



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Maries County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Maries County, Missouri, for the two years ended December 31, 2002. A copy of this audit which was performed by Eickermann, Vollmar & Company, L. L. C., Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Claire McCaskill", is positioned above the printed name and title.

Claire C. McCaskill
State Auditor

Report No. 2003-84
August 13, 2003

MARIES COUNTY, MISSOURI
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

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FINANCIAL SECTION

Independent Auditor's Reports

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Maries County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Maries County, Missouri, as of and for the years ended December 31, 2002 and 2001 as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Maries County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Maries County.

In our opinion, the special-purpose 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 Maries 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 in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 13, 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.

Original Signed by Auditor
Eikermann, Vollmar & Company, LLC

June 13, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Randy Eikermann, CPA
In-Charge Auditor: Melissa Prichard, CPA
Audit Staff: Keith Vollmar, CPA

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 Maries County, Missouri

We have audited the special-purpose financial statements of various funds of Maries County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 13, 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 special-purpose financial statements of various funds of Maries 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 02-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Maries 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 special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings as finding numbers 02-2 and 02-3.

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 special-purpose 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. Our consideration of the internal control over financial reporting 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 believe that none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Management Advisory Report.

This report is intended for the information of the management of Maries County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Original Signed by Auditor

Eikermann, Vollmar & Company, LLC

June 13, 2003 (fieldwork completion date)

Financial Statements

Exhibit A-1

MARIES 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	\$ 10,261	1,145,863	1,087,165	68,959
Special Road and Bridge	52,822	1,067,750	1,030,008	90,564
Assessment	128	109,505	108,293	1,340
Law Enforcement Training	8,779	2,936	3,251	8,464
Prosecuting Attorney Training	395	290	633	52
Prosecuting Attorney Bad Check	10,479	5,640	12,137	3,982
Children's Trust	268	288	312	244
Citizen's Safety	0	94,323	82,682	11,641
Recorder's Record Storage	29,349	9,289	5,449	33,189
911	44,126	82,387	76,517	49,996
Courthouse Renovation	242	4	246	0
Sheriff's Special	9,931	8,720	9,109	9,542
Law Enforcement	258	10	0	268
Maries County Law Enforcement	874	64	0	938
Election Service	1,769	1,141	216	2,694
Law Library	506	7,757	8,173	90
Circuit Clerk Interest	4,716	105	0	4,821
Associate Circuit Division Interest	134	36	104	66
Circuit Clerk Special Account Fund	125,137	3,728	0	128,865
Public Water Supply Dist. Fund	0	681	681	0
Total	\$ 300,174	2,540,517	2,424,977	415,715

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

Exhibit A-2

MARIES 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	\$ 82,389	1,008,153	1,080,281	10,261
Special Road and Bridge	42,035	741,153	730,366	52,822
Assessment	252	105,162	105,286	128
Law Enforcement Training	7,342	3,513	2,076	8,779
Prosecuting Attorney Training	219	496	320	395
Prosecuting Attorney Bad Check	6,712	6,599	2,832	10,479
Children's Trust	570	283	585	268
Recorder's Record Storage	23,551	6,979	1,181	29,349
911	49,668	84,124	89,666	44,126
Courthouse Renovation	36,880	90,313	126,951	242
Sheriff's Special	7,991	8,323	6,383	9,931
Law Enforcement	247	11	0	258
Maries County Law Enforcement	731	143	0	874
Election Service	1,030	1,728	989	1,769
Law Library	114	4,893	4,501	506
Family Court	2,298	2,237	4,535	0
Circuit Clerk Interest	4,460	283	27	4,716
Associate Circuit Division Interest	59	75	0	134
Circuit Clerk Special Account Fund	119,996	5,141	0	125,137
Total	\$ 386,544	2,069,607	2,155,979	300,174

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

Exhibit B

MARIES 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>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 2,377,711	2,446,194	68,483	1,979,203	2,056,826	77,623
DISBURSEMENTS	2,407,561	2,342,294	65,267	2,038,374	2,146,916	(108,542)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(29,850)	103,900	133,750	(59,171)	(90,090)	(30,919)
CASH, JANUARY 1	300,171	300,171	0	258,638	258,638	0
CASH, DECEMBER 31	270,321	404,071	133,750	199,467	168,548	(30,919)
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property Taxes	271,000	261,826	(9,174)	271,300	249,920	(21,380)
Sales Taxes	341,000	345,659	4,659	433,000	396,633	(36,367)
Intergovernmental	141,700	114,866	(26,834)	19,137	22,158	3,021
Charges for Service	146,400	166,558	20,158	144,854	146,272	1,418
Interest	3,800	1,484	(2,316)	6,000	3,864	(2,136)
Other	26,298	112,670	86,372	22,435	84,063	61,628
Transfers In	160,360	142,800	(17,560)	60,861	105,243	44,382
Total Receipts	1,090,558	1,145,863	55,305	957,587	1,008,153	50,566
DISBURSEMENTS						
County Commissior	58,234	58,488	(254)	56,551	56,313	238
County Clerk	51,401	50,926	475	49,571	50,044	(473)
Elections	47,950	39,623	8,327	15,495	20,672	(5,177)
Buildings and Ground	56,475	71,503	(15,028)	70,664	56,900	13,764
Employee Fringe Benefit	107,000	132,112	(25,112)	95,000	98,288	(3,288)
County Treasurer	24,286	24,408	(122)	23,481	23,316	165
County Collector	62,149	62,318	(169)	60,592	58,204	2,388
Circuit Clerk and Ex Officio Recorder of Deed	23,134	21,697	1,437	22,513	21,389	1,124
Associate Circuit and Probate Court	12,780	5,949	6,831	14,502	7,499	7,003
Court Administrator	10,922	4,288	6,634	9,800	7,638	2,162
Public Administrator	14,117	14,577	(460)	15,020	20,541	(5,521)
Sheriff	179,243	180,795	(1,552)	190,715	175,288	15,427
Jail	133,872	145,248	(11,376)	128,482	139,730	(11,248)
Prosecuting Attorney	59,509	59,433	76	52,816	52,527	289
Juvenile Officer	23,405	21,370	2,035	22,311	19,604	2,707
County Coroner	10,172	9,247	925	11,120	7,359	3,761
Public Health and Welfare Service	6,500	7,500	(1,000)	6,000	6,836	(836)
Other:						
University Extensor	21,500	21,500	0	20,500	20,500	0
Insurance	41,500	51,035	(9,535)	27,396	40,339	(12,943)
License	36,210	39,780	(3,570)	33,492	31,782	1,710
Other	10,250	6,582	3,668	15,700	75,552	(59,852)
Trash Patrol	2,485	2,050	435	2,700	6,530	(3,830)
Other Government	37,445	30,879	6,566	30,250	60,930	(30,680)
Transfers Out	22,540	25,857	(3,317)	32,340	22,500	9,840
Emergency Func	32,717	0	32,717	27,544	0	27,544
Total Disbursements	1,085,796	1,087,165	(1,369)	1,034,555	1,080,281	(45,726)
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,762	58,698	53,936	(76,968)	(72,128)	4,840
CASH, JANUARY 1	10,261	10,261	0	82,389	82,389	0
CASH, DECEMBER 31	15,023	68,959	53,936	5,421	10,261	4,840

