part of the annual budgets.
- B. Establish procedures to minimize the time between the receipt of federal monies and disbursement of such funds to comply with program requirements.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

- A. *The County Commission and County Clerk indicated they agree with this recommendation.*
- B. *The County Commission indicated they will take the recommendation under advisement, however their policy has always been to issue checks only twice a month.*

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

SCHUYLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Schuyler County, Missouri, on the applicable finding in the prior audit report issued for the two years ended December 31, 2000.

00-1. County Sales Tax

The county did not sufficiently reduce its general property tax levy to fully comply with the County Sales Tax Act. As of December 31, 2000, property tax revenues collected were \$53,436 in excess of allowable amounts.

Recommendation:

Additional reductions will need to be made in future years to offset the balance of prior years' excess property tax revenue collections.

Status:

Partially implemented. The county has reduced its property tax levy by an additional 3 cents each of the last several years to address the prior excess collections. While the county did not maintain documentation of its monitoring of the balance of prior years' excess collections or its calculations of the resulting required property tax reductions, the balance of excess collections has been reduced to approximately \$21,359 at December 31, 2002. If the county continues to reduce its levy by an additional 3 cents each year, the prior excess collections should be eliminated in approximately two years. The county should begin tracking the prior excess collections to determine when the excess is eliminated and the additional tax levy rollback can be discontinued. Although not repeated in the current Management Advisory Report, the recommendation remains as stated above.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

SCHUYLER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

SCHUYLER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Schuyler County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 24, 2003. We also have audited the compliance of Schuyler County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 24, 2003.

We also have audited the operations of elected officials with funds other than those presented in the financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audits of the financial statements of Schuyler County and of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government*

1. County Budgets and Financial Statements

The county's budgets and published financial statements for the two years ended December 31, 2002, excluded some cash, receipts and disbursements amounts.

- A. The county's budgets and published financial statements have reported only the original principal amounts, excluding interest earned on certificates of deposits. The certificates have matured and been rolled over into new certificates for several years. Interest earned on certificates of deposits totaling \$11,768 for the General Revenue Fund, \$11,222 for the Special Road and Bridge Fund, and \$5,644 for the Sales Tax Trust Fund was not included. The misstatement was not detected primarily because an investment ledger was not maintained and interest earned was not recorded in the accounting records each time the certificates were renewed.
- B. A Community Development Block Grant bank account held by the County Treasurer, with a balance of \$1,000 was not included on the county's budget or published financial statements. The County Clerk indicated the account was excluded since the \$1,000 was an advance used to open the account and is due to the grant administrator once the project is completed. However, the \$1,000 represents a county asset until disbursement, at which time it will be considered an expenditure of the grant program.
- C. The county did not include a \$9,870 receipt from a Federal Emergency Management Agency (FEMA) grant and subsequent disbursement to a Special Road District. The County expended approximately \$26,000 of federal FEMA grant monies and passed through another \$9,870 to a Special Road District. All monies were originally recorded as a receipt and disbursement in the county's records, but the pass-through amount was subsequently removed.

Failure to include all cash, receipts and disbursements reduces the effectiveness of the budget process and increases the susceptibility of county assets to loss or misuse. In addition, not including all grant amounts on the budgets and published financial statements makes reconciliation of these records to the Schedule of Expenditures of Federal awards more difficult.

WE RECOMMEND the County Commission ensure all applicable cash, receipt and disbursement transactions are recorded on the budgets and published financial statements. In addition, the commission should require that an investment ledger be maintained. An investment ledger should include certificate and/or account number, interest rate, date of purchase and maturity, as applicable, interest amounts earned, institution with whom the investment is made, and the fund to which the investment applies.

AUDITEE'S RESPONSE

The County Commission indicated they agree and will also discuss the development of an investment ledger with the County Treasurer. The Commission indicated they plan to have this recommendation implemented within six months.

2.

