



Susan Montee, CPA
Missouri State Auditor

August 2007

Harrison County, Missouri

Years Ended
December 31, 2006 and 2005



Office of
Missouri State Auditor
Susan Montee, CPA

August 2007

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every four years in counties, such as Harrison, that do not have a county auditor. In addition to a financial 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 the Missouri Constitution.

Although the financial condition of the county's General Revenue Fund (GRF) has improved in recent years, the county has not developed plans to address the utilization of the jail and the operational and equipment needs of the 911 center that could adversely impact the financial condition of the GRF. The county has not analyzed the costs and revenues related to the county jail or developed plans to increase the profitability of the jail operation. Direct costs for operating the jail including staff salaries, inmate meals, and other costs have exceeded the receipts from board billings and other jail receipts. In addition, the county has not developed long-range plans for equipment upgrades and related funding for the 911 operation. Total disbursements from the 911 Fund have exceeded total receipts in every year except one since 2001, leading to a declining cash balance, which is projected to total only \$9,762 at December 31, 2007.

The county does not have adequate procedures regarding the procurement of major purchases. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids or perform other price comparison procedures for some major purchases, or bid documentation was not always retained for various purchases. In addition, neither the county commission minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices for some purchases (i.e., phone contact, inquiries).

The budgets of the Special Road and Bridge Fund (SRBF) contained unreasonable estimates of disbursements, annual maintenance plans for roads and bridges have not been prepared, and the administrative transfers from the SRBF were excessive.

The county has not documented its basis for transferring amounts from the Law Enforcement Sales Tax Fund (LESTF) to the 911 Fund or for determining the amounts to charge other entities for dispatching services.

Some weaknesses in accounting controls and procedures were also reported for the offices of Circuit Clerk, Sheriff, and Prosecuting Attorney.

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YELLOW SHEET

HARRISON COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>	
<u>FINANCIAL SECTION</u>		
State Auditor's Reports:	2-6	
Financial Statements and Supplementary Schedule of Expenditures of Federal Awards.....	3-4	
Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	5-6	
Financial Statements:	7-18	
<u>Exhibit</u>	<u>Description</u>	
A-1	Statement of Receipts, Disbursements, and Changes in Cash - Various Funds Year Ended December 31, 2006	8
A-2	Year Ended December 31, 2005	9
B	Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds, Years Ended December 31, 2006 and 2005.....	10-18
Notes to the Financial Statements.....	19-22	
Supplementary Schedule:	23-25	
Schedule of Expenditures of Federal Awards, Years Ended December 31, 2006 and 2005	24-25	
Notes to the Supplementary Schedule	26-28	
<u>FEDERAL AWARDS - SINGLE AUDIT SECTION</u>		
State Auditor's Report:.....	30-32	
Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	31-32	
Schedule:.....	33-35	
Schedule of Findings and Questioned Costs (Including Management's Plan for Corrective Action), Years Ended December 31, 2006 and 2005.....	34-35	

HARRISON COUNTY, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
<hr/> <u>FEDERAL AWARDS - SINGLE AUDIT SECTION</u> <hr/>	
Section I - Summary of Auditor's Results	34
Section II - Financial Statement Findings.....	35
Section III - Federal Award Findings and Questioned Costs	35
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	36-37
Summary Schedule of Prior Audit Findings in Accordance With OMB Circular A-133	38-39
<hr/> <u>MANAGEMENT ADVISORY REPORT SECTION</u> <hr/>	
Management Advisory Report - State Auditor's Findings.....	41-54
<u>Number</u>	<u>Description</u>
1.	Financial Condition.....
2.	County Expenditures.....
3.	Special Road and Bridge Fund
4.	911 Fund
5.	Circuit Clerk's Controls and Procedures.....
6.	Sheriff's Controls and Procedures.....
7.	Prosecuting Attorney's Controls and Procedures.....
	43
	45
	46
	49
	50
	51
	52
Follow-Up on Prior Audit Findings.....	55-63
<hr/> <u>STATISTICAL SECTION</u> <hr/>	
History, Organization, and Statistical Information.....	65-69

FINANCIAL SECTION

State Auditor's Reports



SUSAN MONTEE, CPA
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 Harrison 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 Harrison County, Missouri, as of and for the years ended December 31, 2006 and 2005. 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 Harrison County, Missouri, as of December 31, 2006 and 2005, 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 Harrison 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, 2006 and 2005, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 17, 2007, 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 Harrison 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.



Susan Montee, CPA
State Auditor

May 17, 2007

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Douglas J. Porting, CPA
In-Charge Auditor: John Lieser, CPA
Audit Staff: Anne Jenkins
Eartha Taylor, CPA
Julie Orłowski



SUSAN MONTEE, CPA
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 Harrison County, Missouri

We have audited the financial statements of various funds of Harrison County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 17, 2007. 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 Harrison County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with applicable accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Harrison 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 Harrison 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.



Susan Montee, CPA
State Auditor

May 17, 2007

Financial Statements

Exhibit A-1

HARRISON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2006

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 435,793	911,583	791,372	556,004
Special Road and Bridge	1,237,076	2,040,250	2,287,884	989,442
Assessment	39,178	128,783	136,183	31,778
Law Enforcement Training	19,828	7,329	14,232	12,925
Prosecuting Attorney Training	8,467	2,077	1,512	9,032
Special Poor	52,974	11,106	8,567	55,513
Lottie Wilson Trust	28,031	1,513	851	28,693
Recorder's User Fees	6,985	4,800	3,700	8,085
Prosecuting Attorney Bad Check	13,610	27,039	22,940	17,709
Domestic Violence	0	538	538	0
Crestview Depreciation and Replacement	108,483	5,436	13,263	100,656
Lake Project	310,650	25,617	19,039	317,228
911	26,217	190,394	188,538	28,073
Local Emergency Planning Committee	12,920	5,533	4,804	13,649
Police Officer Standards Training	9,126	3,867	0	12,993
County Election Services	18,758	130,908	127,040	22,626
Recorder's Technology	5,384	2,763	0	8,147
Tax Maintenance	12,112	7,613	4,179	15,546
Law Enforcement Sales Tax	1,347	694,350	671,738	23,959
Eagleville Memorial West Cemetery	52,025	2,802	1,200	53,627
Juvenile Restitution	880	1,001	649	1,232
Health Center	404,557	741,894	648,992	497,459
Circuit Clerk's Interest	6,643	1,155	3,173	4,625
Law Library	10,127	6,007	5,510	10,624
Total	\$ 2,821,171	4,954,358	4,955,904	2,819,625

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

Exhibit A-2

HARRISON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2005

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 267,814	1,001,791	833,812	435,793
Special Road and Bridge	1,158,119	1,995,200	1,916,243	1,237,076
Assessment	30,444	145,945	137,211	39,178
Law Enforcement Training	17,898	8,664	6,734	19,828
Prosecuting Attorney Training	7,392	2,283	1,208	8,467
Special Poor	56,378	7,075	10,479	52,974
Lottie Wilson Trust	27,231	1,000	200	28,031
Recorder's User Fees	7,822	4,916	5,753	6,985
Prosecuting Attorney Bad Check	8,747	23,136	18,273	13,610
Domestic Violence	0	455	455	0
Crestview Depreciation and Replacement	104,821	3,662	0	108,483
Lake Project	311,615	20,700	21,665	310,650
911	33,328	180,991	188,102	26,217
Crestview Addition	19,731	253	19,984	0
Local Emergency Planning Committee	18,832	5,463	11,375	12,920
Police Officer Standards Training	5,347	3,779	0	9,126
County Election Services	17,592	6,572	5,406	18,758
Recorder's Technology	2,691	2,795	102	5,384
Tax Maintenance	7,899	7,628	3,415	12,112
Law Enforcement Sales Tax	34,504	638,601	671,758	1,347
Eagleville Memorial West Cemetery	0	52,025	0	52,025
Juvenile Restitution	0	880	0	880
Health Center	454,249	562,052	611,744	404,557
Circuit Clerk's Interest	5,549	1,141	47	6,643
Law Library	12,033	5,131	7,037	10,127
Total	\$ 2,610,036	4,682,138	4,471,003	2,821,171

