



Claire McCaskill

Missouri State Auditor

December 2005

Scotland County, Missouri

Years Ended

December 31, 2004 and 2003



Office Of
Missouri State Auditor
Claire McCaskill

December 2005

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Scotland County, that do not have a county auditor. In addition to a financial and compliance audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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

- Several of the recommendations in this report are repeated from prior audits including findings related to the county's bidding procedures, property tax records, computer controls, commission minutes, and property records. In prior reports county officials indicated they would implement many of the recommendations; however, no significant improvements were noted in some of these areas.
- The county incurred engineering costs of \$99,600 for various federal bridge projects from 2001 to June 2005. There was no documentation that the county considered other engineering firms as required by state law when procuring these services.
- The county's General Revenue Fund and Special Road and Bridge Fund have been experiencing declining financial conditions since 2002. During the years ended December 31, 2003 and 2004, disbursements of the General Revenue Fund exceeded receipts and it appears that receipts will continue to lag behind typical disbursement levels. Significant increases were experienced in several expenditure categories of the Special Road and Bridge Fund during 2004, and overall road rock costs have been increasing.
- County procedures to monitor budget and actual disbursements were not effective, and as a result, actual disbursements exceeded the budgeted amounts in various funds. For costs shared by multiple funds, the County Commission has not been consistent in designating which costs will be paid from certain funds. In addition, support for some transfers between funds was not always adequate and amounts were not always repaid as appropriate.
- The county did not always solicit bids and/or retain adequate bid documentation for various purchases.

YELLOW SHEET

- A formal road and bridge maintenance plan has not been prepared. The county made a \$104,000 prepayment for road rock and did not enter into a written agreement with the quarry. In addition, the county's procedures related to the review of road rock invoices and the sale of some materials to the public were not adequate.
- The County Clerk does not prepare or verify the current and back tax books or maintain an account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's annual settlements or adequately review property tax additions and abatements. In addition, computer password and backup procedures need improvement.
- The county has not established a written policy related to general capital assets. Procedures to account for county property are not sufficient and the records are not complete. In addition, some officials have not filed inventory reports with the County Clerk and physical inventories have not been performed for several years.
- Discrepancies were noted in the County Assessor's office between receipts and amounts transmitted to the County Treasurer. Receipts slips were not always issued and transmitted amounts were not supported by the receipt records. No cash was transmitted to the County Treasurer during 2002, 2003, and 2004; however, various records of the Assessor's office provided information that indicated cash had been received.

The audit also included recommendations concerning the lack of documentation for some county official salaries, county commission minutes, county phone usage and various trusts handled by county.

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

SCOTLAND COUNTY, MISSOURI

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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 Scotland 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 Scotland County, Missouri, as of and for the years ended December 31, 2004 and 2003. 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 more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Scotland County, Missouri, as of December 31, 2004 and 2003, or the changes in its financial position for the years then ended.

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 Scotland 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, 2004 and 2003, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 28, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. 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, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Scotland County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

July 28, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Lonnie W. Breeding III
Audit Staff:	Anne Jenkins
	Earlene Gladden
	Mark Golden



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Scotland County, Missouri

We have audited the financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 28, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Scotland 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 an opinion 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Scotland County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

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

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

July 28, 2005 (fieldwork completion date)

Financial Statements

Exhibit A-1

SCOTLAND COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2004

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 221,474	673,653	798,647	96,480
Special Road and Bridge	54,414	833,665	809,998	78,081
Assessment	0	69,862	69,670	192
Law Enforcement Sales Tax	542	108,953	63,517	45,978
Road and Bridge Capital Improvement	13,284	225,409	144,856	93,837
Road Rock	10,340	172,643	170,412	12,571
Off System	2,229	446,190	446,090	2,329
Law Enforcement Training	516	1,816	2,170	162
Prosecuting Attorney Training	227	293	160	360
User Fee	4,556	2,464	1,808	5,212
Election Service	62	931	810	183
Community Development Block Grant	1,000	5,510	6,510	0
Local Emergency Planning Commission	3,456	7,921	5,700	5,677
Recorder Technology	3,654	1,434	0	5,088
Prosecuting Attorney Bad Check	340	2,211	2,109	442
Sheriff Civil Service	4,181	4,868	24	9,025
Special Sheriff Project	250	20	0	270
DARE	339	0	0	339
Children's Trust	160	165	325	0
Batterers Intervention	3,724	11,611	75	15,260
Divorce Education	560	3,850	70	4,340
Courthouse Restoration	1,965	6,227	7,676	516
Tax Maintenance	2,129	3,702	4,992	839
Associate Circuit Court Interest	1,416	258	0	1,674
Circuit Clerk Interest	1,479	69	0	1,548
Law Library	3,993	2,401	2,635	3,759
Health Center	298,904	400,793	374,070	325,627
Help America Voter Act	0	15,024	0	15,024
Cemetery Trusts	120,392	2,521	3,303	119,610
Total	\$ 755,586	3,004,464	2,915,627	844,423

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

Exhibit A-2

SCOTLAND COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2003

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 325,080	617,330	720,936	221,474
Special Road and Bridge	145,129	857,665	948,380	54,414
Assessment	4,327	63,589	67,916	0
Law Enforcement Sales Tax	1,128	119,955	120,541	542
Road and Bridge Capital Improvement	18,597	163,891	169,204	13,284
Road Rock	10,935	63,901	64,496	10,340
Off System	45,647	604,030	647,448	2,229
Law Enforcement Training	293	1,291	1,068	516
Prosecuting Attorney Training	192	199	164	227
User Fee	5,840	2,720	4,004	4,556
Election Service	1,099	463	1,500	62
Community Development Block Grant	1,000	45,425	45,425	1,000
Local Emergency Planning Commission	2,938	6,996	6,478	3,456
Local Law Enforcement Block Grant	0	8,114	8,114	0
Recorder Technology	2,053	1,601	0	3,654
Prosecuting Attorney Bad Check	110	2,409	2,179	340
Sheriff Civil Service	0	4,181	0	4,181
Special Sheriff Project	250	0	0	250
DARE	500	0	161	339
Children's Trust	150	235	225	160
Batterers Intervention	0	3,724	0	3,724
Divorce Education	0	560	0	560
Courthouse Restoration	39,662	16,488	54,185	1,965
Tax Maintenance	0	4,014	1,885	2,129
Associate Circuit Court Interest	1,150	266	0	1,416
Circuit Clerk Interest	1,299	180	0	1,479
Law Library	5,143	2,179	3,329	3,993
Health Center	270,532	343,515	315,143	298,904
Cemetery Trusts	133,464	2,327	15,399	120,392
Total	\$ 1,016,518	2,937,248	3,198,180	755,586

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

Exhibit B

SCOTLAND COUNTY, MISSOURI

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 2,997,351	2,986,919	(10,432)	3,180,492	2,930,637	(249,855)
DISBURSEMENTS	3,141,867	2,912,324	229,543	3,555,641	3,182,781	372,860
RECEIPTS OVER (UNDER) DISBURSEMENTS	(144,516)	74,595	219,111	(375,149)	(252,144)	123,005
CASH, JANUARY 1	635,194	635,194	0	883,054	883,054	0
CASH, DECEMBER 31	490,678	709,789	219,111	507,905	630,910	123,005
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	219,241	238,643	19,402	217,385	217,675	290
Sales taxes	161,000	174,925	13,925	165,000	163,425	(1,575)
Intergovernmental	81,252	110,507	29,255	77,940	87,790	9,850
Charges for services	113,448	118,489	5,041	114,960	107,116	(7,844)
Interest	7,500	5,085	(2,415)	4,000	9,311	5,311
Other	16,950	26,004	9,054	23,550	32,013	8,463
Total Receipts	599,391	673,653	74,262	602,835	617,330	14,495
DISBURSEMENTS						
County Commissior	58,330	57,495	835	59,051	60,612	(1,561)
County Clerk	50,181	51,022	(841)	54,107	52,447	1,660
Elections	15,000	13,547	1,453	1,000	309	691
Buildings and grounds	46,441	52,030	(5,589)	61,714	45,646	16,068
Employee fringe benefit	52,000	54,319	(2,319)	44,600	36,917	7,683
County Treasurer	28,605	29,281	(676)	27,338	28,355	(1,017)
County Collector	56,076	54,560	1,516	53,107	54,383	(1,276)
Ex Officio Recorder of Deed	21,300	15,763	5,537	23,600	16,804	6,796
Associate Circuit Court	9,000	6,690	2,310	8,750	6,057	2,693
Court administration	9,924	2,381	7,543	4,866	2,733	2,133
Public Administrator	13,540	12,860	680	12,872	13,455	(583)
Sheriff	233,490	236,448	(2,958)	181,209	174,538	6,671
Prosecuting Attorney	59,493	54,878	4,615	57,091	56,811	280
Juvenile Officer	41,605	33,880	7,725	46,974	38,076	8,898
County Coroner	8,626	8,520	106	10,037	7,401	2,636
Public health and welfare service	17,749	27,326	(9,577)	3,519	16,484	(12,965)
Insurance and bonds	23,000	25,943	(2,943)	24,000	22,579	1,421
University Extension Council	23,273	23,272	1	22,395	22,395	0
Loan repayment	0	19,217	(19,217)	19,228	19,228	0
Other	1,200	2,265	(1,065)	1,500	1,173	327
Transfers out	22,000	16,950	5,050	44,000	44,533	(533)
Emergency Fund	18,000	0	18,000	19,000	0	19,000
Total Disbursements	808,833	798,647	10,186	779,958	720,936	59,022
RECEIPTS OVER (UNDER) DISBURSEMENTS	(209,442)	(124,994)	84,448	(177,123)	(103,606)	73,517
CASH, JANUARY 1	221,474	221,474	0	325,080	325,080	0
CASH, DECEMBER 31	12,032	96,480	84,448	147,957	221,474	73,517