Road and Bridge

Invoices do not always contain documentation of receipt of goods and are not compared to summary billing statements. Also, policies and procedures over the sale of materials are not adequate and inventory records of materials are not maintained. The county purchased road and bridge materials totaling approximately \$500,000 during the two years ended December 31, 2002. These materials, some of which were resold to the public or other governmental entities, included things such as rock, concrete, bridge steel, fuel, and culverts.

- A. Invoices and delivery tickets received by the Road and Bridge Department are not always forwarded to the County Clerk for comparison to the billing statements, which are approved and used as the basis for payment. In addition, invoices usually do not contain documentation of the receipt of the goods or services. Since the actual receipt of the goods or services is not documented and the billing statements that the county is basing payment on are not agreed to the supporting invoices, the county does not have adequate assurance it is paying only for goods and services actually received and approved.
- B. The county has not adopted formal policies and procedures over the sale of rock and culverts to the public and other governmental entities. The county received approximately \$26,000 from these sales during the two years ended December 31, 2002. Usually rock purchased by the public is put on county roads under a cost-sharing program while culverts are usually purchased by individuals for private purposes or purchased by other governmental entities.

A bill of sale may not always be prepared for each sale and a bill of sale/receipt is not required to pick-up materials from the Road and Bridge Department. A bill of sale is sometimes prepared by the County Clerk when goods are to be billed and at other times the County Treasurer will simply prepare a receipt slip if payment is made in advance. In addition, sometimes the purchaser comes to the county courthouse to make these arrangements prior to picking up the materials, and other times they pick up materials first at the Road and Bridge Department and department employees are then supposed to report the transaction to the County Clerk so a billing can be prepared. As a result of this lack of formal, consistent policies and procedures the county does not have one complete record of all sales. In addition, the county has little assurance that all materials picked up from the Road and Bridge Department will be billed or were paid in full. Our review also noted that the county does not collect sales taxes on applicable sales made for private purposes.

Failure to adopt formal policies and procedures over sales to the public could result

in lost revenues. The county should develop consistent procedures whereby all sales must be approved in the County Clerk's office and supported by a bill of sale (whether paid in advance or to be billed later) prior to the release of materials by the Road and Bridge Department.

- C. The Road and Bridge Department does not maintain an inventory record of all construction materials and fuel on hand. The county maintains a stockpile of culverts for its own use and for sale to the public and also purchased a large quantity of steel ahead of time for a series of bridges to be constructed over a couple of years. In addition, the county maintains fuel for road and bridge equipment in bulk fuel tanks. The inventory record should be maintained on a perpetual basis, with all materials and fuel purchased being added and all amounts sold/used being deducted from the record. In addition, materials and fuel on hand should be physically inventoried on a periodic basis and agreed to the perpetual inventory record.

Adequate inventory records are necessary to secure better internal controls and safeguard materials which are susceptible to loss or theft. Periodic physical inventories are necessary to ensure the records are accurate, identify any unrecorded additions and deletions, and detect possible loss or theft.

WE RECOMMEND the County Commission:

- A. Ensure all invoices document the receipt of goods and services. In addition, ensure all invoices received by the Road and Bridge Department are forwarded to the County Clerk for comparison to billing statements prior to payment.
- B. Develop formal policies and procedures over sales to the public. One complete record of all sales should be maintained by the county and materials should only be released after customers present proof of payment or a bill of sale approved by the County Clerk's office. Also, the county should collect sales tax on sales intended for private use.
- C. Maintain a perpetual inventory record of pertinent road and bridge materials and fuel and periodically perform a physical inventory of the applicable materials and fuel.

AUDITEE'S RESPONSE

- A. *The County Commission and County Clerk indicated this recommendation has already been implemented.*
- B. *The County Commission indicated they do not agree with the recommendation. They indicated they do not believe this is a significant concern as the current program is small and they, along with the County Clerk, are in close contact with the Road and Bridge Department regarding materials authorized to be released to the public.*
- C. *The County Commission indicated they agree and will develop records and procedures*

within the next six months.

AUDITOR'S COMMENT

- B. The lack of a single, consistent record of sales, combined with no records of materials released at the Road and Bridge Department increases the risk that materials might be provided to the public for which payment is never received.