Exhibit B

MARIES 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	172,150	172,184	34	163,100	163,987	887
Sales Taxes	101,000	81,990	(19,010)	65,000	73,052	8,052
Intergovernmental	731,625	695,286	(36,339)	431,420	473,314	41,894
Lease Proceeds	0	0	0	30,000	0	(30,000)
Interest	2,600	2,157	(443)	2,800	2,471	(329)
Other	31,250	116,133	84,883	19,825	28,329	8,504
Total Receipts	1,038,625	1,067,750	29,125	712,145	741,153	29,008
DISBURSEMENTS						
Salaries	212,800	205,900	6,900	220,000	206,153	13,847
Employee Fringe Benefit	60,650	73,777	(13,127)	54,716	55,540	(824)
Supplies	146,000	141,020	4,980	117,000	143,800	(26,800)
Insurance	0	7,978	(7,978)	0	562	(562)
Lease Payments	158,123	158,070	53	139,185	152,743	(13,558)
Road and Bridge Material	95,000	85,419	9,581	77,000	62,417	14,583
Equipment Repairs	23,500	20,620	2,880	14,500	15,441	(941)
Equipment Purchases	49,877	33,094	16,783	40,000	46,450	(6,450)
Construction, Repair, and Maintenance	273,000	263,789	9,211	2,000	27,667	(25,667)
Other	18,850	19,341	(491)	18,200	19,593	(1,393)
Transfers Out	21,000	21,000	0	21,000	0	21,000
Total Disbursements	1,058,800	1,030,008	28,792	703,601	730,366	(26,765)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,175)	37,742	57,917	8,544	10,787	2,243
CASH, JANUARY 1	52,822	52,822	0	42,035	42,035	0
CASH, DECEMBER 31	32,647	90,564	57,917	50,579	52,822	2,243
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	84,858	79,875	(4,983)	75,880	81,737	5,857
Charges for Services	500	437	(63)	500	566	66
Interest	300	210	(90)	256	262	6
Other	20	1,564	1,544	0	97	97
Transfers In	38,635	27,419	(11,216)	32,340	22,500	(9,840)
Total Receipts	124,313	109,505	(14,808)	108,976	105,162	(3,814)
DISBURSEMENTS						
Assessor	124,313	108,293	16,020	108,976	105,286	3,690
Total Disbursements	124,313	108,293	16,020	108,976	105,286	3,690
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,212	1,212	0	(124)	(124)
CASH, JANUARY 1	128	128	0	252	252	0
CASH, DECEMBER 31	128	1,340	1,212	252	128	(124)

Exhibit B

MARIES 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 ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for Service:	2,000	2,015	15	2,500	2,206	(294)
Interest	300	335	35	275	324	49
Other	1,550	586	(964)	1,500	983	(517)
Total Receipts	3,850	2,936	(914)	4,275	3,513	(762)
DISBURSEMENTS						
Sheriff	8,700	3,251	5,449	4,500	1,954	2,546
Other	0	0	0	2,800	122	2,678
Total Disbursements	8,700	3,251	5,449	7,300	2,076	5,224
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,850)	(315)	4,535	(3,025)	1,437	4,462
CASH, JANUARY 1	8,779	8,779	0	7,342	7,342	0
CASH, DECEMBER 31	3,929	8,464	4,535	4,317	8,779	4,462
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for Service:	500	282	(218)	450	486	36
Interest	10	8	(2)	10	10	0
Total Receipts	510	290	(220)	460	496	36
DISBURSEMENTS						
Prosecuting Attorney	421	633	(212)	400	320	80
Total Disbursements	421	633	(212)	400	320	80
RECEIPTS OVER (UNDER) DISBURSEMENTS	89	(343)	(432)	60	176	116
CASH, JANUARY 1	395	395	0	219	219	0
CASH, DECEMBER 31	484	52	(432)	279	395	116
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for Service:	7,500	5,326	(2,174)	7,500	6,263	(1,237)
Interest	0	314	314	100	336	236
Total Receipts	7,500	5,640	(1,860)	7,600	6,599	(1,001)
DISBURSEMENTS						
Prosecuting Attorney	12,345	12,137	208	6,015	2,832	3,183
Total Disbursements	12,345	12,137	208	6,015	2,832	3,183
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,845)	(6,497)	(1,652)	1,585	3,767	2,182
CASH, JANUARY 1	10,479	10,479	0	6,712	6,712	0
CASH, DECEMBER 31	5,634	3,982	(1,652)	8,297	10,479	2,182