Exhibit B

SCOTLAND COUNTY, MISSOURI

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	289,269	314,393	25,124	287,284	287,475	191
Intergovernmental	479,200	479,793	593	479,000	485,655	6,655
Interest	6,000	3,864	(2,136)	4,000	6,745	2,745
Rock and culvert sales to the public	11,000	23,958	12,958	7,500	11,327	3,827
Other	1,500	11,657	10,157	1,000	2,154	1,154
Transfers in	0	0	0	0	64,309	64,309
Total Receipts	786,969	833,665	46,696	778,784	857,665	78,881
DISBURSEMENTS						
Salaries	290,000	289,522	478	293,000	281,416	11,584
Employee fringe benefit	45,500	52,302	(6,802)	47,000	42,986	4,014
Lubricant and fuel	70,000	68,764	1,236	70,000	57,620	12,380
Supplies	40,000	44,796	(4,796)	36,000	47,931	(11,931)
Insurance	24,000	24,842	(842)	23,000	24,215	(1,215)
Road and bridge materials	181,000	73,028	107,972	303,000	329,254	(26,254)
Equipment repairs	80,000	95,242	(15,242)	92,000	76,043	15,957
Rentals	0	0	0	4,000	3,812	188
Equipment purchases	0	0	0	0	66,591	(66,591)
Construction, repair, and maintenance	0	7,637	(7,637)	38,000	18,279	19,721
Other	1,000	40	960	1,000	233	767
Transfers out	0	153,825	(153,825)	0	0	0
Total Disbursements	731,500	809,998	(78,498)	907,000	948,380	(41,380)
RECEIPTS OVER (UNDER) DISBURSEMENTS	55,469	23,667	(31,802)	(128,216)	(90,715)	37,501
CASH, JANUARY 1	54,414	54,414	0	145,129	145,129	0
CASH, DECEMBER 31	109,883	78,081	(31,802)	16,913	54,414	37,501
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	54,200	60,972	6,772	64,200	56,329	(7,871)
Interest	200	151	(49)	100	250	150
Other	400	739	339	400	478	78
Transfers in	22,000	8,000	(14,000)	0	6,532	6,532
Total Receipts	76,800	69,862	(6,938)	64,700	63,589	(1,111)
DISBURSEMENTS						
Assessor	76,760	69,670	7,090	71,998	67,916	4,082
Total Disbursements	76,760	69,670	7,090	71,998	67,916	4,082
RECEIPTS OVER (UNDER) DISBURSEMENTS	40	192	152	(7,298)	(4,327)	2,971
CASH, JANUARY 1	0	0	0	4,327	4,327	0
CASH, DECEMBER 31	40	192	152	(2,971)	0	2,971

Exhibit B

SCOTLAND COUNTY, MISSOURI

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	72,100	87,468	15,368	83,000	81,955	(1,045)
Interest	0	217	217	0	0	0
Intergovernmental	8,400	15,268	6,868	0	0	0
Transfers in	0	6,000	6,000	38,000	38,000	0
Total Receipts	80,500	108,953	28,453	121,000	119,955	(1,045)
DISBURSEMENTS						
Sheriff salary	0	0	0	30,238	30,238	0
Chief deputy salary	0	0	0	31,000	28,022	2,978
Part-time dispatcher salary	0	0	0	49,000	49,971	(971)
Social security and unemploymen	0	0	0	10,000	12,291	(2,291)
Board of prisoner cost:	35,000	44,592	(9,592)	0	0	0
Other	42,340	18,925	23,415	0	19	(19)
Total Disbursements	77,340	63,517	13,823	120,238	120,541	(303)
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,160	45,436	42,276	762	(586)	(1,348)
CASH, JANUARY 1	542	542	0	1,128	1,128	0
CASH, DECEMBER 31	3,702	45,978	42,276	1,890	542	(1,348)
<u>ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Sales taxes	163,000	174,930	11,930	169,000	163,891	(5,109)
Interest	0	479	479	0	0	0
Transfers in	0	50,000	50,000	0	0	0
Total Receipts	163,000	225,409	62,409	169,000	163,891	(5,109)
DISBURSEMENTS						
Equipment	30,000	22,706	7,294	125,000	53,475	71,525
Other construction	120,000	122,150	(2,150)	62,000	115,729	(53,729)
Total Disbursements	150,000	144,856	5,144	187,000	169,204	17,796
RECEIPTS OVER (UNDER) DISBURSEMENTS	13,000	80,553	67,553	(18,000)	(5,313)	12,687
CASH, JANUARY 1	13,284	13,284	0	18,597	18,597	0
CASH, DECEMBER 31	26,284	93,837	67,553	597	13,284	12,687
<u>ROAD ROCK FUND</u>						
RECEIPTS						
Property taxes	62,000	68,301	6,301	65,000	63,487	(1,513)
Interest	0	517	517	0	414	414
Transfers in	0	103,825	103,825	0	0	0
Total Receipts	62,000	172,643	110,643	65,000	63,901	(1,099)
DISBURSEMENTS						
Rock	72,000	89,548	(17,548)	75,900	64,496	11,404
Rock hauling	0	80,864	(80,864)	0	0	0
Total Disbursements	72,000	170,412	(98,412)	75,900	64,496	11,404
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,000)	2,231	12,231	(10,900)	(595)	10,305
CASH, JANUARY 1	10,340	10,340	0	10,935	10,935	0
CASH, DECEMBER 31	340	12,571	12,231	35	10,340	10,305

Exhibit B

SCOTLAND COUNTY, MISSOURI

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>OFF SYSTEM FUND</u>						
RECEIPTS						
Intergovernmental	550,000	446,068	(103,932)	918,019	603,018	(315,001)
Interest	400	122	(278)	550	1,012	462
Total Receipts	550,400	446,190	(104,210)	918,569	604,030	(314,539)
DISBURSEMENTS						
Federal bridge project:	550,000	446,090	103,910	918,019	605,448	312,571
Transfers out	0	0	0	0	42,000	(42,000)
Total Disbursements	550,000	446,090	103,910	918,019	647,448	270,571
RECEIPTS OVER (UNDER) DISBURSEMENTS	400	100	(300)	550	(43,418)	(43,968)
CASH, JANUARY 1	2,229	2,229	0	45,647	45,647	0
CASH, DECEMBER 31	2,629	2,329	(300)	46,197	2,229	(43,968)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for service:	1,200	1,716	516	1,200	1,291	91
Transfers in	0	100	100	0	0	0
Total Receipts	1,200	1,816	616	1,200	1,291	91
DISBURSEMENTS						
Sheriff	1,510	2,170	(660)	1,475	1,068	407
Total Disbursements	1,510	2,170	(660)	1,475	1,068	407
RECEIPTS OVER (UNDER) DISBURSEMENTS	(310)	(354)	(44)	(275)	223	498
CASH, JANUARY 1	516	516	0	293	293	0
CASH, DECEMBER 31	206	162	(44)	18	516	498
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	200	293	93	200	199	(1)
Total Receipts	200	293	93	200	199	(1)
DISBURSEMENTS						
Prosecuting Attorney	385	160	225	385	164	221
Total Disbursements	385	160	225	385	164	221
RECEIPTS OVER (UNDER) DISBURSEMENTS	(185)	133	318	(185)	35	220
CASH, JANUARY 1	227	227	0	192	192	0
CASH, DECEMBER 31	42	360	318	7	227	220

Exhibit B

SCOTLAND COUNTY, MISSOURI

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>USER FEE FUND</u>						
RECEIPTS						
Charges for service:	2,800	2,464	(336)	2,200	2,720	520
Total Receipts	2,800	2,464	(336)	2,200	2,720	520
DISBURSEMENTS						
Recorder	2,525	1,808	717	4,025	4,004	21
Total Disbursements	2,525	1,808	717	4,025	4,004	21
RECEIPTS OVER (UNDER) DISBURSEMENTS	275	656	381	(1,825)	(1,284)	541
CASH, JANUARY 1	4,556	4,556	0	5,840	5,840	0
CASH, DECEMBER 31	4,831	5,212	381	4,015	4,556	541
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Charges for service:	816	927	111	400	454	54
Interest	10	4	(6)	20	9	(11)
Total Receipts	826	931	105	420	463	43
DISBURSEMENTS						
Elections	750	810	(60)	1,400	1,500	(100)
Total Disbursements	750	810	(60)	1,400	1,500	(100)
RECEIPTS OVER (UNDER) DISBURSEMENTS	76	121	45	(980)	(1,037)	(57)
CASH, JANUARY 1	62	62	0	1,099	1,099	0
CASH, DECEMBER 31	138	183	45	119	62	(57)
<u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental	208,000	5,510	(202,490)	47,185	45,425	(1,760)
Total Receipts	208,000	5,510	(202,490)	47,185	45,425	(1,760)
DISBURSEMENTS						
Road and bridge	208,000	6,510	201,490	48,185	23,116	25,069
Transfers out	0	0	0	0	22,309	(22,309)
Total Disbursements	208,000	6,510	201,490	48,185	45,425	2,760
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(1,000)	(1,000)	(1,000)	0	1,000
CASH, JANUARY 1	1,000	1,000	0	1,000	1,000	0
CASH, DECEMBER 31	1,000	0	(1,000)	0	1,000	1,000
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	7,000	7,921	921	3,600	6,996	3,396
Total Receipts	7,000	7,921	921	3,600	6,996	3,396
DISBURSEMENTS						
Other	10,456	5,700	4,756	6,500	6,478	22
Total Disbursements	10,456	5,700	4,756	6,500	6,478	22
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,456)	2,221	5,677	(2,900)	518	3,418
CASH, JANUARY 1	3,456	3,456	0	2,938	2,938	0
CASH, DECEMBER 31	0	5,677	5,677	38	3,456	3,418

Exhibit B

SCOTLAND COUNTY, MISSOURI

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOCAL LAW ENFORCEMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental	10,000	0	(10,000)	8,100	8,114	14
Total Receipts	10,000	0	(10,000)	8,100	8,114	14
DISBURSEMENTS						
Sheriff - Equipmen	10,000	0	10,000	8,100	7,620	480
Other	0	0	0	0	494	(494)
Total Disbursements	10,000	0	10,000	8,100	8,114	(14)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>RECORDER TECHNOLOGY FUND</u>						
RECEIPTS						
Charges for service:	1,500	1,434	(66)	1,400	1,601	201
Total Receipts	1,500	1,434	(66)	1,400	1,601	201
DISBURSEMENTS						
Recorder	1,000	0	1,000	3,000	0	3,000
Total Disbursements	1,000	0	1,000	3,000	0	3,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,434	934	(1,600)	1,601	3,201
CASH, JANUARY 1	3,654	3,654	0	2,053	2,053	0
CASH, DECEMBER 31	4,154	5,088	934	453	3,654	3,201
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	2,500	2,211	(289)	4,000	2,409	(1,591)
Total Receipts	2,500	2,211	(289)	4,000	2,409	(1,591)
DISBURSEMENTS						
Prosecuting Attorney	2,490	2,109	381	4,100	2,179	1,921
Total Disbursements	2,490	2,109	381	4,100	2,179	1,921
RECEIPTS OVER (UNDER) DISBURSEMENTS	10	102	92	(100)	230	330
CASH, JANUARY 1	340	340	0	110	110	0
CASH, DECEMBER 31	350	442	92	10	340	330
<u>SHERIFF CIVIL SERVICE FUND</u>						
RECEIPTS						
Charges for service:	5,000	4,692	(308)	4,000	4,181	181
Interest	0	89	89	0	0	0
Other	0	87	87	0	0	0
Total Receipts	5,000	4,868	(132)	4,000	4,181	181
DISBURSEMENTS						
Sheriff	0	24	(24)	3,950	0	3,950
Total Disbursements	0	24	(24)	3,950	0	3,950
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,000	4,844	(156)	50	4,181	4,131
CASH, JANUARY 1	4,181	4,181	0	0	0	0
CASH, DECEMBER 31	9,181	9,025	(156)	50	4,181	4,131