3.

Policies and Procedures

The county did not always solicit bids for various purchases and did not solicit proposals from engineering firms as required by statute. In addition, the county did not enter into written contracts or monitor monies given to other political subdivisions. Finally, the county did not maintain a general fixed asset record on a perpetual basis or take an annual inventory.

- A. The county did not always solicit bids for various purchases. In addition, the minutes did not adequately document some bid information, such as reasons for accepting bids other than the lowest bid, sole source procurement situations, and efforts to solicit bids. Our review noted the following examples:
- 1) During 2002, the county spent approximately \$157,000 for road rock from the Sales Tax Trust Fund and the Special Road and Bridge Fund. Competitive bids were solicited for 2001, but were not solicited for 2002. Rather, the county only requested quotes from one quarry with which it had dealt in the prior year. According to the County Commission, the prices at the only other source in the county were so much higher in the past that the county did not solicit a bid from that source.
 - 2) The county solicited one bid on a steel purchase of approximately \$35,000 for a 2001 bridge project. The County Clerk stated that the vendor was the sole source. However, there was nothing in the minutes to support this statement and the county had received more than one bid on similar projects.
 - 3) According to the County Clerk, the county has not solicited bids for property and liability insurance coverage for at least four years even though the county spends approximately \$24,000 annually for insurance premiums.
 - 4) The county spends approximately \$24,000 annually for Road and Bridge Department fuel and oil. However, the county has not bid this service or solicited discounts on the pump price. Fuel is purchased in bulk and stored in tanks at the Road and Bridge Department.

Section 50.660, RSMo 2000, requires the advertisement for bids on all purchases of \$4,500 or more from any one person, firm or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding assures all parties are given an equal opportunity to participate in county business. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, newspaper publication notices, bids received, the basis of justification for awarding bids, and documentation of all discussions with vendors.

- B. The county did not obtain information required by state law for engineering services related to bridge project number 14. Instead, the county contracted with an engineering firm that had performed work on previous projects for the county. During the audit period, the county incurred engineering costs of approximately \$22,000 on this project. Section 8.289, RSMo 2000, requires that agencies or political subdivisions which utilize engineering services request annual statements of qualifications and performance data from firms. Section 8.291, RSMo 2000, further requires that when negotiating for a contract, the agency or political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work.

- C. The following transactions were made with no contract and for which the county performed no monitoring and required no information from the political subdivisions to document the actual use of the monies:
 - 1) The county paid approximately \$50,000 in total during 2001 and 2002 to the following towns: Lancaster, Downing, Queen City, and Greentop. The payments represent a portion of the county's road and bridge levy and are allocated based upon the cities' assessed valuations.
 - 2) The county paid approximately \$36,000 in total during 2001 and 2002 to Special Road District number four. The payment is based upon the number of graveled roads within the district as compared to the county as a whole. In addition, the county passed through \$9,870 to the road district which represented a portion of a Federal Emergency Management Agency (FEMA) grant received by the county.
 - 3) The county also passed through two grants (Emergency Shelter and Homeless Challenge) of approximately \$26,000 in total during 2001 and 2002 to the NorthEast Missouri Community Action Agency.

Written contracts are necessary to specify the services to be performed and consideration to be paid for the services and provide a means for the county to monitor compliance with the terms of the agreement. Failing to adequately monitor these political subdivisions could result in monies not being spent for the intended purpose.

- D. The County Commission or its designee is responsible for maintaining a complete, detailed record of county property. In the past, the County Clerk has been primarily responsible for these records. While the County Clerk maintained an inventory listing of fixed assets held by the county officials, the fixed asset listings had not been updated, nor had a physical inventory been completed, since 2000. Examples of items purchased which were not included on the fixed asset listing include a motor grader valued at approximately \$132,000, a snow plow, and two computers. In addition, general fixed assets have not been tagged since 2000. The county has not developed a policy to define who is responsible for inventory records, the procedures to be followed, and the content of the records.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained and the justification for selecting the winning bid. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Obtain a statement of qualifications and performance data from at least three engineering firms before contracting for these services.
- C. Enter into written contracts, require financial reports, and adequately monitor the

reports from these political subdivisions.