Exhibit B

MARIES 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>CHILDREN'S TRUST FUND</u>						
RECEIPTS						
Interest	15	8	(7)	10	13	3
Charges for Service:	270	280	10	300	270	(30)
Total Receipts	285	288	3	310	283	(27)
DISBURSEMENTS						
Donations	300	312	(12)	400	585	(185)
Total Disbursements	300	312	(12)	400	585	(185)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15)	(24)	(9)	(90)	(302)	(212)
CASH, JANUARY 1	268	268	0	570	570	0
CASH, DECEMBER 31	253	244	(9)	480	268	(212)
<u>RECORDER'S RECORD STORAGE FUND</u>						
RECEIPTS						
Interest	1,000	1,168	168	1,200	982	(218)
Charges for Service:	6,000	8,121	2,121	4,850	5,997	1,147
Total Receipts	7,000	9,289	2,289	6,050	6,979	929
DISBURSEMENTS						
Ex Officio Recorder of Deed:	3,000	5,449	(2,449)	3,200	1,181	2,019
Total Disbursements	3,000	5,449	(2,449)	3,200	1,181	2,019
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,000	3,840	(160)	2,850	5,798	2,948
CASH, JANUARY 1	29,349	29,349	0	23,551	23,551	0
CASH, DECEMBER 31	33,349	33,189	(160)	26,401	29,349	2,948
<u>911 FUND</u>						
RECEIPTS						
Charges for Service:	83,000	80,380	(2,620)	71,000	81,657	10,657
Interest	2,400	2,007	(393)	1,500	2,467	967
Total Receipts	85,400	82,387	(3,013)	72,500	84,124	11,624
DISBURSEMENTS						
Salaries	16,096	0	16,096	13,876	759	13,117
Office Expense	10,000	10,226	(226)	6,000	8,910	(2,910)
Mileage and Training	0	0	0	100	0	100
Equipment Expense	20,000	18,170	1,830	20,000	32,676	(12,676)
Transfers Out	39,110	46,529	(7,419)	31,401	43,292	(11,891)
Other	4,500	1,592	2,908	1,000	4,029	(3,029)
Total Disbursements	89,706	76,517	13,189	72,377	89,666	(17,289)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,306)	5,870	10,176	123	(5,542)	(5,665)
CASH, JANUARY 1	44,124	44,124	0	49,667	49,667	0
CASH, DECEMBER 31	39,818	49,994	10,176	49,790	44,125	(5,665)

Exhibit B

MARIES 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>COURTHOUSE RENOVATION FUND</u>						
RECEIPTS						
Interest	0	4	4	100	766	666
Sales Tax	0	0	0	80,000	89,547	9,547
Transfers In	0	0	0	20,000	0	(20,000)
Total Receipts	0	4	4	100,100	90,313	(9,787)
DISBURSEMENTS						
Lease Payments	0	0	0	93,000	65,000	28,000
Transfers Out	0	246	(246)	0	61,951	(61,951)
Total Disbursements	0	246	(246)	93,000	126,951	(33,951)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(242)	(242)	7,100	(36,638)	(43,738)
CASH, JANUARY 1	242	242	0	36,880	36,880	0
CASH, DECEMBER 31	242	0	(242)	43,980	242	(43,738)
<u>SHERIFF'S SPECIAL FUND</u>						
RECEIPTS						
Charges for Service:	7,500	8,393	893	8,000	8,018	18
Interest	300	327	27	200	305	105
Total Receipts	7,800	8,720	920	8,200	8,323	123
DISBURSEMENTS						
Equipment	11,200	9,109	2,091	5,350	5,379	(29)
Other	0	0	0	2,600	1,004	1,596
Total Disbursements	11,200	9,109	2,091	7,950	6,383	1,567
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,400)	(389)	3,011	250	1,940	1,690
CASH, JANUARY 1	9,931	9,931	0	7,991	7,991	0
CASH, DECEMBER 31	6,531	9,542	3,011	8,241	9,931	1,690
<u>LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Interest	0	10	10			
Total Receipts	0	10	10			
DISBURSEMENTS						
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	10	10			
CASH, JANUARY 1	258	258	0			
CASH, DECEMBER 31	258	268	10			

Exhibit B

MARIES 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>MARIES COUNTY LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Charges for Service:	0	30	30			
Interest	0	34	34			
Total Receipts	0	64	64			
DISBURSEMENTS						
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	64	64			
CASH, JANUARY 1	874	874	0			
CASH, DECEMBER 31	874	938	64			
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Charges for Service:	500	1,069	569	1,000	1,689	689
Interest	10	72	62	0	39	39
Total Receipts	510	1,141	631	1,000	1,728	728
DISBURSEMENTS						
Equipment	1,000	0	1,000	600	602	(2)
Election Services	0	0	0	0	387	(387)
Other	0	216	(216)	0	0	0
Total Disbursements	1,000	216	784	600	989	(389)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(490)	925	1,415	400	739	339
CASH, JANUARY 1	1,769	1,769	0	1,030	1,030	0
CASH, DECEMBER 31	1,279	2,694	1,415	1,430	1,769	339
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for Service:	1,400	1,900	500			
Transfers In	4,500	5,857	1,357			
Total Receipts	5,900	7,757	1,857			
DISBURSEMENTS						
Law Library	6,400	8,173	(1,773)			
Total Disbursements	6,400	8,173	(1,773)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	(416)	84			
CASH, JANUARY 1	506	506	0			
CASH, DECEMBER 31	6	90	84			