Exhibit B

SCOTLAND COUNTY, MISSOURI

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL SHERIFF PROJECT FUND</u>						
RECEIPTS						
Other	500	20	(480)	0	0	0
Total Receipts	500	20	(480)	0	0	0
DISBURSEMENTS						
Sheriff	750	0	750	250	0	250
Total Disbursements	750	0	750	250	0	250
RECEIPTS OVER (UNDER) DISBURSEMENTS	(250)	20	270	(250)	0	250
CASH, JANUARY 1	250	250	0	250	250	0
CASH, DECEMBER 31	0	270	270	0	250	250
<u>DARE FUND</u>						
RECEIPTS						
Other	500	0	(500)	0	0	0
Total Receipts	500	0	(500)	0	0	0
DISBURSEMENTS						
Sheriff	300	0	300	500	161	339
Total Disbursements	300	0	300	500	161	339
RECEIPTS OVER (UNDER) DISBURSEMENTS	200	0	(200)	(500)	(161)	339
CASH, JANUARY 1	339	339	0	500	500	0
CASH, DECEMBER 31	539	339	(200)	0	339	339
<u>CHILDREN'S TRUST FUND</u>						
RECEIPTS						
Charges for Services	200	165	(35)	225	235	10
Total Receipts	200	165	(35)	225	235	10
DISBURSEMENTS						
Other	210	325	(115)	300	225	75
Total Disbursements	210	325	(115)	300	225	75
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10)	(160)	(150)	(75)	10	85
CASH, JANUARY 1	160	160	0	150	150	0
CASH, DECEMBER 31	150	0	(150)	75	160	85
<u>BATTERERS INTERVENTION FUND</u>						
RECEIPTS						
Charges for service	6,000	11,611	5,611			
Total Receipts	6,000	11,611	5,611			
DISBURSEMENTS						
Other	9,500	75	9,425			
Total Disbursements	9,500	75	9,425			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,500)	11,536	15,036			
CASH, JANUARY 1	3,724	3,724	0			
CASH, DECEMBER 31	224	15,260	15,036			

Exhibit B

SCOTLAND COUNTY, MISSOURI

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DIVORCE EDUCATION FUND</u>						
RECEIPTS						
Charges for service	600	3,850	3,250			
Total Receipts	600	3,850	3,250			
DISBURSEMENTS						
Other	1,100	70	1,030			
Total Disbursements	1,100	70	1,030			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	3,780	4,280			
CASH, JANUARY 1	560	560	0			
CASH, DECEMBER 31	60	4,340	4,280			
<u>COURTHOUSE RESTORATION FUND</u>						
RECEIPTS						
Interest	500	523	23	1,000	1,233	233
Other	10,000	2,854	(7,146)	15,000	15,255	255
Transfers in	0	2,850	2,850	0	0	0
Total Receipts	10,500	6,227	(4,273)	16,000	16,488	488
DISBURSEMENTS						
Courthouse	10,000	7,676	2,324	55,000	54,185	815
Total Disbursements	10,000	7,676	2,324	55,000	54,185	815
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	(1,449)	(1,949)	(39,000)	(37,697)	1,303
CASH, JANUARY 1	1,965	1,965	0	39,662	39,662	0
CASH, DECEMBER 31	2,465	516	(1,949)	662	1,965	1,303
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Interest	35	43	8	50	33	(17)
Charges for service:	3,400	3,659	259	3,000	3,981	981
Total Receipts	3,435	3,702	267	3,050	4,014	964
DISBURSEMENTS						
County Collector	3,000	4,992	(1,992)	2,700	1,885	815
Total Disbursements	3,000	4,992	(1,992)	2,700	1,885	815
RECEIPTS OVER (UNDER) DISBURSEMENTS	435	(1,290)	(1,725)	350	2,129	1,779
CASH, JANUARY 1	2,129	2,129	0	0	0	0
CASH, DECEMBER 31	2,564	839	(1,725)	350	2,129	1,779
<u>ASSOCIATE CIRCUIT COURT INTEREST FUND</u>						
RECEIPTS						
Interest	225	258	33	150	266	116
Total Receipts	225	258	33	150	266	116
DISBURSEMENTS						
Associate Circuit Court	0	0	0	1,250	0	1,250
Total Disbursements	0	0	0	1,250	0	1,250
RECEIPTS OVER (UNDER) DISBURSEMENTS	225	258	33	(1,100)	266	1,366
CASH, JANUARY 1	1,416	1,416	0	1,150	1,150	0
CASH, DECEMBER 31	1,641	1,674	33	50	1,416	1,366

Exhibit B

SCOTLAND COUNTY, MISSOURI

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

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	150	69	(81)	150	180	30
Total Receipts	150	69	(81)	150	180	30
DISBURSEMENTS						
Circuit Clerk	1,400	0	1,400	1,250	0	1,250
Total Disbursements	1,400	0	1,400	1,250	0	1,250
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,250)	69	1,319	(1,100)	180	1,280
CASH, JANUARY 1	1,479	1,479	0	1,299	1,299	0
CASH, DECEMBER 31	229	1,548	1,319	199	1,479	1,280
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	2,400	2,366	(34)	3,500	2,136	(1,364)
Interest	45	35	(10)	60	43	(17)
Total Receipts	2,445	2,401	(44)	3,560	2,179	(1,381)
DISBURSEMENTS						
Associate Circuit Judge	3,500	2,635	865	3,000	3,329	(329)
Total Disbursements	3,500	2,635	865	3,000	3,329	(329)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,055)	(234)	821	560	(1,150)	(1,710)
CASH, JANUARY 1	3,993	3,993	0	5,143	5,143	0
CASH, DECEMBER 31	2,938	3,759	821	5,703	3,993	(1,710)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	68,000	71,927	3,927	70,000	65,891	(4,109)
Intergovernmental	315,910	297,941	(17,969)	263,864	252,842	(11,022)
Charges for service:	16,800	13,939	(2,861)	16,300	13,646	(2,654)
Interest	10,000	6,348	(3,652)	11,000	7,780	(3,220)
Other	4,000	10,638	6,638	4,000	3,356	(644)
Total Receipts	414,710	400,793	(13,917)	365,164	343,515	(21,649)
DISBURSEMENTS						
Salaries	232,758	223,593	9,165	235,358	215,469	19,889
Office expenditures:	34,200	32,998	1,202	28,600	26,607	1,993
Equipment	43,500	35,679	7,821	5,500	8,163	(2,663)
Mileage and inservice	15,000	10,843	4,157	15,000	9,577	5,423
Contract services	30,000	26,798	3,202	27,000	24,988	2,012
Medical supplies	12,500	9,973	2,527	13,500	10,060	3,440
Sanitation program	13,000	12,127	873	12,000	11,467	533
Other	27,600	22,059	5,541	13,200	8,812	4,388
Total Disbursements	408,558	374,070	34,488	350,158	315,143	35,015
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,152	26,723	20,571	15,006	28,372	13,366
CASH, JANUARY 1	298,904	298,904	0	270,532	270,532	0
CASH, DECEMBER 31	305,056	325,627	20,571	285,538	298,904	13,366

Notes to the Financial Statements

SCOTLAND 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 Scotland 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, or the Health Center 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, 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>
Batterers Intervention Fund	2003
Divorce Education Fund	2003
Cemetery Trusts Fund	2004 and 2003
Help America Voter Act Fund	2004

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Special Road and Bridge Fund	2004 and 2003
Law Enforcement Sales Tax Fund	2003
Road Rock Fund	2004
Law Enforcement Training Fund	2004
Election Service Fund	2004 and 2003
Local Law Enforcement Block Grant	2003
Sheriff Civil Service Fund	2004
Children's Trust Fund	2004
Tax Maintenance Fund	2004
Law Library Fund	2003

Although Section 50.740, RSMo, requires a balanced budget, a deficit balance was budgeted in the Assessment Fund for the year ended December 31, 2003.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, 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.

However, the county's published financial statements for the years ended December 31, 2004 and 2003, did not include the Cemetery Trusts Fund.

2. Cash

Section 110.270, RSMo, 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, 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 and the Health Center Board's deposits at December 31, 2004 and 2003, were entirely covered by federal depositary insurance or by collateral securities held by the county's or the board's custodial bank in the county's or the board's name.

3. Prior Period Adjustment

The Cemetery Trusts Fund's cash balance at January 1, 2003, as previously stated has been increased by \$126,387 to reflect principal balances not previously reported.

Supplementary Schedule

Schedule

SCOTLAND 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,	
			2004	2003
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state Department of Health and Senior Service:				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-5200 ERS045-4200 ERS045-3200W	\$ 1,010 10,140 0	0 720 10,269
	Program Total		<u>11,150</u>	<u>10,989</u>
10.559	Summer Food Service Program for Children	ERS146-4200i	130	0
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Economic Development:				
14.228	Community Development Block Grants/State's Program	2003-PF-20	6,510	45,425
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety				
16.592	Local Law Enforcement Block Grants Program	2002-LBG-084	0	8,114
Missouri Sheriff's Association				
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,015	846
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-099(12) BRO-099(13) BRO-099(14) BRO-099(15) BRO-099(16) BRO-099(17)	0 213,191 0 0 0 232,899	15,777 0 297,097 2,000 290,574 0
	Program Total		<u>446,090</u>	<u>605,448</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state Department of Health and Senior Service:				
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-3200T	0	163
93.268	Immunization Grants	N/A PGA064-3200A	18,409 0	17,368 1,500
	Program Total		<u>18,409</u>	<u>18,868</u>

Schedule

SCOTLAND 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,	
			2004	2003
93.283	Centers for Disease and Prevention- Investigation and Technical Assistance	DH040022026 DH030097001	6,370 0	0 6,625
	Program Total		<u>6,370</u>	<u>6,625</u>
93.575	Child Care and Development Block Gran	PGA067-4200C PGA067-3200C PGA067-4200S PGA067-3200S	1,000 0 525 0	0 915 0 410
	Program Total		<u>1,525</u>	<u>1,325</u>
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-4200M ERS146-3200M N/A	12,722 0 0	0 12,409 172
	Program Total		<u>12,722</u>	<u>12,581</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.036	Public Assistance Grants	DR 1412 PA	0	297
97.039	Hazard Mitigation Grant	DR 1403 BO	13,071	7,786
97.051	State and Local All Hazards Emergency Operations Plannin	EMK2003GR254	5,700	300
	Total Expenditures of Federal Award		\$ <u><u>522,692</u></u>	<u><u>718,767</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

SCOTLAND 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 Scotland 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 Immunization Grants (CFDA number 93.268) represent the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

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 Scotland County, Missouri

Compliance

We have audited the compliance of Scotland 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, 2004 and 2003. 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, Scotland 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, 2004 and 2003. 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 04-1.