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

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 5,035,523	4,954,358	(81,165)	4,855,509	4,622,961	(232,548)
DISBURSEMENTS	6,099,498	4,955,904	1,143,594	5,688,919	4,463,919	1,225,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,063,975)	(1,546)	1,062,429	(833,410)	159,042	992,452
CASH, JANUARY 1	2,821,778	2,821,171	(607)	2,592,454	2,592,454	0
CASH, DECEMBER 31	1,757,803	2,819,625	1,061,822	1,759,044	2,751,496	992,452
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	318,000	323,813	5,813	317,000	316,419	(581)
Sales taxes	250,000	249,391	(609)	240,000	247,352	7,352
Intergovernmental	33,981	32,442	(1,539)	96,345	107,926	11,581
Charges for services	151,200	143,554	(7,646)	148,000	152,652	4,652
Interest	10,000	28,074	18,074	5,360	16,685	11,325
Other	12,440	11,106	(1,334)	45,280	40,057	(5,223)
Transfers in	130,589	123,203	(7,386)	115,000	120,700	5,700
Total Receipts	906,210	911,583	5,373	966,985	1,001,791	34,806
DISBURSEMENTS						
County Commissioner	81,720	77,954	3,766	79,720	79,043	677
County Clerk	78,687	71,737	6,950	80,647	70,550	10,097
Elections	91,170	51,133	40,037	50,570	28,136	22,434
Buildings and grounds	100,300	89,795	10,505	117,330	104,262	13,068
County Treasurer	71,966	69,137	2,829	66,066	65,597	469
Ex Officio Recorder of Deed	30,100	18,434	11,666	29,674	22,628	7,046
Circuit Court	3,425	1,933	1,492	2,875	1,799	1,076
Court administration	9,735	3,568	6,167	11,497	6,944	4,553
Public Administrator	46,126	42,873	3,253	44,751	42,408	2,343
Prosecuting Attorney	71,559	67,555	4,004	64,036	64,970	(934)
Juvenile Officer	35,096	9,774	25,322	34,858	10,074	24,784
County Coroner	16,330	11,480	4,850	16,190	13,344	2,846
Crime Victim's Advocate	28,493	28,347	146	28,606	28,346	260
Insurance	101,755	89,658	12,097	94,600	74,962	19,638
Other general county government	60,750	38,666	22,084	60,560	42,289	18,271
Other	79,100	70,489	8,611	51,664	29,672	21,992
Transfers out	47,206	47,206	0	77,244	12,244	65,000
Emergency Fund	100,000	1,633	98,367	160,574	136,544	24,030
Total Disbursements	1,053,518	791,372	262,146	1,071,462	833,812	237,650
RECEIPTS OVER (UNDER) DISBURSEMENTS	(147,308)	120,211	267,519	(104,477)	167,979	272,456
CASH, JANUARY 1	435,793	435,793	0	267,814	267,814	0
CASH, DECEMBER 31	288,485	556,004	267,519	163,337	435,793	272,456

Exhibit B

HARRISON COUNTY, MISSOURI

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Sales taxes	520,000	510,472	(9,528)	480,000	502,781	22,781
Intergovernmental	1,579,200	1,464,575	(114,625)	1,594,000	1,405,281	(188,719)
Interest	34,000	47,892	13,892	20,000	34,080	14,080
Other	5,000	12,311	7,311	29,500	48,058	18,558
Transfers in	5,000	5,000	0	5,000	5,000	0
Total Receipts	2,143,200	2,040,250	(102,950)	2,128,500	1,995,200	(133,300)
DISBURSEMENTS						
Salaries	210,000	209,128	872	210,000	185,474	24,526
Employee fringe benefit	92,000	80,551	11,449	92,000	73,650	18,350
Supplies	30,000	15,320	14,680	28,000	14,258	13,742
Road and bridge materials	365,000	225,636	139,364	350,000	191,747	158,253
Equipment repairs	40,000	11,988	28,012	40,000	15,871	24,129
Equipment purchases	75,000	29,927	45,073	75,000	14,042	60,958
Construction, repair, and maintenance	1,872,500	1,577,258	295,242	1,742,000	1,281,155	460,845
Other	142,000	23,076	118,924	150,000	25,046	124,954
Transfers out	115,000	115,000	0	125,000	115,000	10,000
Total Disbursements	2,941,500	2,287,884	653,616	2,812,000	1,916,243	895,757
RECEIPTS OVER (UNDER) DISBURSEMENTS	(798,300)	(247,634)	550,666	(683,500)	78,957	762,457
CASH, JANUARY 1	1,237,076	1,237,076	0	1,158,119	1,158,119	0
CASH, DECEMBER 31	438,776	989,442	550,666	474,619	1,237,076	762,457
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	128,039	125,943	(2,096)	110,700	133,053	22,353
Interest	1,350	2,214	864	250	1,458	1,208
Other	1,240	626	(614)	1,300	1,434	134
Transfers in	0	0	0	0	10,000	10,000
Total Receipts	130,629	128,783	(1,846)	112,250	145,945	33,695
DISBURSEMENTS						
Assessor	159,975	136,183	23,792	142,110	137,211	4,899
Total Disbursements	159,975	136,183	23,792	142,110	137,211	4,899
RECEIPTS OVER (UNDER) DISBURSEMENTS	(29,346)	(7,400)	21,946	(29,860)	8,734	38,594
CASH, JANUARY 1	39,178	39,178	0	30,444	30,444	0
CASH, DECEMBER 31	9,832	31,778	21,946	584	39,178	38,594

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for service:	9,000	6,508	(2,492)	9,000	7,996	(1,004)
Interest	700	821	121	0	668	668
Total Receipts	9,700	7,329	(2,371)	9,000	8,664	(336)
DISBURSEMENTS						
Sheriff	12,000	8,529	3,471	14,580	6,734	7,846
Transfers out	14,000	5,703	8,297	0	0	0
Total Disbursements	26,000	14,232	11,768	14,580	6,734	7,846
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,300)	(6,903)	9,397	(5,580)	1,930	7,510
CASH, JANUARY 1	19,828	19,828	0	17,898	17,898	0
CASH, DECEMBER 31	3,528	12,925	9,397	12,318	19,828	7,510
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	2,000	1,624	(376)	2,000	1,995	(5)
Interest	288	453	165	125	288	163
Total Receipts	2,288	2,077	(211)	2,125	2,283	158
DISBURSEMENTS						
Prosecuting Attorney	7,000	1,512	5,488	8,262	1,208	7,054
Total Disbursements	7,000	1,512	5,488	8,262	1,208	7,054
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,712)	565	5,277	(6,137)	1,075	7,212
CASH, JANUARY 1	8,467	8,467	0	7,392	7,392	0
CASH, DECEMBER 31	3,755	9,032	5,277	1,255	8,467	7,212
<u>SPECIAL POOR FUND</u>						
RECEIPTS						
Interest	2,000	3,106	1,106	1,100	2,075	975
Other	5,000	8,000	3,000	10,000	5,000	(5,000)
Total Receipts	7,000	11,106	4,106	11,100	7,075	(4,025)
DISBURSEMENTS						
Assistance program:	17,750	8,567	9,183	19,000	10,479	8,521
Total Disbursements	17,750	8,567	9,183	19,000	10,479	8,521
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,750)	2,539	13,289	(7,900)	(3,404)	4,496
CASH, JANUARY 1	52,974	52,974	0	56,378	56,378	0
CASH, DECEMBER 31	42,224	55,513	13,289	48,478	52,974	4,496

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOTTIE WILSON TRUST FUND</u>						
RECEIPTS						
Interest	500	1,513	1,013	500	1,000	500
Total Receipts	500	1,513	1,013	500	1,000	500
DISBURSEMENTS						
Assistance to indigent	1,100	851	249	500	200	300
Total Disbursements	1,100	851	249	500	200	300
RECEIPTS OVER (UNDER) DISBURSEMENTS	(600)	662	1,262	0	800	800
CASH, JANUARY 1	28,031	28,031	0	27,231	27,231	0
CASH, DECEMBER 31	27,431	28,693	1,262	27,231	28,031	800
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for service:	4,300	4,381	81	5,190	4,637	(553)
Interest	280	419	139	220	279	59
Total Receipts	4,580	4,800	220	5,410	4,916	(494)
DISBURSEMENTS						
Ex Officio Recorder of Deed	4,100	3,700	400	7,300	5,753	1,547
Total Disbursements	4,100	3,700	400	7,300	5,753	1,547
RECEIPTS OVER (UNDER) DISBURSEMENTS	480	1,100	620	(1,890)	(837)	1,053
CASH, JANUARY 1	6,985	6,985	0	7,822	7,822	0
CASH, DECEMBER 31	7,465	8,085	620	5,932	6,985	1,053
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	17,600	26,260	8,660	15,000	22,724	7,724
Interest	415	779	364	0	412	412
Total Receipts	18,015	27,039	9,024	15,000	23,136	8,136
DISBURSEMENTS						
Prosecuting attorney	26,047	21,351	4,696	17,000	18,273	(1,273)
Transfers out	1,589	1,589	0	0	0	0
Total Disbursements	27,636	22,940	4,696	17,000	18,273	(1,273)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,621)	4,099	13,720	(2,000)	4,863	6,863
CASH, JANUARY 1	13,610	13,610	0	8,747	8,747	0
CASH, DECEMBER 31	3,989	17,709	13,720	6,747	13,610	6,863
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for service:	500	535	35	500	455	(45)
Interest	0	3	3	0	0	0
Total Receipts	500	538	38	500	455	(45)
DISBURSEMENTS						
Abuse center	400	538	(138)	400	455	(55)
Total Disbursements	400	538	(138)	400	455	(55)
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	0	(100)	100	0	(100)
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	100	0	(100)	100	0	(100)

