



Susan Montee, CPA

Missouri State Auditor

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September 2007

Madison County, Missouri

Years Ended

December 31, 2006 and 2005



Office of  
State Auditor Of Missouri  
Susan Montee, CPA

September 2007

**IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, such as Madison, 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.**

Problems with county budgetary and bidding procedures have been noted in past audit reports; however, little or no improvement has been made and similar problems still exist.

For the year ended December 31, 2006, actual amounts presented in the budget for the General Revenue Fund differed from the Treasurer's annual settlement and did not accurately present the cash balance, receipts, or disbursements of the General Revenue Fund. The budgets contained numerous misclassifications for both budgeted and actual amounts and actual disbursements exceeded budgeted amounts for several funds.

The county did not solicit bids or perform other price comparison procedures for some major purchases. In addition, neither the county commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices or reasons to support sole source purchase determinations.

Our prior report for the two years ended December 31, 2002, indicated that Madison County's General Revenue and Special Road and Bridge Funds were experiencing declining cash balances and increasing disbursements. Similarly, during the two years ended December 31, 2006, the General Revenue and Special Road and Bridge Funds' cash balances were also maintained at significantly low levels, as it appears General Revenue is supplementing the Special Road and Bridge Fund.

The county did not properly assess the value of a real estate purchase and did not properly document how it determined which funds should be used to purchase the property. Supporting documentation for some expenditures was insufficient and the accounts payable process does not provide adequate controls to prevent duplicate payments and ensure goods and services have been received. In addition, the county does not have formal policies regarding the use of cellular phones.

The effective dates for the Collector's and Assessor's salary increases may not have complied with state law. Some payments for services were not handled through normal payroll procedures or reported to the IRS as required. In addition, centralized payroll leave records and complete personnel files were not maintained by the County Clerk.

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In the Collector's office, liabilities are not reconciled to the bank account, partial payment records are not adequate, deposits are not made intact nor on a timely basis, and some disbursements are not made by check. In addition, the former Collector did not properly withhold commissions from tax collections, recalculate the surtax distribution percentages, or properly distribute interest income.

The Sheriff's office does not have a system for tracking the profit and loss from the sale of commissary items. Monthly bank reconciliations are not performed for the commissary account and some invoices are not marked paid or properly approved. In addition, receipt slips are not issued for monies received and receipts are not deposited intact on a timely basis, money orders are not immediately restrictively endorsed, and voided checks are not properly retained. Inmate monies are maintained in cash, rather than deposited into a bank account. The Sheriff's Office does not properly document the monthly bank reconciliation or deposit timely for the fee account, and could not provide authorization for continuing to collect a bond processing fee which was repealed. Also, the Sheriff department's vehicle fuel usage and operating costs are not adequately monitored.

The Prosecuting Attorney's office does not perform bank reconciliations, does not issue receipt slips for some monies, and does not deposit timely. The office does not properly monitor court ordered restitution due from defendants or file a monthly report of fees collected.

The report also includes comments related to the county property tax system, written contracts, the schedule of expenditures of federal awards, Tax Increment Financing investments, capital assets, computer controls, and the Circuit Clerk's and Health Centers controls and procedures.

**All reports are available on our Web site: [www.auditor.mo.gov](http://www.auditor.mo.gov)**

MADISON COUNTY, MISSOURI

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MADISON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



**SUSAN MONTEE, CPA**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS

To the County Commission  
and  
Officeholders of Madison 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 Madison 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 Madison 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 Madison 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 9, 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.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Madison 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 9, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Carl Zilch, Jr.
Audit Staff:	Kate E. Hazen, CPA
	Chris Vetter
	Steven Re', CPA



**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 Madison County, Missouri

We have audited the financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 9, 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 Madison 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described as finding numbers 06-1 and 06-2 in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies referred to above, we consider finding number 06-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Madison 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as finding numbers 06-1 and 06-2.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

The responses of Madison County, Missouri, to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the county's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of Madison County, Missouri, and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