Internal Control Over Compliance

The management of Scotland 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 04-1.

A material weakness is a reportable 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 caused by error or fraud 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 weaknesses

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



Claire McCaskill
State Auditor

July 28, 2005 (fieldwork completion date)

Schedule

SCOTLAND COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2004 AND 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no
- Reportable conditions identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major program:

- Material weaknesses identified? yes x no
- Reportable condition identified that is not considered to be a material weakness? x 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? x yes no

Identification of major program:

CFDA or Other Identifying <u>Number</u>	<u>Program Title</u>
20.205	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.

04-1.

Professional Services

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-099(12), BRO-099(13), BRO-099(14), BRO-099(15) BRO-099(16), and BRO-099(17)
Award Years:	2003 and 2004
Questioned Costs:	\$43,673

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Highway Planning and Construction Program. The county did not follow statutory requirements when obtaining engineering services for certain bridge projects.

The county incurred engineering costs of \$99,600 from 2001 to June 2005 for projects BRO-099(14) and (17). There was no documentation that the County Commission considered other engineering firms when procuring these services. The County Commission indicated the engineering firm was chosen because of the county's prior experience with the firm on other county bridge projects.

Sections 8.289 and 8.291, RSMo, provide that when obtaining engineering services for any capital improvement project, at least three firms should be considered. The firms should be evaluated based upon specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is

located. As a result, we have questioned costs of \$43,673, which represents engineering costs paid during 2003 through June 2005.

WE RECOMMEND the County Commission obtain information as required by law when contracting for professional services and resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated they agree with this recommendation and will obtain and file the required documentation when contracting for future engineering services. The County Commission also indicated that the implementation of this recommendation will be long-term because the current engineering firm has already been contracted with for the next three or four bridges, which could take a few years.

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

SCOTLAND 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 Scotland County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2002.

02-1. Budgetary Practices

Actual disbursements exceeded budgeted amounts for several funds and the county did not adopt budgets for various county funds.

Recommendation:

The County Commission not authorize disbursements in excess of budget amounts. If necessary, extenuating circumstances should be fully documented and the budgets amended and filed with the State Auditor's Office.

Status:

Not implemented. See MAR finding number 2.

02-2. Published Financial Statements

The county's published financial statements did not include all funds.

Recommendation:

The County Commission include all county funds in the published annual financial statements.

Status:

Partially implemented. While there was still one fund not included in the county's published financial statements, improvement was noted in this area. Although not repeated in the current report, the recommendation remains as stated above.

02-3. Purchasing Procedures

Bids were not always solicited or bid documentation was not retained for purchases.

Recommendation:

The County Commission solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained. If circumstances are deemed to warrant a purchase without bids, such circumstances should be fully documented and noted in the County Commission minutes.

Status:

Not implemented. See MAR finding number 3.

02-4. Commission Minutes

The County Clerk did not prepare adequate records of the meetings of the County Commission. In addition, the minutes were not prepared in a timely manner.

Recommendation:

The County Commission ensure a complete record of meeting is prepared and approved on a timely basis.

Status:

Partially implemented. While minutes were prepared more timely, details included were still not adequate. See MAR finding number 7.

02-5. Prosecuting Attorney's Office

The Prosecuting Attorney does not have an office in the courthouse. The county paid the Prosecuting Attorney a \$340 allowance for the office expenses incurred on behalf of the county. No supporting documentation was provided to the county for these monthly expenses, nor did the county have a written agreement with the Prosecuting Attorney outlining the portion of expenses to be paid by the county. In addition, these unsupported expense reimbursements were not reported on the Prosecuting Attorney's W-2 as required by law.

Recommendation:

The County Commission require adequate supporting documentation prior to approving expenditures for payment to employees and include payments on the W-2 forms. In addition, all county contracts should be in writing and the basis for payments should be documented.

Status:

Partially implemented. The county has entered into a written agreement with the Prosecuting Attorney which allows for a \$450 monthly rental charge. It specifies the portion of the monthly rental charge (\$400) that pertains to utilities, office furniture, equipment, and telephone costs and the portion (\$50) that pertains to miscellaneous office supplies. The county had no documentation, however, regarding how the overall rental charge was derived. In addition, these unsupported expense reimbursements are not on the Prosecuting Attorney's W-2 forms. Although not repeated in the current report, the recommendation remains as stated above.

02-6. Computer Controls

Access to the computer programs such as the property tax, payroll, and disbursement systems was not adequately restricted.

Recommendation:

The County Commission consult with their programmer and establish procedures to restrict access to computer files, including the use of unique passwords, to authorized individuals.

Status:

Not implemented. See MAR finding number 5.

02-7. Fixed Assets

Purchase of new fixed assets and disposition of old items had not been recorded on the fixed asset listing since 1993. In addition, since that time, most new assets had not been properly numbered, tagged, or otherwise identified and physical inventories had not been performed.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping the policy could include necessary definitions, address important dates, establish standardized forms for reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as county-owned property upon receipt.

Status:

Not implemented. See MAR finding number 9.

02-8. The County Commission used a single stamp to approve warrants, which is easily accessible

to the County Clerk staff. Invoices were often not approved by the County Clerk's office, nor were they cancelled as paid.

Recommendation:

The County Commission approve disbursements by signature or with an approval stamp to which access is limited to the County Commission, and the County Clerk cancel invoices in an appropriate manner.

Status:

Not implemented. A single approval stamp continues to be used by the County Commission and access is not limited. However, warrants are attached to the invoices which serves as evidence of payment and checks require three signatures. Although not repeated in the current report, the recommendation remains as stated above.

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

SCOTLAND 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, 2002, 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

SCOTLAND COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 28, 2005. We also have audited the compliance of Scotland 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, 2004 and 2003, and have issued our report thereon dated July 28, 2005.

In addition, we have audited the operations of elected officials with funds other than those presented in the financial statements to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. 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.

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.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Scotland County or 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 other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits

performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1.	Financial Condition
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The county's General Revenue Fund and Special Road and Bridge Fund are experiencing declining financial conditions.

- A. The following chart shows the General Revenue Fund receipts, disbursements and cash balances for the two years ended December 31, 2004, along with budget estimates for the year ended December 31, 2005:

		Estimated		
		2005	2004	2003
Beginning Cash, January 1	\$	96,480	221,474	325,080
Receipts		610,610	673,653	617,330
Disbursements		(701,319)	(798,647)	(720,936)
Ending Cash, December 31	\$	5,771	96,480	221,474
Receipts Over (Under)				
Disbursements	\$	(90,709)	(124,994)	(103,606)

As shown in the above table, the financial condition of the General Revenue Fund has declined significantly since 2002 and it appears the condition will not improve during the current year. The county spent more than it received during the last two years and budgeted to do so during 2005, resulting in a significant decline in the cash balance.

For 2004, salary and related payroll disbursements of the General Revenue Fund comprised approximately \$512,500 (64 percent) of the total fund disbursements. Other required or essential disbursements included elections, utilities, office supplies and expenses, training, insurance, and health and welfare programs. The most significant increases in 2004 disbursements were experienced in the elections, employee fringe benefits, and public safety categories.

The higher receipts for 2004 relate primarily to grant programs and board of prisoner reimbursements, both of which have offsetting disbursements. As a result, these increased receipts have little impact on the overall cash balance and do not necessarily reflect a positive trend with regard to the county's future receipts.

Despite plans to shift more of the public safety costs to the Law Enforcement Sales Tax Fund in 2005, General Revenue Fund receipts are lagging behind the typical disbursement levels. The General Revenue Fund and the Law Enforcement Sales Tax Fund share Sheriff's department costs. The law enforcement sales tax receipts,

earmarked for a designated purpose by law, are approximately \$90,000 annually and represent only about one-third of the Sheriff's department budget. As overall recurring or one-time costs for this department grow, the burden on the General Revenue Fund will increase.

- B. The following chart shows the Special Road and Bridge Fund receipts, disbursements and cash balances for the two years ended December 31, 2004, along with budget estimates for the year ended December 31, 2005:

		Estimated 2005	2004	2003
Beginning Cash, January 1	\$	78,081	54,414	145,129
Receipts		834,300	833,665	857,665
Disbursements		(905,100)	(809,998)	(948,380)
Ending Cash, December 31	\$	7,281	78,081	54,414

Receipts Over (Under)

Disbursements	\$	(70,800)	23,667	(90,715)
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As shown in the table above, the financial condition of the Road and Bridge Fund has been declining since 2002 and it appears the condition will not improve during the current year.

Road rock purchases appear to be a significant factor causing this declining balance.

Rock purchases are made from both the Special Road and Bridge Fund and the Road Rock Fund. A comparison of overall road rock expenditures since 2002 and the anticipated 2005 road rock expenditures shows that the county is spending approximately \$50,000 more per year on rock. Other significant increases in 2004 disbursements were experienced in the salaries and fringe benefits, lubricant and fuel, equipment repairs, and transfers out categories.

Costs related to non-federal road and bridge work (i.e., county bridges, maintaining and rocking roads) are shared by the Special Road and Bridge Fund, Road Rock Fund, and the Road and Bridge Capital Improvement Fund. Overall disbursements from these three funds have exceeded receipts for two of the last four years, and 2005 anticipated disbursements are expected to exceed anticipated receipts. The receipt sources for the Road Rock Fund and Road and Bridge Capital Improvement Fund are earmarked for specific purposes by law and voter approval. Receipts into these funds average approximately \$250,000 annually and represent less than one-fourth of the county's overall non-federal road and bridge related costs. Because the Special Road and Bridge Fund is used to pay for any expenses which cannot be paid from the other two funds, the disbursement trends have negatively impacted the financial condition of that fund.

Considering the overall financial condition, it appears that receipts into the General Revenue and Special Road and Bridge funds are not keeping pace with the expenditures despite the

existence of dedicated funds which are intended to supplement the operations of the two funds.

The County Commission should review disbursements and reduce discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of resources available to the county, and attempt to maximize receipts from all sources. Given the financial condition of the General Revenue Fund and Special Road and Bridge Fund, it is imperative that the County Commission bid purchases and evaluate their budgetary practices as discussed in other report findings.