- D. Establish a written policy related to the handling and accounting for fixed assets. In addition, all fixed asset purchases and dispositions should be recorded as they occur, purchases of fixed assets should be reconciled to additions on the inventory records, and purchased items should be tagged or identified as county-owned property upon receipts.

AUDITEE'S RESPONSE

- A. *The County Commission indicated they agree with the recommendation and will try harder to ensure adequate documentation, including notations in meeting minutes, is maintained.*
- B. *The County Commission indicated they will take the recommendation under advisement. However, in the past they have used firms with which they had prior favorable experience.*
- C. *The County Commission indicated they agree and will develop contracts and require reporting, starting with monies to be distributed in July 2003.*
- D. *The County Commission indicated they agree and will develop policies and procedures by the end of 2003.*

4. Officials' Salaries

The county has not taken action on mid-term salary increases given to the Associate Commissioners in 1999. Actions of the salary commission in approving a raise for the County Treasurer in October 2002 were not supported by a written legal opinion.

- A. Section 50.333.13, RSMo, enacted in 1997, allowed the salary commissions meeting in 1997 to provide mid-term increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioner' terms had been increased from two years to four years. Based upon this statute, in 1999 Schuyler County's Associate County Commissioners' salaries were each increased approximately \$2,686 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of the statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional. On June 5, 2001, the State Auditor notified all third class counties of the Supreme Court decision and recommended that each county document its review of the impact of the opinion, as well as plans to seek repayment.

Based upon the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling \$5,372 for the two years ended December 31, 2000, should be repaid. As of March 24, 2003, the County Commission has not reviewed the impact of this decision and has not developed a plan for obtaining repayment of the salary overpayments.

- B. The County Treasurer's salary was increased \$5,731 annually, effective with the start of a new term of office on January 1, 2003. A salary commission meeting held in October 2002 approved this increase.

House Bill 2137, effective August 28, 2002, provided for an increase in the compensation paid to the county treasurer. It established an alternative, higher salary schedule and stated the salary commission **may** authorize the use of the alternative salary schedule. However, 50.333, RSMo 2000, appears to authorize salary commissions to meet only in odd-numbered years. There was no legal documentation supporting whether the meeting complied with Section 50.333, RSMo 2000.

As a result, without a documented legal opinion, it is unclear whether the salary increase provided to the County Treasurer is in accordance with state law.

WE RECOMMEND the County Commission:

- A. Review the impact of the decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.

AUDITEE'S RESPONSE

- A. *The County Commission indicated they disagree and do not plan to request repayment from the Associate Commissioners. They indicated they believe the raises were given in good faith based on legislation passed by the state. In addition, they stated legal opinions were obtained from several sources at the time which indicated it would be appropriate to approve the raises.*
- B. *The County Commission indicated this situation had been discussed with legal counsel at the time and they have no plan to rescind the raise.*

AUDITOR'S COMMENT

A&B. No written legal opinions were provided; only verbal discussions at the time the actions were approved. In light of the Supreme Court decision relative to part A, and the statutory conflicts noted in part B, the county should consider obtaining a written opinion on the legality of the raises.

5.**Senior Citizens Service Board**

The Senior Citizens Service Board does not have written contracts with all its service providers and does not adequately monitor monies provided to some of the entities. The board receives approximately \$18,000 annually from a property tax levy. The monies are used to fund various programs, operated by several non-profit and governmental agencies, benefiting senior citizens of Schuyler County.