Exhibit B

HARRISON COUNTY, MISSOURI

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
CRESTVIEW DEPRECIATION AND REPLACEMENT FUND						
RECEIPTS						
Interest	4,000	5,436	1,436	2,096	3,662	1,566
Total Receipts	4,000	5,436	1,436	2,096	3,662	1,566
DISBURSEMENTS						
Equipment and repairs	0	13,263	(13,263)	0	0	0
Total Disbursements	0	13,263	(13,263)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,000	(7,827)	(11,827)	2,096	3,662	1,566
CASH, JANUARY 1	108,483	108,483	0	104,821	104,821	0
CASH, DECEMBER 31	112,483	100,656	(11,827)	106,917	108,483	1,566
LAKE PROJECT FUND						
RECEIPTS						
Charges for service:	6,000	5,429	(571)	4,000	5,622	1,622
Interest	12,000	16,548	4,548	5,000	11,095	6,095
Other	4,767	3,640	(1,127)	5,200	3,983	(1,217)
Total Receipts	22,767	25,617	2,850	14,200	20,700	6,500
DISBURSEMENTS						
Maintenance	7,000	19,039	(12,039)	32,000	21,665	10,335
Construction	20,000	0	20,000	0	0	0
Total Disbursements	27,000	19,039	7,961	32,000	21,665	10,335
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,233)	6,578	10,811	(17,800)	(965)	16,835
CASH, JANUARY 1	310,650	310,650	0	311,615	311,615	0
CASH, DECEMBER 31	306,417	317,228	10,811	293,815	310,650	16,835
911 FUND						
RECEIPTS						
Charges for service:	163,960	150,892	(13,068)	143,687	144,710	1,023
Interest	500	665	165	533	596	63
Other	0	3,837	3,837	0	685	685
Transfers in	35,000	35,000	0	35,000	35,000	0
Total Receipts	199,460	190,394	(9,066)	179,220	180,991	1,771
DISBURSEMENTS						
Salaries and employee benefit	133,180	125,321	7,859	132,480	124,168	8,312
Telephone	46,000	45,397	603	43,000	45,872	(2,872)
Equipment	35,100	14,847	20,253	12,100	13,992	(1,892)
Other	7,900	2,973	4,927	8,000	4,070	3,930
Total Disbursements	222,180	188,538	33,642	195,580	188,102	7,478
RECEIPTS OVER (UNDER) DISBURSEMENTS	(22,720)	1,856	24,576	(16,360)	(7,111)	9,249
CASH, JANUARY 1	26,217	26,217	0	33,328	33,328	0
CASH, DECEMBER 31	3,497	28,073	24,576	16,968	26,217	9,249

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CRESTVIEW ADDITION FUND</u>						
RECEIPTS						
Interest				395	253	(142)
Total Receipts				395	253	(142)
DISBURSEMENTS						
Repairs				0	19,984	(19,984)
Total Disbursements				0	19,984	(19,984)
RECEIPTS OVER (UNDER) DISBURSEMENTS				395	(19,731)	(20,126)
CASH, JANUARY 1				19,731	19,731	0
CASH, DECEMBER 31				20,126	0	(20,126)
<u>LOCAL EMERGENCY PLANNING COMMITTEE FUND</u>						
RECEIPTS						
Intergovernmental	5,031	4,872	(159)	5,031	4,993	(38)
Interest	150	661	511	150	470	320
Total Receipts	5,181	5,533	352	5,181	5,463	282
DISBURSEMENTS						
Local emergency planning	6,850	4,804	2,046	7,325	5,675	1,650
Transfers out	0	0	0	5,700	5,700	0
Total Disbursements	6,850	4,804	2,046	13,025	11,375	1,650
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,669)	729	2,398	(7,844)	(5,912)	1,932
CASH, JANUARY 1	12,920	12,920	0	18,832	18,832	0
CASH, DECEMBER 31	11,251	13,649	2,398	10,988	12,920	1,932
<u>POLICE OFFICER STANDARDS TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	3,700	3,324	(376)	0	3,544	3,544
Interest	235	543	308	0	235	235
Total Receipts	3,935	3,867	(68)	0	3,779	3,779
DISBURSEMENTS						
Sheriff	2,500	0	2,500	0	0	0
Total Disbursements	2,500	0	2,500	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,435	3,867	2,432	0	3,779	3,779
CASH, JANUARY 1	9,126	9,126	0	5,347	5,347	0
CASH, DECEMBER 31	10,561	12,993	2,432	5,347	9,126	3,779

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
COUNTY ELECTION SERVICES FUND						
RECEIPTS						
Intergovernmental	130,800	129,502	(1,298)	45,000	5,893	(39,107)
Interest	538	1,406	868	352	679	327
Total Receipts	131,338	130,908	(430)	45,352	6,572	(38,780)
DISBURSEMENTS						
Equipment	145,810	127,040	18,770	60,000	5,406	54,594
Total Disbursements	145,810	127,040	18,770	60,000	5,406	54,594
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,472)	3,868	18,340	(14,648)	1,166	15,814
CASH, JANUARY 1	18,618	18,758	140	17,592	17,592	0
CASH, DECEMBER 31	4,146	22,626	18,480	2,944	18,758	15,814
RECORDER'S TECHNOLOGY FUND						
RECEIPTS						
Charges for service:	2,500	2,401	(99)	2,500	2,644	144
Interest	160	362	202	54	151	97
Total Receipts	2,660	2,763	103	2,554	2,795	241
DISBURSEMENTS						
Ex Officio Recorder of Deed	2,500	0	2,500	2,000	102	1,898
Total Disbursements	2,500	0	2,500	2,000	102	1,898
RECEIPTS OVER (UNDER) DISBURSEMENTS	160	2,763	2,603	554	2,693	2,139
CASH, JANUARY 1	5,384	5,384	0	2,691	2,691	0
CASH, DECEMBER 31	5,544	8,147	2,603	3,245	5,384	2,139
TAX MAINTENANCE FUND						
RECEIPTS						
Charges for service:	7,500	6,785	(715)	8,500	7,255	(1,245)
Interest	400	768	368	50	373	323
Other	0	60	60	0	0	0
Total Receipts	7,900	7,613	(287)	8,550	7,628	(922)
DISBURSEMENTS						
Ex Officio County Collector	16,000	4,179	11,821	15,750	3,415	12,335
Total Disbursements	16,000	4,179	11,821	15,750	3,415	12,335
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,100)	3,434	11,534	(7,200)	4,213	11,413
CASH, JANUARY 1	12,112	12,112	0	7,899	7,899	0
CASH, DECEMBER 31	4,012	15,546	11,534	699	12,112	11,413

Exhibit B

HARRISON COUNTY, MISSOURI

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	520,000	497,627	(22,373)	480,000	495,841	15,841
Intergovernmental	100,000	107,402	7,402	210,000	78,909	(131,091)
Charges for services	50,860	28,583	(22,277)	35,000	24,473	(10,527)
Interest	0	582	582	0	966	966
Other	37,500	15,156	(22,344)	19,091	38,412	19,321
Transfers in	45,000	45,000	0	0	0	0
Total Receipts	753,360	694,350	(59,010)	744,091	638,601	(105,490)
DISBURSEMENTS						
Salaries and employee benefit	323,252	338,739	(15,487)	316,964	307,553	9,411
Debt service	138,800	138,889	(89)	139,624	139,624	0
Utilities	24,000	22,971	1,029	20,341	20,194	147
Prisoner board	80,000	32,425	47,575	63,166	49,767	13,399
Equipment	42,250	22,884	19,366	9,431	9,419	12
Vehicle fuel and repair	30,000	23,736	6,264	32,534	32,534	0
Insurance	15,000	9,824	5,176	21,878	20,555	1,323
Supplies and office expens	24,000	20,000	4,000	24,256	22,988	1,268
Other law enforcement and jail expense	30,750	21,358	9,392	29,656	29,124	532
Transfers out	40,000	40,912	(912)	40,000	40,000	0
Total Disbursements	748,052	671,738	76,314	697,850	671,758	26,092
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,308	22,612	17,304	46,241	(33,157)	(79,398)
CASH, JANUARY 1	1,347	1,347	0	34,504	34,504	0
CASH, DECEMBER 31	6,655	23,959	17,304	80,745	1,347	(79,398)
<u>EAGLEVILLE MEMORIAL WEST CEMETERY FUND</u>						
RECEIPTS						
Interest	2,000	2,802	802			
Total Receipts	2,000	2,802	802			
DISBURSEMENTS						
Maintenance	3,000	1,200	1,800			
Total Disbursements	3,000	1,200	1,800			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	1,602	2,602			
CASH, JANUARY 1	52,025	52,025	0			
CASH, DECEMBER 31	51,025	53,627	2,602			
<u>JUVENILE RESTITUTION FUND</u>						
RECEIPTS						
Interest	0	54	54			
Other	500	947	447			
Total Receipts	500	1,001	501			
DISBURSEMENTS						
Restitution	1,627	649	978			
Total Disbursements	1,627	649	978			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,127)	352	1,479			
CASH, JANUARY 1	1,627	880	(747)			
CASH, DECEMBER 31	500	1,232	732			