Exhibit B

MARIES 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)
<u>CIRCUIT CLERK INTEREST</u>			
RECEIPTS			
Interest	0	105	105
Other	250	0	(250)
Total Receipts	250	105	(145)
DISBURSEMENTS			
Circuit Clerk	250	0	250
Total Disbursements	250	0	250
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	105	105
CASH, JANUARY 1	4,715	4,715	0
CASH, DECEMBER 31	4,715	4,820	105
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUN</u>			
RECEIPTS			
Interest	30	36	6
Total Receipts	30	36	6
DISBURSEMENTS			
Associate Circuit Divisor	150	104	46
Total Disbursements	150	104	46
RECEIPTS OVER (UNDER) DISBURSEMENTS	(120)	(68)	52
CASH, JANUARY 1	134	134	0
CASH, DECEMBER 31	14	66	52
<u>CIRCUIT CLERK SPECIAL ACCOUNT FUNE</u>			
RECEIPTS			
Interest	0	3,728	3,728
Other	4,500	0	(4,500)
Total Receipts	4,500	3,728	(772)
DISBURSEMENTS			
Circuit Clerk	4,500	0	4,500
Total Disbursements	4,500	0	4,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,728	3,728
CASH, JANUARY 1	125,137	125,137	0
CASH, DECEMBER 31	125,137	128,865	3,728

Exhibit B

MARIES 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>PUBLIC WATER SUPPLY DIST. FUND</u>						
RECEIPTS						
Intergovernmental Revenue:	680	681	1			
Total Receipts	680	681	1			
DISBURSEMENTS						
Public Water Supply Dist	680	681	(1)			
Total Disbursements	680	681	(1)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			

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

Notes to the Financial Statements

MARIES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Maries 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, or an elected county official. 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, which 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>
Law Enforcement Fund	2001
Maries County Law Enforcement Fund	2001
Public Water Supply Dist. Fund	2001
Law Library Fund	2001
Family Court Fund	2001*
Circuit Clerk Interest Fund	2001
Associate Circuit Division Interest Fund	2001
Circuit Clerk Special Account Fund	2001
Citizen's Safety Fund	2002**

*The Family Court Fund closed 06/15/01.

**The Citizen's Safety Fund was established in 2002.

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Road and Bridge Fund	2001
911 Fund	2001
Courthouse Renovation Fund	2001 and 2002
General Revenue Fund	2001 and 2002
Children's Trust Fund	2001 and 2002
Recorder's Record Storage Fund	2002
Prosecuting Attorney Training Fund	2002

Election Service Fund	2001
Law Library Fund	2002
Public Water Supply Dist. 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 statement(s) for the year(s) ended December 31, 2001 and 2002, 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 depositary 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 deposits at December 31, 2002 and 2001, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

3. Property Taxes

Through December 31, 2002, Maries County collected \$43,977 in excess property taxes. Section 67.505, RSMo 2000, requires the county to reduce property taxes for a percentage of sales taxes collected. Maries County voters enacted a 1/2 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.

Schedule

MARIES COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2001 AND 2002

This schedule includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

02-1. Property Tax Reduction Due to Sales Tax

The county has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Maries County voters under provisions of Section 67.505, RSMo 2000.

The following are the calculations used in determining excess property tax revenues collected for 2001 and 2002:

	Year Ended December 31,	
	2002	2001
Actual Sales Tax Revenues	\$ 216,193	\$ 218,881
Required percentage of revenue reduction	X 50 %	X 50 %
Required property tax revenue reduction	108,097	109,440
Assessed Valuation	83,163,660	81,294,466
General Revenue Fund tax levy reduction (per \$100 assessed valuation)	X 0.14	X 0.15
Actual property tax revenue reduction	116,429	121,942
Excess property tax revenues collected	(8,332)	(12,501)
Excess property tax revenues collected for prior years	52,309	64,810
Excess through December 31,	\$ 43,977	\$ 52,309

The rollback for 2002 and 2001 was sufficient and resulted in some reduction in the balance of excess property tax revenue collections. However, future reductions will need to be made. This condition was noted in the four prior reports.

WE RECOMMEND the County Commission continue to reduce the property tax levy in order to meet the sales tax reduction requirements and ensure appropriate adjustments are made to future levies.

AUDITEE'S RESPONSE:

The County Commission plans to continue to gradually decrease the General Revenue Fund's property tax levy. In addition, Maries County unintentionally rolled back the Road Districts 1 and 2 levies in 1996, therefore, shorting the Road District #1 of \$14,140 and Road District #2 of \$15,731, for a total of \$29,871. The County Commission feels that the excess through December 31, 2002, is \$14,106. Commission will try to lower levy enough to take care of one half of the balance in 2003. The rest will be made up in 2004.

02-2. Road and Bridge Capitalized Lease Obligations

- A. The county's Special Road and Bridge Fund has been financing the purchases of equipment such as loaders, brush cutters, dump trucks, and motor graders in increasing amounts over the past several years. The total debt balance continues to increase. The following schedule shows the recent trend:

Year ended December 31,	Outstanding lease and loan balances
1994	\$263,063
1996	\$580,351
1998	\$703,207
2000	\$768,318
2001	\$658,221
2002	\$665,478
June 1, 2003	\$843,189

The most recent increase is due to the county selling older motor graders to the manufacturer under a buy-back agreement and purchasing four new ones to replace them. The buy-back provision did provide an equity position which was used as a down payment on the new motor graders. However, the four new motor graders increased the total lease and debt amount by \$180,000. The County Commission indicated that it is more cost effective to trade the equipment in on new equipment to save on labor and repair expense. However, the Commission did not prepare a formal cost/benefit analysis comparing the labor and repair costs saved to the cost of interest incurred by refinancing this equipment.

Given the county's current financial condition, the County Commission needs to evaluate the practice of trading equipment in such a short time frame. The debt payments for 2004 will be approximately \$142,400 which is a significant expenditure for the county. A balloon payment will also be due in 2008 on these items of approximately \$362,000.

- B. The county does not maintain records documenting payments made and balances due on all lease and loan agreements. The county relies on the bank to provide these records. Due to the large amount of leases the county maintains, these records are necessary to help in planning for upcoming expenditures.