- A. The board has not entered into written contracts with the Schuyler County Council on Aging (SCCA) and the Schuyler County Library as required by Section 432.070, RSMo 2000. Written agreements are necessary to specify the services to be performed and the consideration to be paid for the services, provide a means for the board to monitor compliance with the contract terms, and protect the board in the event of a dispute over the terms of the agreement.
- B. The board does not adequately monitor monies provided to the SCCA and Older Adults Transportation Service Incorporated (OATS).
 - 1) During the two years ended December 31, 2002, the board granted the SCCA approximately \$26,000 to help offset some of the cost of operating a senior nutrition program. However, the board did not require and did not receive any type of report documenting how these monies were used.
 - 2) The board also granted approximately \$7,100 to OATS for the two years ended December 31, 2002. These monies were to be used to provide transportation services to Schuyler County senior citizens. OATS provided the board with a billing statement, which listed only total monthly billings and the board's share of these billings. The statements contained no details of the dates and amount of the services provided.

Without documentation detailing the services provided, the board has little assurance that the monies were spent for the intended purpose.

WE RECOMMEND the Senior Citizen Board of Directors:

- A. Enter into written contracts with all entities which receive funding from the board.
- B. Require and periodically review records of services provided to residents of Schuyler County. At a minimum, the records should contain the names of citizens participating in the program, the services provided, and the cost of each service.

AUDITEE'S RESPONSE

A&B. The Senior Citizens Service Board Chairperson indicated they agree and plan to implement the recommendations within three months.

6.

Health Center

The Health Center Board approved expenditures in excess of the approved budgeted amounts totaling \$18,120 and \$17,678 for the years ended December 31, 2002 and 2001, respectively. According to the Health Center Administrator, budget to actual reports are generated at least quarterly and provided to the board. However, it appears the board is not using these reports as an effective monitoring tool.

It was ruled in *State ex rel. Strong v. Cribb* 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. Also, Section 50.622, RSMo 2000, provides county boards may amend the annual budget during any year in which the board receives additional funds which could not be estimated when the budget was adopted and that the board shall follow the same procedures required for adoption of the annual budget to amend the budget.

A similar condition was noted in prior audits.

WE RECOMMEND the Health Center Board not authorize expenditures in excess of budgeted amounts and take appropriate action when it appears budget are going to be exceeded. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.

AUDITEE'S RESPONSE

The Health Center Administrator indicated they agree and will take appropriate actions to prevent expenditures in excess of the budget in the future.

Follow-Up on Prior Audit Findings

SCHUYLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Schuyler County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1998 and our Special Review of the Schuyler County Health Department Billing Project, issued January 7, 2000. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Expenditures

- A. Bids were not solicited by the county nor was bid documentation retained for various purchases.
- B. Indication of the receipt of goods and services was not documented on invoices by the employee who received the goods or services.

Recommendation:

The County Commission:

- A. Solicit bids for all items in accordance with Section 50.660, RSMo Cum. Supp. 1998. Documentation of bids solicited and justification of bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.
- B. Require acknowledgement of the receipt of goods and services prior to the approval of an invoice for payment.

Status:

- A. Not implemented. See MAR No. 3.
- B. Not implemented. See MAR No. 2.

2. Health Center

- A. The Health Center Board of Trustees purchased land for a future building site at a price of \$7,500. The Assessor's Office had this land appraised at \$2,534, but an independent appraisal was not obtained to ensure that the purchase price was reasonable. Additionally, no documentation existed to support the board's decision to purchase this land.

- B. The Health Center exceeded budgeted amounts during the years ended December 31, 1998, and 1997 by approximately \$65,700 and \$47,800, respectively.
- C. The Health Center did not perform annual inventories of general fixed assets. In addition, the building and land values were not included on the general fixed asset listing, additions and deletions were not recorded as they occurred and the health center administrator did not reconcile the general fixed asset records to asset purchases and deletions.

Recommendation:

The Health Center Board of Trustees should:

- A. Ensure justification of the selection process is thoroughly documented and an independent appraisal is obtained for future land purchases.
- B. Not authorize expenditures in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budget properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.
- C. Perform and document annual inventories of general fixed assets, maintain accurate general fixed asset records on a current basis, and periodically reconcile these records to general fixed asset additions and deletions.