WE RECOMMEND the County Commission consider alternatives of increasing receipts and/or reducing disbursements to improve the financial condition of the General Revenue Fund and the Special Road and Bridge Fund.

AUDITEE'S RESPONSE

The County Commission indicated:

We agree with the recommendation, are aware of the significant decrease in fund balances, and are working to correct those deficiencies. The General Revenue Fund is in better financial condition than anticipated in the budget, with a fund balance near \$46,000 as of December 7, 2005. We have been working on reducing discretionary expenditures as much as possible and are working to increase receipts where possible. The dispatching contract with the City of Memphis was renegotiated and will provide an additional \$20,000 in revenues during 2006 with a 2% increase each year thereafter. Because we can handle the increased workload with our current staff, there are no additional expenses related to this revenue. The declining financial condition in the Special Road and Bridge fund is primarily the result of unanticipated price increases during the last few years on such materials as rock, fuel, and steel. Some alternatives we have considered include closer evaluation of roads and the amount of rock needed to maintain the integrity of roads and the already implemented procedure of taking phone bids each time we make fuel purchases. Receipts should increase for 2006 since the county was approved for a community development block grant to help fund various bridge projects. We have also considered purchasing additional equipment for hauling rock, which we believe will decrease overall hauling expenses in the long run.

2.

Budgetary Practices and Cost Allocations

The County Commission authorized disbursements in excess of budgeted amounts in several county funds. In addition, costs for some officials and departments are shared by multiple funds, but the County Commission has not been consistent in designating which costs will be paid from certain funds. These practices may have contributed to the financial condition concerns discussed above.

A. Actual disbursements exceeded budgeted amounts in the following funds:

Year Ended December 31,

Fund	2004	2003
Special Road and Bridge	\$ 78,498	41,380
Law Enforcement Sales Tax	N/A	303
Road Rock	98,412	N/A
Law Enforcement Training	660	N/A
Election Service	60	100
Local Law Enforcement Block Grant	N/A	14
Sheriff Civil Service	24	N/A
Children's Trust	115	N/A
Tax Maintenance	1,992	N/A
Law Library	N/A	329

While the County Commission reviews budget to actual comparison reports monthly, the county's procedures and reports have not resulted in effective monitoring of the various budgets. It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W. 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget 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. In addition, Section 50.622, RSMo, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

A similar condition was noted in prior reports.

- B. As previously mentioned, the General Revenue Fund and the Law Enforcement Sales Tax Fund share Sheriff's department costs. The Law Enforcement Sales Tax Fund is used to account for the voter approved sales tax. Similarly, the Special Road and Bridge Fund, Road Rock Fund, and the Road and Bridge Capital Improvement Fund share costs related to non-federal road and bridge work. The Road and Bridge Capital Improvement and Road Rock funds are used to account for a sales tax and property tax, respectively, approved by voters for specific purposes.

A review of the budgets determined that expenditure items (i.e., salaries, office expenses) budgeted and paid from these funds varies from year to year making comparisons difficult. For example, sheriff department salaries totaling approximately \$120,000 were paid from the Law Enforcement Sales Tax Fund during 2003, while no salary expenses were paid from this fund during 2004. Board of prisoner and phone costs are other examples of amounts paid from different funds for 2003 and 2004. It also appears the county has budgeted to pay some other public safety expenditures, such as juvenile, coroner, and prosecuting attorney office

expenses, from the Law Enforcement Sales Tax Fund rather than the General Revenue Fund during 2005.

A review of the budgets and transfer records showed several instances where transfers were required from either the General Revenue Fund or the Special Road and Bridge Fund to cover expenses incurred in one of the various restricted special revenue funds which either had an insufficient cash balance at the time the expenditure was incurred or for which the county had exceeded the particular budgeted expenditure amount and the fund assets were not sufficient to cover the overage. For example, a \$50,000 transfer from the Special Road and Bridge Fund to the Road and Bridge Capital Improvement Fund was needed to cover one month's disbursements, and transfers totaling \$104,000 from the Special Road and Bridge Fund to the Road Rock Fund were needed to pay for excess rock costs incurred from that fund. We also noted several transfers from the General Revenue Fund to various special revenue funds to cover disbursements. The transferred amounts were generally not reimbursed from the special revenue funds to the General Revenue Fund or Special Road and Bridge Fund as would be expected if the purpose of the transfer was to cover a temporary insufficient cash balance. As a result, such transfers have a long-term negative impact.

- C. Federal road and bridge projects are accounted for in the Off System and Community Development Block Grant funds and the use of these funds is limited to expenditures allowed by the particular federal grant. We noted transfers of \$42,000 and \$22,000 from the Off System Fund and Community Development Block Grant Fund, respectively, to the county's Special Road and Bridge Fund. Although the county's transfer summary indicated block grant related expenses had originally been paid from the Special Road and Bridge Fund during 2002 and monies that were due to the Special Road and Bridge Fund remained in the Off System Fund balance at December 31, 2002, neither the amounts nor reasons for these transfers were adequately documented. Proper documentation is necessary to support transfers from earmarked funds and demonstrate compliance with regulation or state law.

The County Commission should evaluate the allowable uses and typical revenues of the various funds and consider identifying specific items to be routinely paid from each fund in order to provide clarification regarding the obligations of each fund and enhance the budgetary and monitoring process.

Most of the funds discussed above have either statutory or federal regulation restrictions on their allowable uses. To ensure compliance and better monitor the expenditures and the related financial condition of the various funds, the county needs to more formally identify each fund's expenditure categories and allocation of shared expenses, make efforts to adhere to the budget document, authorize expenditures only when a sufficient balance exists in the applicable fund, and ensure that interfund transfers have adequate support.

WE RECOMMEND the County Commission:

- A. Not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.
- B. More clearly identify the expenditures to be funded by the various county funds, adhere to the budget document, and consider fund balances more closely when authorizing expenditures.
- C. Re-evaluate the propriety of transfers from restricted funds.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We agree with the recommendation and during the current year we have closely monitored funds and made budget amendments as necessary. In the future, we will document the circumstances regarding such disbursements and budget amendments as appropriate.*
- B. *We agree with the recommendation and now have a better understanding of classification of expenditures and to which fund those expenditures should be allocated. Each month the County Clerk provides year-to-date budget information on the six major county funds (General Revenue, Special Road and Bridge, Assessment, Law Enforcement Sales Tax, Road and Bridge Capital Improvement, and Road Rock) and the Treasurer provides cash balances each month when it is time to authorize expenditures.*
- C. *While we could not provide complete documentation, we feel comfortable with the transfers in question. We will try to avoid making such transfers in the future. Not near as many transfers have been needed during 2005. Better documentation of the reasons for transfers will be maintained.*

3.	Bidding Procedures
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The county did not always solicit bids and/or retain bid documentation for various purchases. In addition, neither the county commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations.

We had concerns related to the following purchases:

Steel pipe	\$ 30,875
Used Freightliner tractor	17,250
Used Kenworth truck	9,000
Used link-belt crane	65,000
Repeater and antenna	7,620
Computer equipment	5,825

The county does not advertise for steel pipe bids. Rather, the County Commission indicated the road and bridge supervisor calls vendors that handle steel pipe each time a purchase is made. However, documentation of these calls and the prices obtained were not always retained. While the County Commission and road and bridge supervisor indicated efforts were made to locate used equipment at a reasonable price, their efforts were not documented. The Sheriff determined that local vendors were not able to provide the needed repeater and antenna equipment, but reasons for this determination were not documented. No effort was made to solicit bids for the computer equipment.

In addition to the above items, we noted other instances in which the county is not adequately bidding and/or documenting factors related to purchases:

- During 2003 and 2004, the county spent approximately \$637,000 for road rock and rock hauling costs from the Special Road and Bridge Fund and the Road Rock Fund. Of this amount, bids were solicited only for the rock hauling services during 2004, which cost approximately \$81,000. All rock was obtained from one quarry and there was no documentation to show that other quarries had been considered. In addition, the county relied on the quarry to arrange with a trucking company for rock hauling services in 2003, rather than solicit those services separately. The County Commission indicated that other quarries had been contacted in past years, but they believe the quality of rock and prices at the quarry currently used are generally better and that the location of the other quarries would result in higher hauling costs. However, the county has not documented its analysis of these factors.
- Diesel fuel and gasoline purchases made by the county totaled approximately \$80,600 and \$71,000, during 2004 and 2003, respectively. Diesel fuel is purchased in bulk and stored in tanks at the road and bridge department. The county did not retain documentation of bids for these purchases. The road and bridge and sheriff's department employees purchase gasoline directly at a vendor pump, but the county did not bid this service or solicit discounts on the pump price. The county indicated there is only one vendor which will allow employees to charge gasoline purchases; however, this circumstance has not been documented.

Section 50.660, RSMo, 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 are requested, a copy of the request for proposal, newspaper publication notices, bids received, the basis of justification for awarding the bids, and documentation of all discussions with vendors.

Considering the county's declining financial condition, every effort should be made to solicit bids from multiple vendors for all possible purchases to ensure the county is receiving the lowest and best price.

Although similar conditions were noted in prior reports and the County Commission responded that it agreed and would work to implement the recommendations, some bids are still not being obtained or circumstances regarding procurement decisions are still not being adequately documented.

WE AGAIN RECOMMEND the County Commission 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.

AUDITEE'S RESPONSE

The County Commission indicated they will solicit bids as appropriate and retain documentation. In addition, they will better document circumstances surrounding sole source procurements and phone bids.

4. Road and Bridge Funds and Procedures
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A formal road and bridge maintenance plan has not been prepared. The county made a significant prepayment for road rock and did not enter into a written agreement with the quarry. Concerns were also noted with the county's procedures to review road rock invoices and the sale of some materials to the public.

- A. A formal maintenance plan has not been prepared to document expected work on the county's roads and bridges. A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads and bridges to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be referred to in the budget message and provide information regarding the various road and bridge related funds, and be approved by the County Commission. In addition, the County Commission should consider holding a public hearing to obtain input from residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to

continually and more effectively monitor and evaluate the progress made in repair and maintenance throughout the year.

- B. In December 2003, the county paid \$104,000 to a local rock quarry for the prepayment of rock. The total prepayments were used by the end of June 2004. The County Commission and the County Clerk indicated they made these prepayments to purchase rock for 2004 at the 2003 price. Prepaying for goods and services violates the Missouri Constitution. Article VI, Section 23 of the Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money to any corporation, association, or individual. It is not prudent to prepay for goods or services to be received at a later date. Doing so could result in paying for goods or services not received.

In addition, the county did not enter into a written agreement with the local quarry outlining the services to be provided in exchange for the monies prepaid. Written agreements provide the framework necessary to detail the services to be provided and the consideration to be paid. Section 432.070, RSMo, requires all contracts to be in writing. In addition to being required by statute, written contracts are necessary to document the duties, rights, and responsibilities of each party, and help ensure the reasonableness and propriety of such disbursements.