WE RECOMMEND the County Commission:

- A. Carefully review this trend of increased borrowing and monitor the ability of this fund to meet debt obligations. The County Commission should perform a cost benefit analysis of repair cost saved in comparison to the cost of interest incurred by refinancing. The Commission should also develop a program to stagger the purchase of equipment, especially motor graders, in order to minimize the financial impact related to the debt payments when a large number are purchased at once.

- B. Maintain records documenting the lease and loan payments made and balances due.

AUDITEE'S RESPONSE

We have been watching the principal and interest payments very closely. At the beginning of 2003, the county owned approximately \$1.5 million of road and bridge equipment and property based on fair market value and had \$800,000 or 50% of equity in this equipment and property. We are going to increase our payment to \$25,000 per grader (principal and interest) to reflect the lower buyback of the graders and the higher initial cost. We believe that the action we have taken is in the best long term interest of the county. We will retain documentation of the costs/benefits of future equipment purchases.

02-3. County Sales Tax Passed In November 2001

The County Commission submitted to the voters of Maries County a one-half of one percent sales tax for the purpose of general operations in order to address the county's financial needs. This sales tax was approved by the voters in November 2001. Although the ballot did not specify a statutory reference, the County Clerk indicated that this sales tax was imposed under Section 67.547, RSMo 2000. However, the county has another one-half of one percent sales tax levy that was passed in April 1990 under this same law. The ballot for that sales tax indicated its purpose as funding general operations, road and bridge and law enforcement services.

With this additional general operations sales tax, the county has imposed a levy of one-half of one percent above the statutory maximum allowed by Section 67.547. Furthermore, Attorney General's Opinion No. 61-89 states that a county cannot enact a sales tax that exceeds one half of one percent under Section 67.547, RSMo. This new tax is not in accordance with state statutes and could be subject to challenge. Under this new tax, the county received \$147,578 in revenues in 2002 and anticipates higher receipts in 2003. If this tax was to be repealed, the county's financial condition would be significantly impacted.

WE RECOMMEND the County Commission review the various sales taxes being imposed to determine which are valid and consider passing a sales tax under another section of the Missouri statutes.

AUDITEE'S RESPONSE

In the best interest of Maries County, the sales tax was distributed as it was presented to the voters on the November 6, 2001 ballot. The voters passed this tax by an overwhelming margin. The Statute number was not printed on the ballot. The 1990 sales tax has been and will continue to be distributed as it was presented to the voters.

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

MARIES 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 Maries County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2000.

00-1. Property Tax Reduction Due to Sales Tax

The county did not sufficiently reduce its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Maries County voters under the provisions of Section 67.505, RSMo 1994.

Recommendation:

The County Commission should continue to reduce the property tax levy adequately to meet sales tax reduction requirements and ensure appropriate adjustments are made to the levy to reflect excess property taxes collected in prior years.

Status:

Partially implemented. The county's rollback for 2001 and 2002 was sufficient for that year and also resulted in some reduction in the balance of prior years' excess property tax revenue collections. See finding number 02-1.

00-2. Road and Bridge Capitalized Lease Obligations

The county continues to increase the amount of debt and lease obligations. The increased amount has expanded principal and interest payments which can adversely impact the county's ability to meeting ongoing obligations.

Recommendation:

The County Commission should carefully monitor this trend and perform a cost benefit analysis of repair costs saved versus the interest expense incurred by refinancing when considering purchasing new road equipment.

Status:

Partially Implemented. The Commission did conduct an informal analysis of repair costs versus the purchase of new road equipment. The analysis was not documented so an evaluation could be conducted as to its comprehensiveness and sufficiency of information used.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
Independent Auditor's Findings

MARIES COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
INDEPENDENT AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Maries County, Missouri, as of and for the years ended December 31, 2001 and 2002, and have issued our report thereon dated June 13, 2003.

We have also audited the operations of elected officials with funds other than those presented in the special-purpose 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 constitutional, statutory, or contractual 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. These findings resulted from our audit of the special-purpose financial statements of Maries County, but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. County Financial Condition

Although the cash positions in the General Revenue Fund and Road District and Bridge Fund increased from year-end 2001 to year-end 2002, the county experienced cash flow issues during the second half of 2002. Timely deposits of cash from federal awards and insurance reimbursements provided much needed funds during this time. The approval of a ½ cent sales tax by the voters in November 2001 also helped the county meet its financial obligations when receipts were received in the second half of 2002. This situation, coupled with the amount of debt and lease liability discussed in the previous section, has left the county with very limited available reserves if it was to experience an unexpected crisis or continued weakness in the economy as a whole.

WE RECOMMEND the County Commission:

- A. Begin establishing reserve funds that would be available to meet unexpected cash needs or provide liquidity during times when receipts are not sufficient to meet expenditures.
- B. Initiate efforts to reduce lease and debt amounts from current levels by limiting or staggering equipment purchases.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. Starting this year, the County Commission plans on putting \$50,000 in reserve.*
- B. During the bidding process, the County Commission will try to consider all options.*

2. General Fixed Assets

Per Section 49.091, RSMo 2000, the County Commission or its designee is responsible for maintaining a complete detailed record of county property. The County Clerk has a software program for managing inventory and the necessary inventory tags, but has not implemented their use. Without an effective program in place, the County Commission cannot ensure all equipment items are still in their possession. A review of equipment items that are under debt and lease obligation liens found all items were listed on the various insurance policies as required by lease and debt covenants. However, the Commission cannot ensure all other items are listed on the county's property insurance policy. In addition, a complete listing of items can give valuable information concerning excess equipment that could be disposed of or reallocated to other county departments.

Quarterly inspections of county owned land and buildings have not been performed, and most fixed assets are not properly numbered, tagged, or otherwise identified as county owned property.

Section 49.093, RSMo 2000, provides that the officer of each 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 are to be signed by the County Clerk.

Adequate general fixed asset records are necessary to improve control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage.