Status:

- A. The Health Center has not begun any new construction projects since our prior audit. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. Public hearings were held to approve the budget. However, expenditures again exceeded budgeted amounts and amendments were not filed with the State Auditor's Office. See MAR No. 6.
- C. Implemented.

3. Employee Leave Records and Procedures

Records of annual leave, sick leave, and compensatory time balances were not centrally maintained.

Recommendation:

The County Clerk maintain centralized leave records for all county employees.

Status:

Not implemented. However, the county has a small number of employees and overtime earned is either paid or taken as compensatory time off in the following week. In addition, sick leave is not accrued and vacation leave must be taken by year end. Although not repeated in the current MAR, our recommendation remains as stated above.

SPECIAL REVIEW OF
SCHUYLER COUNTY HEALTH DEPARTMENT BUILDING PROJECT

1. Overall Planning

The Health Center Board of Trustees was not adequately involved in the building project and related fiscal and budgetary planning. The board members did not evaluate the overall construction costs and other potential costs related to the building project.

Recommendation:

In any future building projects or Health Center operations the Board of Trustees ensure it evaluates in advance all construction costs and other potential costs related to the project in an effort to determine realistic, usable, and complete cost estimates. This information should then be used by the board to determine project feasibility and scope to prepare a proper financial plan. In addition, the board must ensure it exercises proper board oversight, has effective internal controls, adequate budgeting, and properly safeguards all assets.

Status:

The Health Center has not begun any new construction projects. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Building Construction Procedures and Project Oversight

- A. Building project cost estimates were not obtained, documented or approved by the Health Center Board of Trustees as required by Chapter 49, RSMo 1994.
- B. The Health Center did not adequately monitor payments to contractors to ensure contracts amounts were not exceeded.
- C. The Health Center did not adequately monitor the contract specifications on the interior contract. The work specified in the contract required the contractor to furnish and install mini-blinds at each window; however, none were installed.

Recommendation:

- A. Apply adequate oversight procedures and comply with all laws and regulations regarding construction or other activities in any future projects. This would include ensuring project cost estimates are obtained, presented and evaluated to ensure the best informed management decisions are made.
- B. In the future, perform periodic comparison of amounts paid to vendors to the contract bids to prevent overpayment of invoices and ensure the propriety of all payments made.
- C. Review the interior contract specifications and consider requesting the contractor comply with the contract or make appropriate price adjustments.

Status:

- A&B. The Health Center has not begun any new construction projects since our review. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Not implemented. The Health Center Board has decided not to pursue the matter with the contractor. As a result, no price adjustments were obtained or additional services rendered. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Budgetary Practices

- A. The 1999 health department budget failed to include expected building project expenditures. In July 1999, near building project completion, an amended 1999 budget was submitted that included 1999 budgeted and 1998 actual construction expenditures. Additionally, the board did not adequately comply with statutory requirements for advanced public notice of the hearings for the consideration of the original or amended budgets.
- B. The board did not perform or require a periodic comparison of budgeted expenditures to actual revenues and expenditures with budgeted amounts.

Recommendation:

- A. Ensure complete and accurate budgets that reflect all anticipated revenues and expenditures are prepared. In addition, ensure the department complies with statutory requirements for advanced public notice of the hearings for consideration of the original or amended budgets.

- B. Compare actual revenues and expenditures with budgeted amounts on an ongoing basis.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 6.

4. Insurance Coverage

The Health Center failed to obtain builder's risk insurance to cover the building project during construction.

Recommendation:

The Board of Trustees ensure that health department assets continue to be adequately insured to protect against losses.

Status:

The Health Center has not begun any new construction projects since our review. Although not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SCHUYLER COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Schuyler was named after Phillip Schuyler, a Revolutionary War general. Schuyler County is a county-organized, third-class county and is part of the First Judicial Circuit. The county seat is Lancaster.