Exhibit B

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

	Year Ended December 31,					
	2006			2005		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property Taxes	122,900	125,007	2,107	114,000	112,441	(1,559)
Intergovernmental	158,200	174,603	16,403	148,500	161,355	12,855
Charges for services	386,000	432,536	46,536	334,500	281,355	(53,145)
Interest	6,900	9,748	2,848	5,500	6,901	1,401
Total Receipts	<u>674,000</u>	<u>741,894</u>	<u>67,894</u>	<u>602,500</u>	<u>562,052</u>	<u>(40,448)</u>
DISBURSEMENTS						
Salaries and employee benefit	426,000	398,997	27,003	399,300	398,574	726
Office Expenditures	68,400	66,225	2,175	53,300	61,290	(7,990)
Equipment	11,500	11,177	323	7,500	5,102	2,398
Mileage and travel	25,600	24,998	602	18,000	21,877	(3,877)
Professional fees	95,000	94,502	498	77,000	87,434	(10,434)
Medical supplies	46,500	53,093	(6,593)	25,000	37,467	(12,467)
Total Disbursements	<u>673,000</u>	<u>648,992</u>	<u>24,008</u>	<u>580,100</u>	<u>611,744</u>	<u>(31,644)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>1,000</u>	<u>92,902</u>	<u>91,902</u>	<u>22,400</u>	<u>(49,692)</u>	<u>(72,092)</u>
CASH, JANUARY 1	<u>404,557</u>	<u>404,557</u>	<u>0</u>	<u>454,249</u>	<u>454,249</u>	<u>0</u>
CASH, DECEMBER 31	<u><u>405,557</u></u>	<u><u>497,459</u></u>	<u><u>91,902</u></u>	<u><u>476,649</u></u>	<u><u>404,557</u></u>	<u><u>(72,092)</u></u>
<u>CIRCUIT CLERK'S INTEREST FUND</u>						
RECEIPTS						
Interest	1,100	1,155	55			
Total Receipts	<u>1,100</u>	<u>1,155</u>	<u>55</u>			
DISBURSEMENTS						
Circuit Clerk	4,000	3,173	827			
Total Disbursements	<u>4,000</u>	<u>3,173</u>	<u>827</u>			
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(2,900)</u>	<u>(2,018)</u>	<u>882</u>			
CASH, JANUARY 1	<u>6,643</u>	<u>6,643</u>	<u>0</u>			
CASH, DECEMBER 31	<u><u>3,743</u></u>	<u><u>4,625</u></u>	<u><u>882</u></u>			
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	4,700	6,007	1,307			
Total Receipts	<u>4,700</u>	<u>6,007</u>	<u>1,307</u>			
DISBURSEMENTS						
Law library	8,000	5,510	2,490			
Total Disbursements	<u>8,000</u>	<u>5,510</u>	<u>2,490</u>			
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(3,300)</u>	<u>497</u>	<u>3,797</u>			
CASH, JANUARY 1	<u>10,127</u>	<u>10,127</u>	<u>0</u>			
CASH, DECEMBER 31	<u><u>6,827</u></u>	<u><u>10,624</u></u>	<u><u>3,797</u></u>			

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

Notes to the Financial Statements

HARRISON 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 Harrison 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 of Trustees. 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 Juvenile Restitution, Eagleville Memorial West Cemetery, Circuit Clerk's Interest, and Law Library funds for the year ended December 31, 2005.

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>
Prosecuting Attorney Bad Check Fund	2005
Domestic Violence Fund	2006 and 2005
Crestview Depreciation and Replacement Fund	2006
Crestview Addition Fund	2005
Health Center Fund	2005

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 statement for the year ended December 31, 2006 and 2005, did not include the Circuit Clerk's Interest and Law Library Funds.

In addition, the county's published financial statements for the years ended December 31, 2006 and 2005, did not disclose disbursement detail by vendor for the Prosecuting Attorney Training, Special Poor, Lottie Wilson Trust, Recorder's User Fees, Prosecuting Attorney Bad Check, Domestic Violence, Crestview Depreciation and Replacement, Lake Project, Local Emergency Planning Committee, County Election Services, Recorder's Technology, Tax Maintenance, Eagleville Memorial West Cemetery, Juvenile Restitution, and Health Center Funds.

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. 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. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the

county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Harrison County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's and the Health Center Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depository 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.

Investments

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. At December 31, 2006 and 2005, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Supplementary Schedule

Schedule

HARRISON 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,	
			2006	2005
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	ERS045-5140 ERS045-6140 ERS045-7140	\$ 0 32,860 5,658	30,974 4,371 0
	Program total		<u>38,518</u>	<u>35,345</u>
10.559	Summer Food Service Program for Children	ERS146-5140I	70	70
U.S. DEPARTMENT OF JUSTICE				
Passed through state Department of Public Safety				
16.554	National Criminal History Improvement Program	N/A	3,323	0
16.575	Crime Victim Assistance	2003-VOCA-0016 2004-VOCA-0015 2005-VOCA-0017	0 19,553 4,255	19,872 3,595 0
	Program total		<u>23,808</u>	<u>23,467</u>
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO 041 (19) BRO 041 (25) BRO 041 (26) BRO 041 (27) BRO 041 (28) BRO 041 (29)	0 0 488,758 42,254 61,245 33,653	1,373 760 1,739 333,331 259,640 0
	Program total		<u>625,910</u>	<u>596,843</u>
Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	HMEP2005	2,338	2,338
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State				
90.401	Help America Vote Act Requirements Payment	HAVA-2002-FED	117,000	5,893

Schedule

HARRISON 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,	
			2006	2005
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Preventior and Surveillance of Blood Lead Levels in Childre:	ERS146-5140L	5,188	726
93.268	Immunization Grants	N/A	64,458	42,082
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	DH070008019 DH060031084 AOC06380204	2,289 6,331 3,500	3,500 0 0
	Program total		<u>12,120</u>	<u>3,500</u>
93.575	Child Care and Development Block Gran	PGA067-5140C	1,515	1,890
Office of Secretary of State				
93.617	Voting Access for Individuals with Disabilitie	HAVAHHSG3	12,502	0
Department of Health and Senior Services				
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-3140M AOC06380204 AOC05380051 AOC06380076 PGA062-70074	0 24,419 0 14,495 187	18,305 17,443 21,060 2,071 0
	Program total		<u>39,101</u>	<u>58,879</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.004	State Domestic Preparedness Equipment Support Progran	2004-GE-T4-0049	0	75,614
	Total Expenditures of Federal Award:		<u>\$ 945,851</u>	<u>846,647</u>

N/A - Not applicable

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

Notes to the Supplementary Schedule

HARRISON 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 Harrison 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.

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.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2006 and 2005.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



SUSAN MONTEE, CPA
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 Harrison County, Missouri

Compliance

We have audited the compliance of Harrison 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, 2006 and 2005. 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, Harrison 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, 2006 and 2005.

Internal Control Over Compliance

The management of Harrison 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the management of Harrison 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.



Susan Montee, CPA
State Auditor

May 17, 2007

Schedule

HARRISON COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2006 AND 2005

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 no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major program:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

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

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

Identification of major program:

CFDA or Other Identifying <u>Number</u>	<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 no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

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

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

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

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

HARRISON 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, 2004, 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

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

We have audited the financial statements of various funds of Harrison County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 17, 2007. We also have audited the compliance of Harrison 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, 2006 and 2005, and have issued our report thereon dated May 17, 2007.

In addition, to comply with the State Auditor's responsibility under Section 29.230, RSMo, to audit county officials at least once every 4 years, we have audited the operations of elected officials with funds other than those presented in the financial statements. 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 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 Harrison 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*. Harrison County's responses to the findings also are presented in this MAR. We did not audit the county's responses and, accordingly, we express no opinion on them.