- C. Rock delivery tickets, which are provided to the drivers when the county hauls rock using their own trucks, are turned in to the County Clerk's office. When the quarry hauls the rock, the delivery tickets are sent directly to the County Clerk's office. However, the County Clerk does not always compare the delivery tickets to the rock quarry invoices. Without such a comparison, the county has no assurance it is paying only for rock actually received. In addition, comparison of the rock delivery tickets and invoices would ensure the type of rock hauled and prices billed are consistent with what the county requested and expected.
- D. The county has not adopted formal policies and procedures over the sale of rock, culverts, and scrap metal to the public. In addition, records of these sales are not adequate. The county received approximately \$34,000 from these sales during the two years ended December 31, 2004.

Procedures for payment and pickup or delivery of county items purchased are not consistently followed. For example, an individual might make payment to either the County Clerk or the County Treasurer prior to picking up the materials or taking delivery. Other times a person might pick up materials at the road and bridge department prior to payment, which is then reported to the County Clerk for billing purposes. A bill of sale and/or receipt slip is not always prepared by the County Clerk's office when an individual pays for rock, culverts, or scrap metal and a bill of sale and/or receipt is not required to pick-up materials from the road and bridge department. In addition, the County Clerk's office does not always receipt, restrictively endorse, and transmit checks to the County Treasurer in a timely manner. As of June 2005, the County Clerk had four rock checks (two dated May

2005 and two dated during 2004), totaling approximately \$3,400, on hand. These checks had not been receipted or transmitted because the rock had not yet been placed on the roads. As a result of a lack of formal, consistent policies and procedures the county does not have a complete record of all sales. In addition, the county has little assurance that all materials picked up from the road and bridge department were billed or 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.

WE RECOMMEND the County Commission:

- A. Prepare and document an annual maintenance plan for county roads and bridges and periodically review and update the plan throughout the year.
- B. Discontinue the practice of prepaying for items. If similar arrangements are entered into in the future, the County Commission should ensure written contracts, which specifically state what services are to be provided to the county, are entered into as required by state law.
- C. Ensure invoices and delivery tickets are compared to billing statements prior to payment to ensure payment is only made for goods and services actually received and to ensure the amount billed is proper.
- D. Develop formal policies and procedures over sales to the public. A complete record of all sales should be maintained by the county and payments should be recorded and transmitted timely. Materials should only be released after customers present proof of payment or a bill of sale. Also, the county should collect sales tax on sales intended for private use.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *We will document our current maintenance plan for county roads and bridges in the minutes and include information in the budget document.*
- B. *We will implement this recommendation. Prepayment arrangements will be considered again in the future if they are in the best interests of taxpayers; however, we will ensure a written agreement is prepared. Also, the prepayment arrangement discussed above saved the county quite a bit of money on rock purchases during 2004.*

- C. *We agree with the auditor's finding. This recommendation has already been implemented.*
- D. *We agree with the auditor's finding and have already implemented changes to our procedures for sales to the public. We now deposit checks immediately instead of waiting until rock has been hauled and we have improved our records kept for sales to the public. In addition, we no longer release materials to the public without proof of purchase. We will research the requirements for a county collecting sales tax on sales to the public.*

5. Property Tax System and Computer Controls

Several control weaknesses exist over the property tax system. The County Clerk does not prepare or verify the current and back tax books or maintain an account book with the County Collector. Neither the County Clerk nor the County Commission verify the County Collector's annual settlements or adequately review property tax additions and abatements. Computer system password and backup procedures are not adequate.

Similar conditions were noted in several prior audit reports. Although the county has generally indicated agreement and plans to implement the recommendations, these conditions have not been corrected.

- A. The County Clerk does not prepare or verify the current or delinquent tax books. The County Collector prints the tax books and tax statements and verifies the accuracy of amounts to be collected. To ensure the tax books are accurate, the County Clerk should perform procedures such as footing the tax books or verifying individual entries.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend tax books and charge the County Collector with the amount of taxes to be collected. The procedures outlined in the statutes for the preparation of the tax books provide for the separation of duties and acts as a form of checks and balances. Failure to perform adequate reviews could result in errors or irregularities going undetected.

- B. Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector. The County Clerk does not maintain an account book with the County Collector. As a result, the County Collector's annual settlements are not adequately reviewed. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. This account book, prepared by the County Clerk from aggregate abstracts, court orders, monthly collection reports, and the tax books, would enable the County Clerk and County Commission to ensure the amount of taxes charged to the County Collector and reported credits are complete and accurate.

In addition, controls over property tax additions and abatements are not adequate. The County Collector make changes to the property tax system for additions and

abatements throughout the year. Even though court orders for additions and abatements are approved by the County Commission when prepared, there is no independent and subsequent review of the actual changes made to the tax books.

Section 137.260, RSMo, requires the tax books only be changed by the County Clerk under order of the County Commission. Controls should be established so that the County Clerk periodically reconciles all additions and abatements to changes made to the property tax system. Section 51.150.2, RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

- C. Access to the computer programs including the property tax, payroll, accounts payable, and budgetary systems is not adequately restricted. Although the County Clerk utilizes a password, it is never changed and all data can be accessed from the deputy county clerks' computers which are not password protected. In addition, passwords are not used in the County Collector's office. The lack of an effective system of user passwords may allow unauthorized access and/or changes to the respective systems.

To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals through the use of passwords. A unique password should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.

- D. Backup disks of information which could be used to provide a means of recreating destroyed master disks, are not prepared periodically for the county's property tax, payroll, accounts payable, and budgetary systems. Although the County Treasurer does perform periodic backup procedures, the disks are not stored offsite. As a result, damage to these computer systems could make it difficult, or even impossible, to retrieve or recreate lost program modifications and/or data. Preparation of backup disks, along with offsite storage, would provide increased assurance that methods are available to restore any lost data or program modifications.

WE AGAIN RECOMMEND:

- A. The County Clerk prepare the current and back tax books or verify the totals and individual entries of tax books generated by the County Collector's office.
- B. The County Clerk maintain an account book with the County Collector. The County Clerk and County Commission should make use of this account book to verify the County Collector's annual settlements. In addition, the County Clerk should reconcile approved addition and abatement orders with related changes made to the tax records.

- C. The County Commission consult with their programmer and establish procedures to restrict access to computer files, including the use of unique passwords, to authorized individuals.
- D. The County Clerk and County Treasurer ensure that backup disks are prepared and stored in a secure, offsite location.

AUDITEE'S RESPONSE

The County Clerk indicated:

- A. *This recommendation has been implemented.*
- B. *She is now ensuring that approved addition and abatement orders agree to changes in the property tax records. An account book is not being maintained, but will be for future tax years. It will be used to review the County Collector's annual settlement.*
- D. *Backups disks will be prepared in the future and these will be stored offsite.*

The County Commission indicated:

- C. *They will consult with their programmer to create passwords on computers which do not already have such passwords established, including the two deputy county clerks.*

The County Treasurer indicated:

- D. *Backup disks will be taken offsite on a regular basis.*

6.	Salaries
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Concerns were noted regarding some elected officials' salaries. The county had no documentation from legal counsel supporting the Public Administrator's salary and an increase in the County Treasurer's salary.

- A. There was no documentation from the county's legal counsel supporting whether the Public Administrator should receive the minimum salary provided by state law or a percentage of the minimum. The Public Administrator, who took office in January 2001, elected to be placed on salary rather than a fee basis. Section 473.742, RSMo, provides a salary scale based on the average number of open letters in the two years preceding the term when the salary is elected. The county set the Public Administrator's salary at \$11,250 (75 percent of the statutory minimum of \$15,000) to correspond with the percentage of the maximum salaries provided by state law paid to other officials for their respective offices. Without a documented legal opinion, it is not clear whether the amount paid to the Public Administrator is in accordance with state law.

- B. The County Treasurer's base salary was increased \$5,850 annually, effective with the start of a new term of office on January 1, 2003. A salary commission meeting held on January 2, 2003, which is after the effective date of the salary change, approved this increase. The actions of the salary commission in approving this raise for the County Treasurer were not supported by a written legal opinion from the Scotland County Prosecuting Attorney. Rather, a legal opinion from another county's Prosecuting Attorney was used as support. The amount by which the County Treasurer's salary changed in addition to the \$5,850 relates to actions of the salary commission in 1999 and cost-of-living adjustments approved each year.

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. Section 50.333, RSMo, appears to authorize salary commissions to meet only in odd-numbered years. Because the salary commission meeting was held subsequent to the effective date of the salary increase and without a documented legal opinion from the Scotland County Prosecuting Attorney, it is unclear whether the salary increase provided to the County Treasurer is in accordance with state law.

WE RECOMMEND the County Commission consult with legal counsel and determine whether the Public Administrator's salary and actions taken to increase the County Treasurer's salary were in accordance with state law.

AUDITEE'S RESPONSE

The County Commission indicated:

Concerning the Public Administrator's salary, no further action will be taken. The new Public Administrator can address this if she wants to. The former Public Administrator (now an Associate County Commissioner) indicated he was aware of the statutory wording but requested the county apply the 75 percent to be consistent with other officials' salaries. As a newly elected official, he wanted to ensure that animosity was not created between himself and the others. The County Commission indicated that they plan to discuss the Treasurer's salary increase with the Prosecuting Attorney and will take appropriate actions based on her advice.

The County Treasurer indicated:

She believes the Prosecuting Attorney was contacted at the time of the decision, but provided a verbal opinion. No documentation was retained concerning this discussion.

7. Policies and Procedures

County Commission meeting minutes are not sufficiently detailed. In addition, formal policies and improved monitoring procedures regarding phone usage are needed.

- A. As discussed in prior audit reports, the County Clerk does not always prepare adequate records of the meetings of the County Commission. Minutes sometimes lack sufficient detail of discussions and votes taken and items such as bid solicitations, transfers between funds, and various other decisions are not always documented.

Section 51.120, RSMo, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission.

- B. The county has not developed a written policy or established adequate monitoring procedures regarding cell phone and county phone usage. Employees are allowed to use courthouse phones for personal calls with the understanding that the calls will be tracked and the county reimbursed for any long distance charges incurred. Phone bills are copied by the County Clerk's office and provided to each official or department so that employees can review for personal calls and make any necessary reimbursements to the County Treasurer. The county received payments totaling approximately \$100 for personal use of courthouse phones during 2004. The road and bridge supervisor and sheriff's department utilize county cell phones. Employees are allowed to use cell phones for personal calls in the case of emergencies, and unless usage exceeds minutes allowed by the county's plan, employees are not required to reimburse for personal usage. Overages totaling approximately \$27 were incurred during 2004 and reimbursed to the county. The road and bridge cell phone bill is not reviewed for personal calls. While reviewing some 2005 cell phone bills for roaming charges the Sheriff determined that a deputy had been using a cell phone for personal calls which resulted in overall usage exceeding minutes allowed in the plan. This deputy is currently reimbursing the county for approximately \$608 in personal phone calls and has repaid the majority of this amount as of August 2005. After identifying this problem, the Sheriff also reviewed billings prior to 2005 again and noted no similar concerns.