A similar condition was noted in the last two reports.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. The County Commission should ensure adequate insurance coverage is obtained for all county assets. In addition, quarterly inspections of all county land and buildings should be performed.

AUDITEE'S RESPONSE

The road department will try to have their fixed asset report to the County Clerk by June 30, 2003. A memo will be sent by the County Commission, and a deadline of June 30, 2003 will be set, for all office holders to have a report turned in.

3. Budgets and Financial Reporting

The county's overall budgeting process needs to be improved in order to more effectively monitor actual financial performance, manage ongoing cash flow needs and meet state regulatory requirements. The items that should be addressed include:

1. The Commission should consider developing a monthly cash flow budget during the annual budget process. This budget would provide valuable information on anticipated expenditures during the year which would help the Commission identify when additional funds are needed to meet increased cash needs.
2. Current statute requires that three percent of the General Revenue fund be designated as an Emergency fund which was included in the 2002 and 2003 budgets. When funds are needed, the Commission can transfer monies from this designated fund to the budgeted area needing them. However, actual practice does not include the appropriate transferring of funds as required by Section 50.540, RSMo 2000. Appropriate record in the Commission's meeting minutes of these transfers needs to

be established.

3. Amendments to expenditures and revenues in various county funds were not effectively documented in the Commission's meeting minutes. Also, per Section 50.622, RSMo 2000, amendments to the budget are not to take place until the last two months of the fiscal year. Amendments to the budget were made at various times during the year (i.e. increased expenditures to payoff the patrol car lease). Appropriate documentation in the Commission's meeting minutes of these amendments should be recorded.
4. The Commission's approvals of money transfers from various county funds to the General Revenue fund were not clearly documented in the Commission's minutes. The minutes need to include this important information.
5. The Commission should require that all departments include an analysis of expenditures that materially exceeded their respective budgets at each year end. This analysis would be beneficial to the Commissioners to evaluate future budgets and identify potential areas that could be addressed to improve the department's or county's financial condition.

WE RECOMMEND the County Commission in conjunction with the County Clerk:

- A. Develop a monthly cash flow budget at the beginning of each fiscal year and monitor progress throughout the year.
- B. Approve and document the transfer of funds from the Emergency fund to the General Revenue Fund as required by state statute.
- C. Approve and document in the Commission minutes all budget amendments that take place.
- D. Approve and document in the Commission minutes all money transferred between various county funds during the year.
- E. Require a detailed analysis from the various departments on expenditures that exceeded budget at the end of the fiscal year.

AUDITEE'S RESPONSE

The Commission provided the following responses:

- A. *Deputy County Clerk hands out a monthly budget report to all offices. All long-term costs are usually figured in at the regular budget time.*
- B. *The Emergency Fund will be a segregated fund in 2004.*

- C. County Commission and County Clerk will try to improve the minutes.*
- D. The need to transfer has lessened due to a change in computer program beginning January 2003.*
- E. County Commission will require a detailed report at the time of occurrence, if the expense or revenue will eventually cause a budget shortfall.*

4. Analysis of Program Expenditures

Monitoring of expenditures associated with revenues from sources other than regular means, such as insurance reimbursements and FEMA funds should be improved. A monthly report on the revenue received and expenditures paid should be developed. This monitoring would provide valuable information to the Commission regarding the funds that have been expensed and determine whether additional county funds were used or excess funds were available for reallocation.

WE RECOMMEND the County Commission in conjunction with the County Clerk implement a monthly report tracking these revenues and their related expenditures.

AUDITEE'S RESPONSE:

A ledger will be kept to track revenues related to their expenses.

5. Commission Meetings and Minutes

The review of the Commission minutes noted several deficiencies in their documentation. Improvements are needed in the following areas:

- A. Approvals for transfers of monies between county funds are not documented.
- B. Approvals for budget amendments are not documented.
- C. Subjects of discussions between the Commission and county constituents are not documented.
- D. Actions taken by the Commission to address significant issues, such as the cash flow concerns in 2002, were not documented.

The minutes are the official record of the Commission. They effectively document the actions taken by the group in order to meet their fiduciary responsibilities.

WE RECOMMEND the County Commission in conjunction with the County Clerk implement actions to significantly improve the documentation of the Commission

meetings. The minutes should clearly show the actions taken and motions that were made and approved by the group.

AUDITEE'S RESPONSE

The Commission responded to all recommendations by stating:

The County Commission and County Clerk will try to do better at tracking minutes.

6. FEMA Award Utilization

The county received FEMA grant funds for road damage incurred during 2002 storms. The Commission has used some of these funds to repair various roads. However, a total of \$38,117 remains that must be used by November 6, 2003 and bids for the needed projects have not yet been called for. If the funds are not used, the county could potentially have to return the grants.

WE RECOMMEND the County Commission initiate the process for developing and advertising the necessary bids for these projects and continuously monitor their progress.

AUDITEE'S RESPONSE

County Commission will accept bids and will complete project before the November deadline.

7. Federal Programs and Awards Documentation

The county does not have adequate procedures in place to track federal awards for preparation of the SEFA. The county prepared a SEFA for the years ending December 31, 2001 and 2002; however, the schedule contained a number of errors and omissions. For example, the County Clerk included four items that were not federal awards. Also, amounts received from FEMA for sub-recipients were not included on the schedule.

WE RECOMMEND the County Clerk, with review by the Commission, should implement a filing and documentation process that will effectively monitor all federal grants received by the county. The grants should be monitored whether used by the county or passed on to other entities.

AUDITEE'S RESPONSE:

The Commission responded by stating:

A ledger will be kept to monitor federal money.

8. Departmental Procedure Manuals

Currently, procedure manuals that document the activities and processes used by the various departments are not available. Procedure manuals are necessary in order to document the procedures and processes of the county. They are also beneficial when elected officials change or tenured staff leave the county's employment. Most departments rely on the tenured staff as the repository of processes and procedures.