1.	Financial Condition
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Although the financial condition of the county's General Revenue Fund (GRF) has improved in recent years, the county has not developed plans to address the utilization of the jail and the operational and equipment needs of the 911 center that could adversely impact the financial condition of the GRF.

- A. The county has not analyzed the costs and revenues related to the county jail or developed plans to increase the profitability of the jail operation. Construction of the county law enforcement center, housing the 40-bed county jail, Sheriff's Department, and 911 Center, was completed in 2003. The County Commission indicated that when planning the new jail, they believed the beds not needed for Harrison County inmates would be used for housing inmates for other counties. However, the utilization of the available jail space has been less than the county expected. For example, the county estimated board receipts for 2005 to be \$200,000 but actual board receipts for 2005 were only about \$46,000. The total average daily jail census was 13 and 15 for the years ended December 31, 2006 and 2005, respectively, including an average daily census of 3 inmates housed for other entities for this period. Direct costs for operating the jail including staff salaries, inmate meals, and other costs have exceeded the receipts from board billings and other jail receipts as follows:

	Year ended December 31,	
	2006	2005
Total jail disbursements	\$169,068	\$194,570
Less: Board receipts from prisoners and other entities	(67,179)	(45,884)
Less: Telephone card receipts	(11,265)	(19,705)
Less: State criminal cost receipts	(40,223)	(33,025)
Jail expenditures over jail receipts	\$50,401	\$95,956

The Sheriff indicated he has had difficulty competing with other large jails in the region to house prisoners for other entities.

The expenses of the jail, Sheriff's Department, and principal and interest payments on the law enforcement center construction debt are paid from the county's Law Enforcement Sales Tax Fund (LESTF). Transfers have been required from the GRF most years to subsidize these costs.

- B. The county has not developed long-range plans for equipment upgrades and related funding for the 911 operation. Total disbursements from the 911 Fund for employee salaries and benefits, telephone line charges, office expenses, and equipment have exceeded total receipts of the 911 Fund from telephone taxes, user charges, and transfers in every year except one since 2001. As a result, the fund's cash balance has declined from \$79,419 at January 1, 2001, to \$28,073 at December 31, 2006 and the budget for 2007 projects an expected cash balance at December 31, 2007 to be \$9,762. Additionally, the county commissioners indicated much of the 911 equipment has not been upgraded or replaced since initially installed in the 1990s. However, the county has not determined the equipment needs or estimated costs to be planned for in future years.

Current funding levels do not appear adequate to set aside money for future contingencies like equipment upgrades or replacements. The county asked voters to approve a use tax in 2007 which it intended to use to help fund the 911 operation but this measure was not approved by the voters. The county has not developed an alternative plan to increase the fund receipts. Also as noted in MAR 4, the county has not documented its basis for charging other entities and the LESTF for dispatching services.

The county made transfers from the GRF to the LESTF totaling \$45,000, \$0, \$30,000, and \$76,180 for the years ended December 31, 2006, 2005, 2004, and 2003 to support the LESTF. The un-profitability of the jail operation has contributed to the need for those transfers. In addition, the LESTF has transferred \$35,000 annually to the 911 Fund for dispatching services.

The county should analyze the costs and receipts of the jail operation and 911 operation and develop plans to increase the utilization of the jail and for funding the equipment and operations of the 911 center. Efforts should be made to address the immediate and long-term aspects of these operations to ensure the continued strong position of the GRF.

WE RECOMMEND the County Commission:

- A. Consider ways to reduce jail operating costs or increase receipts by housing more prisoners for other jurisdictions.
- B. Develop long-range plans for funding operational and equipment needs of the 911 Center.

AUDITEE'S RESPONSE

- A. *We will encourage the Sheriff to seek opportunities to house other agency's prisoners. We are also going to start preparing meals for the prisoners in-house instead of purchasing prepared food from an outside source, which should reduce food costs substantially.*

- B. *The use tax failed by only three votes last April. We are planning on returning this proposal to the voters on an upcoming election. We are hopeful that the Legislature will address the issue of cell phones being exempt from the 911 surcharge.*

2.	County Expenditures
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The county does not have adequate procedures regarding the procurement of major purchases.

While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids or perform other price comparison procedures for some major purchases, or bid documentation was not always retained for various purchases. In addition, neither the county commission minutes nor the disbursement records contained adequate documentation of the county's efforts to compare prices for some purchases (i.e., phone contact, inquiries). We had concerns related to the following purchases:

GIS Mapping Services and Information System	\$165,550
Voting equipment	119,455
Emergency radios	49,269
Truck	23,747

- The County Commission indicated they considered the GIS mapping services and information system of two other vendors previously but did not obtain current proposals and qualifications from those vendors because the vendors were located out-of-state.
- For the voting equipment, the County Commission indicated they and the County Clerk evaluated equipment from several vendors approved under a statewide procurement agreement and obtained a price quote from the vendor offering equipment that they believed was best for their needs, however, the county's basis for its decision was not documented.
- For the radios, the County's Emergency Management Director indicated he did not obtain competitive bids because the equipment brands he sought were not offered by more than one vendor, but this reason was not documented.
- For the truck, the county received two other bids which were up to \$4,600 lower than the bid selected. The County Commission indicated it selected the high bidder because that truck was better equipped, however, the county did not document its basis for this decision.

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. Section 8.285, RSMo, requires political subdivisions of the state of Missouri to negotiate contracts for engineering and land surveying services on the basis of demonstrated competence and qualifications for the type of services required and at fair and reasonable prices. Sections 8.289 and 8.291, RSMo, specify that at least three firms should be considered when obtaining such services, and provide criteria to be used when evaluating the various firms.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals and qualifications, etc.) for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the county's selection process and criteria, or reasons why competitive proposals were not solicited, should be retained to demonstrate compliance with the law and support decisions made.

WE RECOMMEND the County Commission perform a competitive procurement process for all major purchases and maintain documentation of decisions made.

AUDITEE'S RESPONSE

A more in-depth procedure will be followed during the bidding process and a record of the selection made will reflect the reason why one particular bidder was chosen over the other.

3. Special Road and Bridge Fund
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The budgets of the Special Road and Bridge Fund (SRBF) contained unreasonable estimates of disbursements, annual maintenance plans for roads and bridges have not been prepared, and the administrative transfers from the SRBF were excessive. Disbursements from the SRBF totaled about \$2,288,000 and \$1,916,000 for the years ended December 31, 2006 and 2005, respectively.

- A. As also noted in our prior four audit reports, the County Commission's budget preparation procedures do not ensure that the SRBF budget documents reasonably reflect the county's anticipated financial activity and cash balances, and lessen the effectiveness of the budget as a tool for monitoring or controlling county disbursements.

The budget documents do not reasonably reflect the anticipated disbursements and the ending cash balances of the SRBF. The budget significantly overestimated disbursements, and as a result the actual ending cash balances were much higher than the projected ending cash balances as follows:

	Year Ended December 31,	
	2006	2005
Budgeted disbursements	\$2,941,500	\$2,812,000
Actual disbursements	2,287,884	1,916,243
Budgeted over actual disbursements	<u>653,616</u>	<u>895,757</u>
Projected ending cash balance	438,776	474,619
Actual ending cash balance	989,442	1,237,076
Actual over projected ending cash balance	<u>\$550,666</u>	<u>\$762,457</u>

Realistic projections of the county's anticipated resources and uses of funds are essential for the efficient management of county finances and for communicating accurate financial data to county residents. Misrepresentation of the county's anticipated disbursements is misleading to the public and prevents an accurate estimate of the county's anticipated financial condition. In addition, the use of unreasonable budget estimates may have contributed to an excessive transfer to the General Revenue Fund (GRF) for administrative services as noted in part C below.

- B. An annual maintenance plan has not been prepared to document expected work on the county's roads and bridges. The budget document presents proposed activities in general categories which contain significant dollar amounts and do not provide details regarding specific projects or plans. The County Commission indicated the county provides rock for the township roads every year and prioritizes bridge construction based on safety concerns and need; however, specifics are not documented in a plan, the commission minutes, or the budget message and made available to the public.

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, cost estimates, the dates such work could begin, and other relevant information. The plan should be referred to in the budget message and approved by the County Commission. In addition, the County Commission should consider holding a public hearing to obtain input from residents. Such a plan would serve as a useful management tool, encourage greater input into the overall budgeting process, help establish more reasonable budget estimates, and provide a means to continually and more effectively monitor and evaluate the repair and maintenance projects throughout the year.

- C. Administrative service fee transfers from the SRBF to the GRF were excessive. During the years ended December 31, 2006 and 2005, the county made administrative service fee transfers of \$115,000 each year from the SRBF to the GRF. The county had no documentation to support how the administrative service fee transfers were calculated.

Section 50.515, RSMo, allows the county to impose an administrative service fee on the SRBF. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the GRF for related administrative services to the SRBF, and shall not exceed five percent (three percent prior to August 28, 2004) of the SRBF budget.