A written policy regarding county phone use and more effective monitoring is needed to prevent misuse of county assets. The county may want to consider prohibiting the personal use of any county phones, except in case of emergency.

WE RECOMMEND the County Commission:

- A. Ensure minutes of county commission meetings provide adequate details to support votes taken and decisions made.
- B. Develop a written policy regarding county phone usage and improve monitoring procedures.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *Better documentation of County Commission meetings will be prepared. Information that is pertinent to a decision or discussion, but not included in the minutes, will be referenced to and filed in the County Clerk's office.*
- B. *The county's policies and procedures manual is currently being updated and policies regarding phone usage will be included.*

8.	Trusts
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The Cemetery Trusts Fund is comprised of cash and investments of nineteen cemeteries and the old county nursing home. As of December 31, 2004, the balance of the cemetery trusts was \$119,610. The County Commission is the trustee for these funds and is required to follow the terms and conditions of the gift or bequest. The County Clerk's responsibilities for accounting for the trusts include, but are not limited to, investing and accounting for all trust monies and preparing disbursements for three cemetery trusts. For the other cemetery trusts, interest proceeds are received by the County Clerk and either disbursed to the cemetery boards or deposited into their bank account. Our review of trusts held by the County Clerk noted the following concerns:

- A. The financial activity and assets of the trusts are not accounted for properly. The County Clerk's records contained numerous errors, such as incorrect certificate of deposit (CD) numbers, improper account balances, and outdated information related to closed or redeemed items. The records did not clearly reflect redemptions and purchases. Comparison with bank information was necessary to determine the proper balance for some bank accounts and investment vehicles. In addition, the County Clerk could only locate two of the original trust agreements which bequeathed the monies to the county.

Complete, organized cash and investment records are necessary to provide a proper accounting and to monitor trust fund activity. A detailed ledger should provide trust name, account name, type of account or investment, bank name, purchase and maturity dates, receipt and disbursement activity, interest rate, and interest earned. Trust agreements should be retained in a secure location so that future county officials can refer to them as needed.

- B. No independent review of the records or trust fund activities occurs. It appears the County Clerk's bond coverage may not be sufficient considering the extent of the trust assets, her access and decision-making authority, and the lack of independent oversight. Proper accounting, supervisory reviews, and sufficient bond coverage is necessary to ensure monies are adequately safeguarded against loss or misuse.
- C. In 1962, the county received a bequest from an individual with the stipulation that the trust be used for benefit of the county owned nursing home. The trust agreement did not specify what should occur with the monies if the nursing home was closed or

sold. In 2002, the County Commission sold the nursing home and determined that the trust monies would be used for courthouse restoration. The County Clerk continues to exercise control over these monies. The County Commission should consult with the Prosecuting Attorney regarding proper disposition of this trust balance. In the meantime, to ensure proper accountability over these monies, the \$26,227 balance should be transferred to the County Treasurer for deposit into the county treasury.

WE RECOMMEND the County Commission:

- A. Ensure the County Clerk maintain complete and accurate records of the trust monies. The County Commission may want to give consideration to transferring custody of these monies to the County Treasurer.
- B. Ensure independent reviews of the trust records and activities are performed, and evaluate the County Clerk's level of bonding.
- C. Consult with Prosecuting Attorney regarding the \$26,227 trust balance and ensure these monies are properly accounted for in the county treasury.

AUDITEE'S RESPONSE

The County Commission indicated:

- A. *Custody of cemetery trust monies have been given to the County Treasurer.*
- B. *The County Treasurer's records of the cemetery trusts will be reviewed similar to other county funds. The County Clerk's level of bonding does not require evaluation as she no longer handles these monies.*
- C. *We will consult with the Prosecuting Attorney concerning the handling of these monies.*

9. General Capital Assets

The county has not established a written policy related to the handling and accounting for general capital assets. In addition, procedures to account for county property are not sufficient and capital asset records are not complete.

Inventory reports have not been filed with the County Clerk by several officials or departments. The County Clerk recently began using a computer program that will allow her to enter property items into a database, update records more readily for additions and dispositions, and generate various property reports. As of July 2005, property information was only partially entered into the new system. This, along with the fact that all inventory reports have not been submitted, has resulted in the county not having a complete record of all capital assets owned. Physical inventories of county property have not been completed in several years.

Adequate general capital 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 capital asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Besides providing guidance on accounting and recordkeeping, 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. Per Section 49.091, RSMo, the County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, Section 49.093, RSMo, provides that the officer or their designee is responsible for performing periodic inspections and inventories of county property used by their department and submitting an inventory report to the County Clerk.

This condition was noted in prior reports. Although responses to past recommendations have indicated either that improved policies and procedures will be or have been implemented, problems continue to exist in this area.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general capital assets and work with other county officials and department heads to ensure annual inventories are conducted and inventory records updated. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, and discuss procedures for any other concerns associated with county property.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

We will implement the recommendation. Reports from all officials have been received and entered into the property database. A policy that addresses standard reports, deadlines, and other pertinent information will be developed.

10. Assessor's Controls and Procedures

Receipts slips are not always issued and it appears that some cash receipts are not transmitted to the County Treasurer.

The Assessor's office receives monies for photocopies. According to the County Treasurer's records, the Assessor's office transmitted receipts for maps and photocopies of \$665, \$468, and \$395 for the years ended December 31, 2004, 2003 and 2002, respectively, and \$380 for the period January through July 2005. The County Treasurer's records indicate the only cash included in these transmittals was \$96 in 2005. The Assessor did not always issue receipt slips and the transmitted amounts were not supported by the receipt records. The

Assessor's office showed only eight receipt slips (totaling \$37) were issued in 2003 and eight more receipt slips (totaling \$126) were issued in 2004. These were unnumbered, rediform receipt slips and did not indicate the method of payment.

While only \$96 in cash was apparently transmitted, various records of the Assessor's office provided information that additional cash has been received. Additional pre-numbered rediform receipt slips showed approximately \$432 cash had been received during the period December 2001 through early March 2004. Based on the above information, it appears likely that cash is periodically received by the Assessor's office but is not always properly transmitted to the County Treasurer.

To ensure monies are properly accounted for, pre-numbered receipt slips indicating the method of payment should be issued for all monies received, monies should be transmitted intact, and the composition of receipt slips issued should be reconciled to the composition of transmittals to the County Treasurer.

WE RECOMMEND the Assessor issue pre-numbered receipt slips for all monies received, transmit all monies received to the County Treasurer intact, ensure the method of payment is indicated on all receipt slips, and reconcile total cash, checks, and money orders received to amounts transmitted to the County Treasurer. In addition, the Assessor should review the receipt records for cash payments and identify any amounts that have not been properly transmitted to the County Treasurer. This situation should be discussed with the County Commission and Prosecuting Attorney.

AUDITEE'S RESPONSE

The County Assessor indicated:

All cash receipts not previously transmitted to the County Treasurer were kept in my office and used for official business such as postage due or stamps. On occasion, I would use the official receipt book for personal purposes not related to the office. Receipt slips are also not issued for all customers, as individual account logs are kept for regular customers and local businesses.

All receipt records prior to 2005, which were reviewed during this most recent audit, have been disposed of. Thus, no review of past transactions will be conducted.

I have already implemented a new procedure for receipting cash. Currently, all regular customers pay with periodic checks. The amount of the check is credited to that individual's customer account log and all expenses from that log are documented. Customers can request a copy of their account log at any time to ensure the balance is accurate. When the customer's balance runs low, we contact them requesting another check. We do not provide services without payment from customers. For those customers which do not regularly conduct business with us, we issue a hand-numbered receipt slip for monies collected and indicate method of payment (cash, check, etc.) on each receipt stub. This receipt book is used only for official business. All receipts are currently being transmitted to the Treasurer at least once each month. In addition, monies on hand are compared to the receipt stubs and account logs to ensure the amount turned over is accurate. To further comply with the

auditor's recommendation, I will consider obtaining pre-numbered receipt slips. In addition, I will consult with the County Commission regarding the possibility of establishing a petty cash fund for small office expenses, such as postage due and stamps.

Follow-Up on Prior Audit Findings

SCOTLAND 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 Scotland County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2000. Any 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 Policies

- A. Bids were not solicited or bid documentation was not retained for some purchases.
- B. The County Clerk did not prepare adequate records of the meetings of the County Commission and minutes were not prepared in a timely manner.
- C.1. The county paid the Prosecuting Attorney a \$340 per month allowance for office expenses incurred on behalf of the county. No supporting documentation was provided to the county for these monthly expenses, nor did the county have a written agreement with the Prosecuting Attorney outlining the portion of office expenses to be paid by the county. In addition, these unsupported expense reimbursements were not reported on her W-2 as required by law.
- 2. The Circuit Court Judge charged Scotland, Schuyler, and Clark counties every month for the expenses of his office. The monthly expense claims included specific documented actual costs for books/publications, office supplies, telephone, copies, and postage, as well as a flat charge of \$150 per month for use of equipment. The County did not have a contract with the Circuit Court Judge for the rental of the equipment, indicating how the rental amounts were determined.

Recommendation:

The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain sufficient documentation of all bids obtained and justification of bid awards. If bids cannot be obtained and sole source or emergency procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Ensure a complete record of meetings is prepared and approved on a timely basis.

- C. Require adequate supporting documentation prior to approving expenditures for payment and any unsupported payments to employees should be included on W-2 forms. In addition, all county contracts should be in writing and the basis for such payments should be documented.

Status:

- A. Not implemented. See MAR finding 3.
- B. Partially implemented. Minutes lack sufficient detail of commission meetings, but the minutes were prepared in a timely manner. See MAR finding number 7.
- C. Partially implemented. The County entered into written agreements with the Circuit Court Judge and the Prosecuting Attorney. The agreement with the judge identifies the purchase value of specific equipment items to which the rental payment of \$150 per month applies. The agreement with the Prosecuting Attorney allows for a \$450 monthly rental charge. It specifies the portion of the monthly rental charge (\$400) that pertains to utilities, office furniture, equipment, and telephone costs and the portion (\$50) that pertains to miscellaneous office supplies. The county had no documentation, however, regarding how the overall rental charge was derived. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Capital Improvements and Law Enforcement Sales Taxes

The county deposited the receipts from the capital improvements sales tax into the county's Special Road and Bridge Fund and the law enforcement sales tax into the county's General Revenue Fund rather than establishing separate funds as required by state law. The disbursements made from these sales tax receipts were not accounted for separately.