WE RECOMMEND the County Commission should develop a time table for the development of departmental procedure manuals. Ongoing monitoring by the Commission should take place until all relevant documents are completed.

AUDITEE'S RESPONSE

The County Commission will talk to office holders to figure out a plan for procedure manuals.

9. Disaster Recovery and Information System Security

The county currently does not have a documented disaster recovery plan. This plan would document the process for copying data and storing it offsite on a regular basis. For example, the backup data files could be stored in the county's depository bank. This would allow the departments to recover information system data in the event the systems are damaged or become unavailable.

In addition, the various departments do not on a regular basis change system passwords for personnel. A practice of periodic password changes improves information system security and data integrity.

WE RECOMMEND the County Commission in conjunction with all department leaders develop and implement a policy and related procedures to backup and store offsite critical data. The procedures should also include provisions for periodically changing employee system passwords.

AUDITEE'S RESPONSE

The County Commission will check into getting a safety deposit box for backup information to be stored.

10. Budget Public Hearings and Financial Statement Submissions

The County Clerk needs to improve the processes for maintaining documentation of public hearing notices. The official public notice for the 2002 budget public hearing was printed; but, the affidavits from the two local newspapers were not received nor follow-up conducted to ensure receipt. Although state statute does not require the affidavits, a

practice should be implemented to ensure sufficient documentation is maintained.

In addition, the County Clerk has not complied with Section 50.810, RSMo 2000. The statute requires that an affidavit of the publication of the county's most recent fiscal year-end financial statements be sent to the state auditor's office. If a receipt from the State Auditor has not been received back by the Clerk by April 1, the Commissioners shall not be paid until the notice is received. For the 2001 financial statements, the receipt from the state auditor's office was not received until July 2002. In addition, the 2002 financial statements were not submitted to the State Auditor until June of this year.

WE RECOMMEND the County Commission in conjunction with the County Clerk to take steps to ensure the financial statements are sent to the State Auditor's office in a timely manner. In accordance with state statutes, payments to the commissioners should be suspended until receipt of the state auditor's notification.

AUDITEE'S RESPONSE

The County Commission and County Clerk will contact the local paper to receive a more timely response on affidavits.

11. Maps and Plat Book Sales

Current processes for documenting sales of county maps and plat books could be improved. All sales should be documented with a receipt even if the document is given to other county or state agencies at no charge. Documenting all sales with these receipts allows for the periodic evaluation of the inventory on hand in relation to existing sales.

WE RECOMMEND the County Commission in conjunction with the County Treasurer develop a process for effectively documenting all sales, including those at no charge.

AUDITEE'S RESPONSE

As of this day, June 13, 2003, County Treasurer will begin charging everyone for plat books and maps.

12. Smoking Areas in the County Courthouse

Section 191.676, RSMo 2000, states that a person shall not smoke in a public place or in a public meeting except in a designated smoking area. The Commission has designated the dispatch room in the 911/dispatch office as the smoking area for the Maries County courthouse. This area is a work area for all dispatchers. The state statute defines a public area as any enclosed indoor area used by the general public or serving as a place of work (Section 191.765, RSMo 2000). As a result, the current area designated in the dispatch room is not in accordance with state statute.

WE RECOMMEND the County Commission discontinue its current policy of allowing

smoking in a work area.

AUDITEE'S RESPONSE

The kitchen is the designated smoking area. A filtration system was added to this area in December 2002, making it 99.7 percent pure air. This designated area is to be used by the Sheriff's Department only. All other personnel are to smoke outside.

Follow-Up on Prior Audit Findings

MARIES 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 Maries County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 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 actions to address them.

1. County Expenditures and Revenues

- A. Bids were not always solicited or advertised by the county.
- B. The county did not obtain or retain supporting documentation for some travel expenditures.
- C. Invoices were not always noted as paid and canceled.
- D. The Commission did not monitor the contract with the individual hired to coordinate the 911 system implementation.
- E. The county's personnel manual does not have provisions for actions to be taken against violators.
- F. The county did not receive 911 surcharge fees due from a telecommunications company in March of 1999.

Recommendations:

- A. Solicit bids for all purchases.
- B. Ensure adequate documentations is received and maintained for all expenditures.
- C. Ensure invoices are properly canceled.
- D. Require detailed documentation of contractor's services provided.
- E. Establish a written drug-free workplace policy.
- F. Monitor receipts to ensure recurring amounts due are collected.

Status:

- A-C. Implemented
- D. The contract ended in March 2001. No further follow-up was warranted.
- E-F. Implemented

2. County's Financial Condition and Sales Tax

The sales tax implemented as the result of a November 2001 ballot measure that passed was imposed under a statute incorrectly.

Recommendation:

Review the overall sales taxes being levied and ensure they are in accordance with state statutes.

Status:

Not Implemented. See Schedule of Findings 02-3.

3. Budgets and Financial Reporting

- A. Actual expenditures exceeded budgeted amounts in several funds.
 - a. Public hearings were not held prior to adopting budget amendments.
 - b. Valid reasons for the excess disbursements were not documented.
- B. Formal budgets were not prepared for various county funds.
- C. The annual published financial statements did not include the activity for some county funds.
- D. An expenditure amendment to the General Revenue fund budget did not include all available resources needed.

Recommendations:

- A. Implement procedures to improve the budget process.
- B. Ensure budgets are prepared for all funds.
- C. Ensure the financial information is properly presented.
- D. Discontinue deficit budgeting.

Status:

- A. Not Implemented. See MAR 3.
- B-C. Implemented.
- D. Not Implemented. See MAR 3.

4. County Officials' Compensation and Bonds

- A. Raises were given to the Commissioners improperly.
- B. Salary commission minutes did not clearly document the approval of the COLA for county officials.
- C. Various county employees handling receipts were not bonded.
- D. Costs for the County Treasurer and Collector's bond were not expensed to the appropriate funds.