Schuyler County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 270 miles of county roads and 87 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 4,979 in 1980 and 4,170 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2002	2001	2000	1999	1985*	1980**
	(in millions)					
Real estate	\$ 18.3	18.0	17.6	17.2	16.2	9.1
Personal property	10.2	10.0	9.6	8.9	4.6	3.9
Railroad and utilities	6.3	6.6	6.4	6.3	6.8	6.1
Total	\$ 34.8	34.6	33.6	32.4	27.6	19.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Schuyler County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,			
	2002	2001	2000	1999
General Revenue Fund	\$.2900	.2900	.2900	.2900
Special Road and Bridge Fund*	.2600	.2433	.2600	.2600
Common Road and Bridge Fund*	.4866	.4516	.4825	.4800
Health Center Fund	.1500	.1500	.1500	.1500
Senior Citizens Service Fund	.0500	.0500	.0500	.0500

* The road district also has an additional levy approved by the voters. The county has only one road district that receives four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
\$				
State of Missouri	10,146	10,090	9,713	9,372
General Revenue Fund	96,993	96,522	92,753	89,701
Special Road and Bridge Fund	91,317	86,659	87,314	84,473
Assessment Fund	20,708	20,543	19,500	19,052
Health Center Fund	50,163	49,937	47,973	46,395
School district	914,608	909,325	874,926	844,782
Library district	49,889	49,069	31,980	30,922
Ambulance district	100,300	99,848	95,900	92,749
Surtax	18,082	18,234	18,234	18,269
Special road district	155,967	145,969	148,619	142,978
Nursing home	50,163	49,936	47,973	46,395
School district bond debt service	257,434	256,263	245,395	237,489
Senior Citizens Service Fund	16,730	16,659	15,992	15,472
Cities	52,674	52,128	49,139	32,756
County Clerk	794	782	769	690
County Employees' Retirement	8,194	7,490	7,109	6,218
Others	2,656	888	2,434	2,526
Commissions and fees:				
General Revenue Fund	36,931	37,759	35,278	35,107
County Collector	1,138	1,111	1,036	541
Total	\$ 1,934,886	1,909,211	1,832,038	1,755,888

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
Real estate	91.4	94.0	91.9	92.4 %
Personal property	89.0	88.0	89.6	88.3
Railroad and utilities	100.0	100.0	100.0	100.0

Schuyler County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	50 %
Road and Bridge	.0050	2004	None
Law Enforcement	.0050	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2003	2002	2001	2000	1999
County-Paid Officials:					
Robert G. Aldridge, Presiding Commissioner	\$	16,546	16,546	16,546	16,546
Jim Werner, Associate Commissioner		14,546	14,546		
Jaye Baxter, Associate Commissioner		14,546	14,546	14,546	14,546
Jack D. Gray, Associate Commissioner				14,546	14,546
Doyle E. Talbert, County Clerk		22,040	22,040	22,040	22,040
Brenda Swedberg, Prosecuting Attorney		28,120	28,120	28,120	28,120
Donald Bruner, Sheriff		27,360	27,360	20,250	20,250
Karmen Buckallew, County Treasurer		16,309	16,309	16,309	16,309
Douglas B. Norman, County Coroner		6,080	6,080	3,960	3,960
Patricia Swedberg, Public Administrator		11,400	11,400	6,000	750
Teresa Tallman, Public Administrator					5,000
Kathy Roberts, County Collector (1) year ended February 28 (29),	23,178	23,151	23,076	22,581	
Gary Stump, County Assessor (2) year ended August 31,		22,940	22,940	22,940	22,940

(1) Includes fees of \$ 1138, \$1,111, \$ 1,036, and \$541 of commissions earned for collecting city property taxes for the years ended February 28 (29) 2003, 2002, 2001, and 2000.

(2) Includes \$900 annual compensation received from the state.

State-Paid Officials:

Judy Keim, Circuit Clerk and Ex Officio Recorder of Deeds		47,300	47,300	46,126	44,292
Stephen K. Willcox, Associate Circuit Judge		96,000	96,000	97,382	87,235

In addition, the county pays a proportionate share of the salaries of circuit court-appointed employees. Schuyler County's share of the First Judicial Circuit's expenses is approximately 25 percent.