Although administrative service fee transfers were less than five percent of SRBF budgeted disbursements, the transfers exceeded five percent of actual disbursements for the two years ended December 31, 2006 and 2005, by a total of \$31,294. This situation resulted from unreasonable budget estimates for the SRBF. Also, because administrative service fee transfers were excessive in most years prior to 2005, the amount of cumulative excessive transfers totaled \$73,858 as of December 31, 2006.

This condition was also noted in our prior audit.

WE RECOMMEND the County Commission:

- A. Ensure the budgets of the Special Road and Bridge Fund provide reasonable estimates of anticipated financial activity.
- B. Develop a road and bridge maintenance plan in conjunction with the annual fiscal budgets.
- C. Base administrative transfers on actual or reasonable budgeted disbursements of the Special Road and Bridge Fund and retain documentation of the transfer calculations. In addition, consider transferring \$73,858 from the General Revenue Fund to the Special Road and Bridge Fund for repayment of prior excessive transfers.

AUDITEE'S RESPONSE

- A. *We will base the budget of the Special Road and Bridge Fund on actual expenses from the previous year, adding any estimates for known projects.*
- B. *We will meet with the bridge foreman to prepare a list of work projects that will need to be addressed in the upcoming year. A realistic plan will be developed of what can be accomplished within that year and we will budget accordingly.*
- C. *No transfers were made in excess of the percentages allowed, they were taken from the budgeted amount. As long as the present Commission is in office, future calculations will be based on the actual expenses from the previous year. Five percent of the 2005 actual expenses was \$95,812 and five percent of 2006 actual expenses was \$114,394.*

The county has not documented its basis for transferring amounts from the Law Enforcement Sales Tax Fund (LESTF) to the 911 Fund or for determining the amounts to charge other entities for dispatching services. Receipts of the 911 Fund totaled about \$371,000 for the two years ended December 31, 2006, for telephone taxes, dispatching agreements with other entities, transfers from the LESTF and other receipts. Disbursements from the 911 Fund for the two years ended December 31, 2006, totaled about \$376,000 for employee salaries and benefits, equipment, telephone line service charges and other costs. In 2002, voters approved a one-half cent law enforcement sales tax for constructing a law enforcement center and for providing law enforcement services. In 2003, the county established the LESTF to account for the sales tax proceeds and constructed a law enforcement center housing the Sheriff's department, jail, and 911 Center.

In the early 1990s the county began operating a 911 emergency dispatching system. Operations of the system were funded through a telephone surcharge tax and by contracted payments from other political subdivisions in the county who received dispatching services. Since establishing the LESTF, the county has transferred \$35,000 annually from the LESTF to the 911 Fund for county law enforcement dispatching provided by the 911 center. By agreement, the county provides emergency and non-emergency dispatching to cities, ambulance districts and fire districts throughout the county. The amounts received by the county from these entities totaled about \$57,000 and \$49,000 for the years ended December 31, 2006 and 2005, respectively.

The county commissioners could not recall how the amounts charged to the LESTF and the other entities were derived. In 2005 and 2006, the 911 director provided the county commissioners with the number of calls handled for the county sheriff and other political subdivisions, but the county had no documentation to show how this data was used in determining the transfer and contract amounts. The former presiding county commissioner prepared a worksheet summarizing calls and expenses that apparently was used in the negotiations with the city of Bethany but the calls and costs on the worksheet do not agree to the data from the 911 director or the 911 Fund expenses. The county commission could not explain the source or use of the work sheet.

The county should base its transfer and contract amounts on a measure of actual activity or some comparable basis and document its basis. These actions are necessary to ensure the amounts charged the other entities are reasonable and to ensure compliance with the restrictions on the allowable uses of the LESTF.

WE RECOMMEND the County Commission base its transfers from the LESTF to the 911 Fund, and its contracts with entities for dispatching, upon a measure of actual activity or some comparable basis. In addition, documentation of the calculation and the data that supports it should be maintained.

AUDITEE'S RESPONSE

We will develop a procedure for calculating the dispatching and MULES service that is provided to the various law enforcement and fire departments within the county on a per call basis. We will then assess the departments accordingly.

5. Circuit Clerk's Controls and Procedures

The Circuit Clerk's procedures for receipting monies are not adequate to ensure all monies received are recorded and deposited and the Circuit Clerk does not routinely follow-up on old outstanding checks. The Circuit Clerk receives payments on court costs, fines, and bonds for cases of the Circuit, Associate, and Probate Divisions. Receipts totaled about \$765,000 and \$943,000 for 2006 and 2005, respectively.

- A. The Circuit Clerk's procedures for receipting monies are not adequate to ensure all monies received are recorded and deposited. The Circuit Clerk's staff post all monies received to the court's Judicial Information System (JIS). For payments received during court, the Circuit Clerk's staff issue a generic manual receipt slip and subsequently posts the collection to the JIS.
1. The Circuit Clerk's staff hold some collections for several days before recording the monies on either the JIS or the generic receipt slips. We counted the undeposited collections of the Circuit Clerk on February 28, 2007, and noted 13 checks and money orders on hand totaling \$1,653 that were not receipted on either the JIS or manual receipt slips for one to fourteen calendar days. The Circuit Clerk indicated these items could not be receipted into JIS at the time because the payment was collected before the charges had been filed and the case had not been established on the JIS. The Circuit Clerk indicated manual receipt slips were not normally issued for such payments, but the monies were instead held until the case record had been established on the JIS.
 2. The Circuit Clerk's staff do not account for the numerical sequence of generic manual receipt slips issued. When these receipts are posted to the JIS, the Circuit Clerk's staff attach the court's copy of the manual receipt slip to the computerized JIS receipt and file both receipt slips in the applicable case file. Because these receipt slips are not filed numerically, there is less assurance that these receipt slips were properly recorded on the JIS and deposited.

To ensure all monies collected are ultimately recorded and deposited, the court should immediately record all collections on the JIS or the manual receipt slips, account for the numerical sequence of the receipt slips issued, and ensure all manual receipt slips are subsequently recorded on the JIS.

- B. The Circuit Clerk has not established procedures to routinely follow-up on outstanding checks. At December 31, 2006, about 90 checks totaling about \$3,400 were more than one year old. Approximately 32 of the 90 outstanding checks totaling about \$920 were from cases in the old traffic division account and issued as early as 1996.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, the amount should be disbursed to the State's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo.

WE RECOMMEND the Circuit Clerk:

- A. Record all monies received immediately on the JIS or manual receipt slips and account for the numerical sequence of the manual receipt slips issued. If manual receipt slips are used to record monies, the Circuit Clerk should ensure these receipts are posted to the JIS.
- B. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory requirements.

AUDITEE'S RESPONSE

- A. *The Circuit Clerk indicated she agrees with the recommendation and is planning to purchase and begin using prenumbered manual receipt slips to document all transactions that cannot be immediately posted to the JIS system. She will ensure that all manually receipted transactions are subsequently entered on the JIS system. She plans to have this recommendation implemented by the end of 2007.*
- B. *The Circuit Clerk indicated she agrees with the recommendation and will follow-up on old outstanding checks. For checks that cannot be reissued, she will turn over the monies to the state Unclaimed Property Section by the end of 2007.*

6. Sheriff's Controls and Procedures

Accounting duties are not adequately segregated in the Sheriff's Office. In addition, monies received are not always deposited intact and the composition of receipt slips issued is not reconciled to the composition of deposits.

The Sheriff's Office processed approximately \$204,000 and \$246,000 in bonds, civil service fees and mileage, gun permits, and telephone card receipts.

- A. Accounting duties have not been adequately segregated in the Sheriff's office. The Sheriff's clerk collects monies, records transactions, prepares deposits, prepares and signs checks, and prepares the bank reconciliations. There are no documented reviews of the accounting records performed by the Sheriff.

Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Monies received are not always deposited intact and the composition of receipt slips issued is not reconciled to the composition of deposits. While bank deposits are normally made from eight to eleven times per month, cash receipts are sometimes excluded from deposits and included in subsequent bank deposits. We tested 17 bank deposits and noted five deposits where some cash receipts totaling \$965 were apparently withheld from the bank deposit on the day received and were instead included in the subsequent bank deposit.

To adequately account for collections and reduce the risk of loss or misuse of funds, the method of payment should be reconciled to the bank deposits and deposits should be made intact.

WE RECOMMEND the Sheriff:

- A. Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Ensure the method of payment is reconciled to deposits and deposit all monies intact.