Recommendations:

- A. Develop a repayment plan for the Commissioner's salary overpayments.
- B. Salary commission minutes need to clearly document all decisions.
- C. Acquire a bond of all county employees handling assets.
- D. Pay the County Collectors and Treasurer's bond county portion of the bond expense from the General Revenue Fund.

Status:

- A. Not Implemented. Further action by the Commission has not taken place.
- B. Not Implemented. A salary commission has not met since the last audit.
- C. Implemented.
- D. Not Implemented. The Commission continues to allocate the expenditure to the School Fines fund. They reason that a majority of receipts processed by the two departments in the first quarter of the year are school funds when the bond payments are due.

5. Property Tax System and Computer Controls

- A. Controls over property tax additions and abatements are not adequate.
- B. Original forms prepared to support the changes to the property tax data files for real estate additions, abatements, and supplements are not always retained.
- C. The County Clerk does not maintain an account book with the County Collector.
- D. The Land and Personal Tax Aggregate Abstract and the Railroad and Utility Aggregate Abstracts were not prepared in 1999 and 2000.
- E. Passwords in key departments are not changed periodically.

Recommendations:

- A. Revise the process so the County Collector does not have the capability to make changes to property tax data or ensure an independent comparison is made.
- B. Ensure the Assessor's office maintains all supporting documentation.
- C. Ensure an account book is established.
- D. Ensure the County Clerk prepares and files the appropriate abstracts.
- E. Ensure passwords are changed periodically.

Status:

- A-B. Implemented.
- C. Not Implemented. The County Clerk will investigate the information needed to evaluate the implementation of this item.
- D. Implemented.
- E. Not implemented by all departments. See MAR No. 9.

6. General Fixed Assets

- A. Listing of fixed assets is outdated.
- B. Quarterly inspections of county owned land and building have not taken place.
- C. Adequate general fixed asset records were not available.

Recommendation:

- A. Establish a written policy for accounting of all fixed assets.
- B. Ensure adequate insurance coverage on all items owned by the county.
- C. Quarterly inspections of personal property and land need to be conducted.

Status:

- A-C. Not Implemented. See MAR No. 2

7. Sheriff's Records and Procedures

- A. The following issues were noted concerning open items in the Sheriff's two bank accounts:
 - a. The bond account holds several significantly aged items.
 - b. An open items listing was not prepared for the regular account.
- B. Checks and money orders are not endorsed immediately.
- C. Deposits are not deposited timely.
- D. Payment methods were not included on receipts.
- E. Fees received are not turned over to the Treasurer monthly.

- F. Follow-up should be completed on outstanding checks greater than one year old.
- G. Mileage and fuel usage logs are not maintained.
- H. Documentation needs to be maintained on food costs for the jail.

Recommendations:

- A. Establish procedures to routinely follow-up on open items.
- B. Endorse all checks immediately.
- C. Deposit funds on a daily basis.
- D. Ensure the method of payment is indicated on all receipts.
- E. Turn over all fees monthly to the County Treasurer.
- F. Attempt to resolve the old outstanding checks.
- G. Require mileage and fuel usage logs to be maintained.
- H. Ensure records are maintained on jail boarding costs.

Status:

A-I. Implemented.

8. License Office Records and Procedures

- A. All fees charged and collected are not properly accounted for.
- B. The office waives fees for county employees and relatives but no mention in the county personnel policy.
- C. Accurate balances are not maintained in the check register and bank reconciliations were not properly completed.
- D. The method of payment is not always indicated on the Department of Revenue receipt forms.

Recommendations:

- A. Reconcile county fees charged and collected to the deposit amounts.
- B. Review the policy for waiving county employees' payment of the license fee.
- C. Ensure accurate check registers and bank reconciliations are prepared.
- D. Ensure the method of payment is indicated on the receipt.

Status:

- A-B. Implemented.
- C. Not Implemented. The reconciliations are not being reviewed by an independent person.
- D. Implemented.

9. Public Administrator's Procedures

- A. Twenty annual settlements were not filed in a timely manner.
- B. An inventory and appraisal for two estates were not filed timely.
- C. Checks associated with various estates were not deposited timely.
- D. Bills were not always paid timely.
- E. One annual settlement did not account for a piece of real estate.

Recommendation:

- A. Have the Associate Circuit Judge require the information to be filed timely.
- B. Have the Associate Circuit Judge require the information to be filed timely.
- C. Deposit receipts on a daily basis.
- D. Pay all bills when due.
- E. Ensure all real estate is listed on the annual settlements.

Status:

A-E. Implemented.

10. Prosecuting Attorney's Records and Procedures

- A. Money orders are not endorsed immediately.
- B. Deposits are not made daily.
- C. Approvals for reductions in bad check fees were not always documented.
- D. Segregation of duties is not sufficient for receiving, recording, and depositing monies.

Recommendation:

- A. Endorse money orders immediately.
- B. Deposit receipts on a daily basis.
- C. Document the reductions of bad check fees charged.
- D. Adequately segregate accounting duties.

Status:

- A. Implemented.
- B. Partially implemented. Receipts are not consistently deposited on a daily basis but improvements have been made.
- C. Implemented. Practice has ceased.
- D. Implemented.

11. County Clerk's Procedures

- A. Fees collected are not turned over to the Treasurer on a timely basis.
- B. Method of payment is not indicated on the receipts.
- C. Checks are not endorsed in a timely manner.

Recommendations:

- A. Turn over all fees to the Treasurer in a timely manner.
- B. Indicate the method of payment on all receipts.
- C. Endorse checks immediately.

Status:

A-C. Implemented.

12. Associate Circuit Division Procedures

- A. The division issues unnumbered receipt slips to defendants for criminal fines and costs due.

Recommendation:

- A. Issue prenumbered receipt slips for all monies.

Status:

A. Implemented by the Sheriff.