Recommendation:

The County Commission direct the Treasurer to deposit revenues from the capital improvements sales tax and the law enforcement sales tax into separate funds to properly account for the use of these monies.

Status:

Implemented.

3. Property Tax System and Computer Controls

- A. The County Collector prepared the tax books, collected and distributed property taxes, and made changes to the property tax records for additions and abatements throughout the year. Neither the County Commission nor the County Clerk provided a review of the activities of the County Collector. The County Clerk did not

maintain an account book with the Collector, nor did she verify the totals of the tax books. In addition, even though court orders for additions and abatements were approved by the County Commission when prepared, there was no independent and subsequent review of the actual changes made to the tax books, nor was there any apparent review of the County Collector's annual settlement of activity.

- B. Access to the computer programs such as the property tax, payroll, and disbursement systems was not adequately restricted.
- C. Backup disks of information for the County Clerk's, County Treasurer's, and Health Center's computer systems, which could be used to provide a means of recreating destroyed master disks, were not prepared periodically.

Recommendation:

- A. The County Clerk prepare the current and back tax books or verify the totals generated by the County Collector's office, maintain a complete account book of the County Collector's transactions, and the County Clerk and County Commission make use of this account book to verify the County Collector's annual settlements. The County Clerk or County Commission should also agree approved addition and abatement orders with related changes made to the tax records.
- B. The County Commission consult with their programmer and establish procedures to restrict access to computer files, including the use of unique passwords, to authorized individuals.
- C. The County Clerk, Treasurer, and Health Center Board of Trustees ensure that backup disks from the computer systems are prepared and stored in a secure, off-site location.

Status:

A,B

&C. Not implemented. See MAR finding number 5.

4. Personnel and Payroll Policies and Procedures

- A. The Associate County Commissioners were each given salary increases totaling approximately \$3,800 that were not allowable based on a Missouri Supreme Court decision.
- B. Time sheets were not always prepared by employees or maintained by the County Clerk's office and in some cases appeared to be inaccurate.

- C. A comparison of timesheets and leave records indicated employee leave balances were not always correctly recorded on the centralized leave records and monitored for compliance with the county's accumulation limits.
- D. The county's personnel policy did not adequately address the issue of overtime/compensatory time. In addition, the actual hours worked and compensatory time that was earned and used was not always accurately reflected on individual timesheets.

Recommendation:

The County Commission:

- A. Review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Ensure accurate and complete time sheets are prepared and maintained for all employees. The records should be prepared and signed by employees, approved by the applicable supervisor, and filed with the County Clerk.
- C. Ensure that employee leave earned, taken, and the accumulated balances are reported accurately and require the County Clerk to properly maintain centralized annual, sick and compensatory leave records.
- D. Ensure county policy addresses how employees are to be compensated for any hours worked between 32.5 and 40 in a workweek and whether the granting of compensatory time off in lieu of payment is allowable. Timesheets should accurately reflect actual hours worked, including any compensatory time accrued and taken.

Status:

- A. Not implemented. In the response to our prior audit report recommendation, the County Commission indicated that until the Supreme Court rules that these monies are to be paid back, it will take no further action on this matter. This decision was not documented in the County Commission minutes or elsewhere. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. Time sheets are now required and maintained for all employees, except the road and bridge supervisor. In addition, time sheets are being signed and properly approved. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Implemented.

- D. Partially implemented. Most overtime is earned by either the sheriff's department or road and bridge department employees and any overtime worked is paid for at the end of each month. Employees that work 32.5 hours rarely work any overtime. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Fixed Assets

Purchases of new fixed assets and disposition of old items had not been recorded on the fixed asset listing since 1993. In addition, most new assets were not properly numbered, tagged, or otherwise identified and physical inventories were not performed.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for fixed 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. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as county-owned property upon receipt.

Status:

Not implemented. See MAR finding number 9.

6. Sheriff's Accounting Controls and Procedures

- A. The duties of cash custody and record-keeping were not adequately segregated.
- B. The Sheriff's office issued prenumbered receipt slips for all monies received but the receipt slips did not indicate the method of payment.

Recommendation:

The Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Require the method of payment be indicated on all receipt slips and ensure the composition of cash and checks per the receipt slips is reconciled to monies deposited to the bank account.

Status:

Implemented.

7. Prosecuting Attorney's Accounting Controls and Procedures

- A. Duties were not adequately segregated and there were no independent oversight procedures performed.
- B. Prenumbered receipt slips were not issued for most monies received.
- C. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as subsequent disposition of these complaints, had not been established.
- D. The Prosecuting Attorney had not established a formal policy specifying when unpaid bad check complaints should be filed as a court case.
- E. The Prosecuting Attorney submitted invoices for payments from the Prosecuting Attorney Bad Check Fund which included expenses not related to official duties.

Recommendation:

The Prosecuting Attorney:

- A. Provide for adequate segregation of duties and/or performance of independent reconciliations and reviews of accounting records.
- B. Ensure official prenumbered receipt slips are issued for all monies received.
- C. Assign sequential control numbers to bad check complaints and maintain a log to adequately account for bad check complaints as well as the ultimate disposition.
- D. Maintain a complete and accurate listing of delinquent bad check restitution and fees. In addition, written procedures should be established and implemented for pursuing the collection of such complaints, including when to file as court cases.
- E. Limit future expenditures of the Prosecuting Attorney Bad Check Fund to expenses related to official duties of prosecution of bad check complaints.

Status:

- A. Partially implemented. The Prosecuting Attorney periodically looks at transmittal records and reviews bad check logs; however, the review is not documented. Although not repeated in the current report, our recommendation remains as stated above.
- B&E. Implemented.
- C. Partially implemented. Sequential control numbers are added to the complaints and a bad check log is maintained. However, the log does not record ultimate disposition. Although not repeated in the current audit report, our recommendation remains as stated above.
- D. Partially implemented. A bad check log is maintained; however, no policy exists for filing court cases when restitution and fees remain unpaid. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SCOTLAND COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Scotland was named after Scotland, the European nation. Scotland County is a county-organized, third-class county and is part of the First Judicial Circuit. The county seat is Memphis.

Scotland 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 500 miles of county roads and 159 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 5,415 in 1980 and 4,983 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2004	2003	2002	2001	1985*	1980**
		(in millions)					
Real estate	\$	28.3	27.8	27.0	26.6	23.4	17.1
Personal property		13.5	13.5	13.5	13.0	6.1	7.1
Railroad and utilities		5.3	5.0	5.6	5.8	4.0	3.6
Total	\$	47.1	46.3	46.1	45.4	33.5	27.8

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2004	2003	2002	2001
General Revenue Fund	\$.4977	.4977	.4945	.4923
Special Road and Bridge Fund*		.3100	.3100	.3100	.3100
Road and Bridge		.3452	.3452	.3430	.3415
Health Center Fund		.1500	.1500	.1500	.1500

* For many years, this additional special road and bridge levy has been periodically approved by Scotland County voters, as allowed by Section 137.565, RSMo. The current levy expires in 2007.

In addition to the above property taxes, in November 1999 Scotland County voters, as allowed by Section 231.444 RSMo, passed an additional levy of twenty-five cents per acre of property classified as agricultural or horticultural. The proceeds of this tax are to be used solely for the purpose of purchasing road rock to be placed on county roads.

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),			
	2005	2004	2003	2002
State of Missouri	\$ 14,248	14,038	13,988	13,691
General Revenue Fund	235,037	231,688	229,819	223,666
Special Road and Bridge Fund	307,946	304,111	302,268	295,130
Assessment Fund	38,875	30,765	29,792	29,404
Health Center Fund	69,992	69,135	68,920	67,436
Road Rock Fund	65,451	65,979	65,224	64,891
School districts	1,435,670	1,418,436	1,325,001	1,236,345
Library district	88,425	87,345	87,064	85,164
Ambulance district	116,263	114,843	114,472	111,983
Surtax - Cities	21,801	22,755	23,964	24,493
Hospital district	230,299	227,430	225,240	219,325
Nursing home district	138,591	134,643	69,340	67,862
Average School	200,068	186,457	206,591	210,141
Bear Creek Watershed district	2,006	2,118	2,048	2,087
Cities	124,112	128,607	127,307	135,545
County Employees' Retirement Fund	11,935	14,733	14,845	12,572
Tax Maintenance Fund	3,592	3,597	1,395	0
Commissions and fees:				
General Revenue Fund	49,111	48,527	46,877	45,503
Total	\$ 3,153,422	3,105,207	2,954,155	2,845,238

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2005	2004	2003	2002
Real estate	97.1	96.2	96.4	96.5 %
Personal property	94.2	93.9	93.9	93.7
Railroad and utilities	100.0	100.0	100.0	100.0

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

	Rate	Expiration Date	Required Property Tax Reduction
General	\$ 0.0050	None	None
Capital improvements	0.0050	2009	None
Law Enforcement	0.0025	None	None

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

Officeholder	2005	2004	2003	2002	2001
County-Paid Officials:					
Mike Stephenson, Presiding Commissioner	\$	18,798	18,250	16,372	15,896
Roger Riebel, Associate Commissioner		16,738	16,250	15,777	15,318
Dean Childress, Associate Commissioner		16,738	16,250	15,777	15,318
Betty Lodewegen, County Clerk		25,490	24,747	24,026	23,327
Kimberly Nicoli, Prosecuting Attorney		30,201	29,321		
Susan Henry, Prosecuting Attorney				27,377	26,579
Wayne Winn, Sheriff		31,145	30,237	29,357	28,502
LaMayra Brown, County Treasurer		23,668	22,979	15,966	15,501
Ginny Monroe, County Coroner		7,026	6,822	6,623	6,430
Paul Campbell, Public Administrator		12,516	12,152	11,798	11,454
Kathy Becraft, County Collector (1), year ended February 28 (29),	33,573	32,412	31,520	28,586	
James Ward, County Assessor (2), year ended August 31,		28,157	27,377	27,377	25,933

(1) Includes \$2,887, \$2,620, \$2,595, and \$2,675, respectively, of commissions earned for collecting city property taxes.

(2) Includes \$751, \$878, \$900, and \$900 annual compensation received from the state for year ended August 31, 2004, 2003, 2002, and 2001, respectively.

State-Paid Officials:

Anita Watkins, Circuit Clerk and Ex Officio Recorder of Deeds	47,900	47,300	47,300	47,300
Karl DeMarce, Associate Circuit Judge	96,000	96,000	96,000	96,000