AUDITEE'S RESPONSE

- A. *The Sheriff indicated he agrees with the recommendation and will immediately begin documenting his review of the accounting records, which will be performed at least monthly.*
- B. *The Sheriff indicated he agrees with the recommendation and it has already been implemented.*

7. Prosecuting Attorney's Controls and Procedures
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The Prosecuting Attorney's office does not have an adequate system to account for the receipt and eventual disposition of bad checks. In addition, monies received are not always deposited timely, and accounting duties are not adequately segregated.

The Prosecuting Attorney's office collects bad check related restitution and fees and court-ordered restitution. Collections totaled about \$131,000 and \$136,000 for the years ended December 31, 2006 and 2005, respectively.

- A. The Prosecuting Attorney's office does not have an adequate system to account for the receipt and eventual disposition of bad checks. Currently, Harrison County merchants complete an unnumbered complaint form when turning the bad check over to the Prosecuting Attorney for collection. Information from the complaint form is entered into the computer file, and the complaint form and information regarding the handling of each case are maintained in a file drawer until payment is received or charges are filed. No identifying or tracking numbers are assigned to the complaint forms or bad checks, and the bad check data file is not maintained in a manner that allows all bad check complaint forms and bad checks to be accounted for. Also, without some numbering or tracking procedure, there is no assurance all bad check information is entered into the computer file.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received and this number should be used to track the status and disposition of the corresponding bad check.

- B. Receipts are not always deposited timely. During the two years ended December 31, 2006, the number of monthly deposits averaged five. We noted one deposit in October 2005 containing receipts held for as long as eleven calendar days before deposit. We also counted the undeposited collections of the Prosecuting Attorney on March 27, 2007 and noted money orders totaling about \$2,800 that had been held from one to eleven days including four receipts totaling about \$400 that were held for one week or longer. To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.
- C. The duties of receiving, recording, depositing and disbursing monies, reconciling the bank account, and following up on unpaid bad checks are not adequately segregated. The Prosecuting Attorney's secretary performs all of these duties. The former Prosecuting Attorney reviewed the bank reconciliations and the current Prosecuting Attorney indicated that she plans to begin reviewing the bank reconciliations. However, neither the former or current Prosecuting Attorneys reviewed the receipt and disbursement records and both officeholders delegated duties to the secretary to ensure receipts were properly processed and disbursed and to notify the officeholder of unpaid bad check restitution.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing an independent documented review of records by the Prosecuting Attorney.

WE RECOMMEND the Prosecuting Attorney:

- A. Develop procedures and records that provide sufficient information to track the disposition of all bad check complaints.
- B. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- C. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the accounting records.

AUDITEE'S RESPONSE

- A. *We were unaware at the time of the audit that our bad check program does assign a number to each check as it is entered into the program.*
- B. *Deposits are now being made on a frequent basis.*
- C. *I am taking this recommendation under advisement.*

Follow-Up on Prior Audit Findings

HARRISON 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 Harrison County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2002. 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. Jail Project

- A. The County Commission did not obtain a professional appraisal to determine the value of land purchased for the jail site.
- B. The County Commission was not independently monitoring the construction of the jail and there was no professional independent inspection during construction to ensure compliance with building codes and building plans and specifications.
- C. The County Commission negotiated and signed an agreement with the financial company five weeks prior to advertising the request for bids in the local paper.

Recommendation:

The County Commission:

- A. Obtain a professional appraisal prior to purchasing land.
- B. Ensure the construction is independently monitored, inspected, and supervised for the remainder of the jail project.
- C. Ensure building projects are bid in accordance with state law.

Status:

- A&C. We noted no similar land purchases or building projects during the current audit period.
- B. Partially implemented. The county commission conducted two inspections of the law enforcement center in October 2003 and accepted the center as completed on October 29, 2003. However, the county commission did not obtain an independent inspection of the facility. Although not repeated in the current MAR, the county commission should ensure future construction projects are independently monitored, inspected, and supervised.

2. Crestview Nursing Home Project

The County Commission did not adequately monitor the selection process of various design and construction services for the nursing home project.

Recommendation:

The County Commission adequately monitor county building projects.

Status:

We noted no similar county building projects during the current audit period. The County Commission monitored operations of the nursing home and repairs to the facility by attending meetings of the Crestview Nursing Home Board and reviewing monthly financial reports of Crestview.

3. Lake Project Fund Balance

The Lake Project Fund balance included approximately \$309,000 of sales tax revenues which were to be used for obligations incurred in the construction of the Harrison County Lake; however, the general obligation bonds had been paid.

Recommendation:

The County Commission consult legal counsel to determine the proper disposition of the sales tax revenue remaining in the Lake Project Fund.

Status:

Implemented. The County Commission consulted the former Prosecuting Attorney, who advised that the remaining Lake Project funds could be used for ongoing maintenance at the lake without the need for a public vote.

4. County Officials' Compensation

The county had not taken action on mid-term salary increases given to some elected officials in 1997, which appeared invalid based on a 2001 Missouri Supreme Court decision.

Recommendation:

The County Commission review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.

Status:

Partially implemented. The County Clerk indicated the County Commission discussed the issue with the former Prosecuting Attorney in September 2003 and he verbally advised the Commission that the statute of limitations had expired. Consequently, the Commission did not seek repayment of any salary overpayments.

5. Budgetary Practices and Published Financial Statement

- A. As noted in three prior audit reports, the County Commission significantly overestimated the amounts budgeted for the Special Road and Bridge Fund, reducing the usefulness of the budget as a management tool and as a control over disbursements.
- B. Actual disbursements exceeded budgeted amounts in various funds.
- C. The County Clerk did not ensure township road boards' financial statements were prepared and published as required by state law.

Recommendations:

- A. The County Commission ensure budgeted expenditures are reasonable so that a more realistic estimate of the Special Road and Bridge Fund's financial condition is presented and to increase the budget's effectiveness as a management tool.
- B. The County Commission ensure disbursements are not authorized in excess of budgeted expenditures. In addition, if valid reasons necessitate excess expenditures, the budget should be formally amended following the same process by which the annual budget is approved, including holding public hearings and filing the amendment with the State Auditor's Office.
- C. The County Clerk should ensure all townships publish financial statements in a local paper in accordance with state law.

Status:

- A. Not implemented. See MAR finding number 3.
- B. Partially implemented. The County Commission monitored the budgeted and actual disbursements and amended some budgets during the audit period. However, the budgets for several small funds were overspent during the audit period. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Implemented.

6. Interfund Loans and Transfers

- A. The County Commission authorized payment of jail and law enforcement expenditures in February and June 2002, totaling \$50,750 from Special Road and Bridge Fund restricted monies. While the County Commission indicated the payments were a loan, the 2003 budget did not appropriate any repayments and the monies had not been repaid as of June 2003.
- B. Administrative service fee transfers from the Special Road and Bridge Fund to the General Revenue Fund were excessive.

Recommendations:

The County Commission:

- A. Transfer \$50,750 to the Special Road and Bridge Fund from the Law Enforcement Sales Tax Fund. In addition, interfund loans should be reflected as such on the budget document.
- B. Base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund and retain documentation of the transfer calculations. In addition, a transfer of \$33,882 should be made from the General Revenue Fund to the Special Road and Bridge Fund. Transfers should be budgeted and made in a timely manner.

Status:

- A. Partially implemented. In 2005, the County Commission began budgeting and repaying the loan in annual payments of \$5,000. At December 31, 2006, the remaining balance of the loan was \$40,750.
- B. Partially implemented. The County Commission budgeted and made administrative transfers each year of the audit period, however, the transfer amounts were excessive, documentation of the transfer calculations was not retained, and a transfer back to the Special Road and Bridge Fund to correct the prior excess transfers was not made. See MAR finding number 3.

7. Revenue Maximization

The county had not established procedures to monitor reimbursement requests of the Bridge Replacement Offsystem program, and ensure timely receipt of funds.

Recommendation:

The County Commission establish procedures to monitor receipt of reimbursement requests and to ensure the reimbursement requests for federal funds are accurate and complete.

Status:

Implemented.

8. Computer Controls

The computer system shared by the County Clerk, County Assessor, and County Collector had several controls in need of improvement.

- A. Passwords were not changed on a periodic basis to ensure confidentiality and to limit access to the system.
- B. No security system was in place on the property tax and financial programs to detect and stop incorrect log-on attempts after a certain number of tries.
- C. Backup disks were not stored at an off-site location.
- D. The county did not have a formal emergency contingency plan for the computer system, and had not formally negotiated arrangements for backup facilities in the event of a disaster. In addition, some areas housing computer equipment were not equipped with fire or smoke detection systems.

Recommendations:

The County Commission:

- A. Ensure unique passwords are assigned to each employee and these passwords are periodically changed and remain confidential.
- B. Establish a security system to stop and report incorrect log-on attempts after a certain number of tries.
- C. Ensure backup disks are prepared and stored in a secure, off-site location.
- D. Develop a formal contingency plan for the county's computer systems and equip areas that house computer hardware and software with fire detectors or smoke detectors.

Status:

A-C. Implemented.

- D. Partially implemented. The county has developed an emergency contingency plan to secure computer equipment and records during an emergency, however, the plan does not include plans for backup facilities. Also, areas housing computer equipment have not been equipped with fire or smoke detection systems. Although not repeated in the current MAR, our recommendation remains as stated above.

9. General Fixed Asset Records and Procedures

As noted in previous reports, the county had not maintained or updated the master list of fixed assets since 1996, nor had the county conducted a complete physical inventory since that time. Property tags were not attached to purchased assets.

Recommendation:

The County Commission establish a written policy related to handling and accounting for fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all fixed assets should be tagged or otherwise identified as county-owned property.

Status:

Partially implemented. The county has not established a written policy on fixed assets. However, the county has updated the fixed asset listing and conducts annual inventories. Also, the county currently attaches tags to new property acquisitions and tagged many of the items that previously had not been tagged. Although not repeated in the current MAR, the county should adopt a written policy on fixed assets.

10. Commission Meetings and Records

- A. Formal written minutes were not prepared for closed county commission meetings.
- B. The county commission minutes did not always include sufficient details of matters discussed and actions taken at the county commission meetings.
- C. The Presiding Commissioner did not sign the county commission meeting minutes.

Recommendations:

The County Commission ensure:

- A. Minutes are prepared for all closed meetings.
- B. All significant discussions and actions taken are adequately documented in the minutes.
- C. Minutes are approved and signed.

Status:

- A. Implemented.
- B. Partially implemented. The minutes generally contained sufficient details on most matters, however, we noted some procurement decisions that were insufficiently documented. See MAR finding number 2.
- C. Partially implemented. The handwritten minutes are apparently approved by the county commission and signed by the Presiding Commissioner, however, the handwritten minutes are discarded when the minutes are typed and filed. Although not repeated in the current MAR, the Presiding Commissioner should sign the official typed minutes.

11. Sheriff's Controls and Procedures

- A. The duties of receiving, recording, and depositing were not adequately segregated, but instead were all performed by the Sheriff's secretary.
- B. The method of payment was not always indicated on the receipt slips.
- C. The Sheriff did not file monthly reports of fees with the county commission.
- D. The Sheriff retained fees totaling \$1,116 for services performed as trustee to execute a deed of trust in September 2002 which should have been remitted to the county.
- E. A perpetual inventory record of seized property was not maintained and a periodic physical inventory of seized property on hand was not conducted.

Recommendations:

The Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Record the method of payment on receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- C. Ensure a monthly report of fees is filed with the county commission in accordance with state law.
- D. Ensure fees received for services performed as a trustee in a deed of trust sale are turned over to the County Treasurer. In addition, the Sheriff should turn over \$1,116 to the county.

- E. Prepare and maintain a complete perpetual inventory record of seized property. Periodic inventories of seized property should be performed. In addition, disposition of seized property should be made on a timely basis.

Status:

- A. Not implemented. See MAR finding number 6.
- B. Partially implemented. The method of payment is noted on receipt slips but the composition of receipt slips is not always reconciled to deposits. See MAR finding number 6.
- C. Implemented.
- D. Not implemented. The County Treasurer indicated the former Sheriff did not remit the retained fees to the county. The current Sheriff has not conducted any similar sales. Although not repeated in the current MAR, our recommendation remains as stated above.
- E. Partially implemented. Seized property is currently logged on an inventory listing, however, periodic physical inventories have not been performed. Also, the Sheriff requested permission from the Circuit Judge to dispose of the old guns but his request was not approved. Although not repeated in the current MAR, the Sheriff should conduct periodic inventories and dispose of seized property on a timely basis.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HARRISON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Harrison was named after Albert G. Harrison, a member of the U.S. Congress. Harrison County is a township-organized, third-class county and is part of the 3rd Judicial Circuit. The county seat is Bethany.

Harrison 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 254 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 townships maintain approximately 769 miles of county roads.

The county's population was 9,890 in 1980 and 8,850 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2006	2005	2004	2003	1985*	1980**
		(in millions)					
Real estate	\$	58.2	57.0	58.3	53.5	48.3	26.9
Personal property		25.3	25.1	23.5	24.2	14.9	10.1
Railroad and utilities		8.2	8.3	8.5	7.3	3.6	4.5
Total	\$	91.7	90.4	90.3	85.0	66.8	41.5

* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$.3773	.3664	.3664	.3555
Health Center Fund		.1400	.1400	.1400	.1393

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 and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	\$ 27,945	27,318	26,140	26,175
General Revenue Fund	343,484	328,337	318,396	307,582
Assessment Fund	70,666	67,856	66,203	53,508
Health Center Fund	124,236	122,088	118,484	118,371
School districts	3,620,347	3,507,989	3,424,087	3,354,092
Oversurplus Fund	0	47	208	0
Fire protection districts	129,628	128,954	123,406	122,932
Townships	656,735	631,631	619,050	600,184
Ambulance districts	150,204	148,028	155,267	271,311
Hospital district	392,521	386,240	375,385	374,060
Watershed districts	62,140	59,167	57,401	55,358
Tax Maintenance Fund	7,368	7,504	7,452	7,111
TIF districts	120,978	92,953	35,639	16,707
Cities	50,248	48,628	38,553	36,255
County Employees' Retirement	23,922	26,229	25,879	23,424
Commissions and fees:				
Township collectors	51,956	49,974	48,269	48,899
General Revenue Fund	41,540	43,333	43,382	39,254
Total	\$ 5,873,918	5,676,276	5,483,201	5,455,223

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2007	2006	2005	2004	
Real estate	93.2	94.6	94.4	93.8	%
Personal property	92.1	93.5	93.9	91.9	
Railroad and utilities	100.0	99.9	100.0	99.2	

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$ 0.0025	None	None	%
Road and Bridge	0.0050	2008	None	
Law Enforcement	0.0050	None	None	

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

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	\$				
Raymond Wells, Presiding Commissioner		24,440	24,440	24,440	24,440
Roger Gibson, Associate Commissioner		22,440	22,440	22,440	22,440
George Bowles, Associate Commissioner		22,440	22,440	22,440	22,440
Sherry Seltman, County Clerk		34,000	34,000	34,000	34,000
Richard Turner, Prosecuting Attorney		41,000	41,000	41,000	41,000
George Martz, Sheriff		39,000	39,000	9,750	
Rick Diernfeldt, Sheriff				29,250	39,000
Jeremy Eivins, County Coroner		9,500	9,500	9,500	9,500
Kimberly King, Public Administrator		34,000	34,000	25,000	25,000
Julia Alexander Harris, Treasurer and Ex Officio County Collector, year ended March 31,	34,000	34,000	34,000	34,000	
Lila Mae Craig, County Assessor (1), year ended August 31,		34,688			
Rose Webb, County Assessor (2), year ended August 31,			34,688	34,765	34,900

(1) Includes \$688, \$765, and \$900 annual compensation received from the state in 2005, 2004, and 2003, respectively.

(2) Includes \$688 annual compensation received from the state in 2006.

State-Paid Officials:

C. Sherece Eivins, Circuit Clerk and Ex Officio Recorder of Deeds	49,470	48,500	47,850	47,300
Thomas R. Alley, Associate Circuit Judge	96,000	96,000	96,000	96,000

The county entered into a lease purchase agreement with United Missouri Bank on March 1, 2002. The terms of the agreement called for the county to lease the Crestview Nursing Home to United Missouri Bank, and for the bank to lease purchase the Crestview Nursing Home back to the county with lease payments equal to the amount due to retire the indebtedness. Certificates of Participation totaling \$3,870,000 were issued by United Missouri Bank on behalf of the county and the proceeds of those certificates were used to construct an addition to the Crestview Nursing Home and to refund the outstanding Series 1989 and Series 1996 bonds which were used for building additions and improvements. The lease is scheduled to be paid off in the year 2022. The remaining principal and interest due on the lease at December 31, 2006, was \$3,480,000 and \$1,884,753, respectively. The Certificates of Participation are anticipated to be paid with the revenue generated from the operation of the nursing home.

The county entered a lease purchase agreement with Municipal Financial Group (MFG) for the county law enforcement center. The terms of the agreement called for the county to lease the real estate to MFG, which constructed the facility, and then lease purchase the facility from MFG with lease payments equal to the amount due to retire the indebtedness. Construction of the facility was completed in 2003. The lease is scheduled to be paid off in the year 2022. The remaining principal and interest due on the lease at December 31, 2006, was \$1,449,773 and

\$767,395, respectively. The lease is paid with proceeds from the one-half cent law enforcement sales tax which took effect on October 1, 2002.