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

Susan Montee, CPA  
State Auditor

May 9, 2007

## Financial Statements

Exhibit A-1

MADISON 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	\$ 430,440	1,131,955	1,345,898	216,497
Special Road and Bridge	40,633	957,141	938,834	58,940
Assessment	8,816	169,666	162,406	16,076
Emergency 911	16,251	239,918	244,460	11,709
Recorder's User Fees	21,589	6,539	18,079	10,049
Recorder Technology	8,096	3,976	4,074	7,998
Special Law Enforcement	1,900	31	0	1,931
Domestic Violence	4,048	1,138	2,210	2,976
Madison County Forfeiture	8,928	9,381	10,269	8,040
Flood Buy-Out	594	0	594	0
Law Enforcement Sales Tax	128,339	782,756	756,990	154,105
Sheriff Revolving	1,339	851	0	2,190
Inmate Security	7,594	3,314	0	10,908
Law Enforcement Training	15,104	5,309	9,017	11,396
Prosecuting Attorney Training	1,087	794	996	885
Prosecuting Attorney Bad Check	5,036	31,357	33,814	2,579
Tax Maintenance	32,988	15,339	2,710	45,617
Redevelopment Tax Increment Financing	0	295,455	110,561	184,894
Circuit Clerk Interest	1,471	2,168	1,036	2,603
Time Payment Fee	6,015	4,068	2,103	7,980
Associate Circuit Division Interest	113	19	132	0
Health Center	6,822	643,973	615,324	35,471
Sheriff Commissary	2,729	16,758	15,788	3,699
Juvenile Assessment	1,686	268	0	1,954
Total	\$ 751,618	4,322,174	4,275,295	798,497

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

Exhibit A-2

MADISON 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	\$ 136,863	1,175,573	881,996	430,440
Special Road and Bridge	239,192	688,505	887,064	40,633
Assessment	12,129	150,303	153,616	8,816
Emergency 911	12,591	213,601	209,941	16,251
Recorder's User Fees	14,767	6,822	0	21,589
Recorder Technology	3,958	4,138	0	8,096
Special Law Enforcement	346	1,554	0	1,900
Domestic Violence	5,061	1,187	2,200	4,048
Madison County Forfeiture	9,837	470	1,379	8,928
Flood Buy-Out	594	0	0	594
Law Enforcement Sales Tax	158,093	619,111	648,865	128,339
Sheriff Revolving	1,061	278	0	1,339
Inmate Security	3,412	4,182	0	7,594
Law Enforcement Training	13,728	6,775	5,399	15,104
Prosecuting Attorney Training	786	1,088	787	1,087
Prosecuting Attorney Bad Check	102	22,101	17,167	5,036
Tax Maintenance	24,708	14,175	5,895	32,988
Redevelopment Tax Increment Financing	0	100,886	100,886	0
Circuit Clerk Interest	1,064	1,041	634	1,471
Time Payment Fee	1,317	5,361	663	6,015
Associate Circuit Division Interest	197	302	386	113
Health Center	4,725	688,895	686,798	6,822
Sheriff Commissary	1,990	11,818	11,079	2,729
Juvenile Assessment	786	900	0	1,686
Total	\$ 647,307	3,719,066	3,614,755	751,618

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

Exhibit B

MADISON 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)
<b>TOTALS - VARIOUS FUNDS</b>						
RECEIPTS	\$ 3,854,148	4,305,148	451,000	3,667,380	3,706,348	38,968
DISBURSEMENTS	3,864,436	4,259,507	(395,071)	3,690,751	3,603,676	87,075
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,288)	45,641	55,929	(23,371)	102,672	126,043
CASH, JANUARY 1	595,455	747,203	151,748	644,531	644,531	0
CASH, DECEMBER 31	585,167	792,844	207,677	621,160	747,203	126,043
<b>GENERAL REVENUE FUND</b>						
RECEIPTS						
Property taxes	201,000	189,520	(11,480)	187,000	187,500	500
Sales taxes	452,487	488,730	36,243	410,000	427,488	17,488
Intergovernmental	169,530	165,498	(4,032)	128,866	121,714	(7,152)
Charges for services	292,800	259,847	(32,953)	307,065	297,049	(10,016)
Interest	4,530	16,934	12,404	1,575	6,462	4,887
Other	92,426	9,006	(83,420)	24,392	38,496	14,104
Transfers in	0	2,420	2,420	0	96,864	96,864
Total Receipts	1,212,773	1,131,955	(80,818)	1,058,898	1,175,573	116,675
DISBURSEMENTS						
County Commissioner	73,812	71,835	1,977	68,539	70,687	(2,148)
County Clerk	72,404	78,033	(5,629)	67,350	65,684	1,666
Elections	135,375	139,037	(3,662)	36,338	39,714	(3,376)
Buildings and grounds	148,365	151,576	(3,211)	160,149	105,016	55,133
Employee fringe benefit	105,203	117,688	(12,485)	102,150	106,994	(4,844)
County Treasurer	35,440	34,319	1,121	33,520	32,300	1,220
County Collector	65,328	66,918	(1,590)	63,198	61,779	1,419
Recorder of Deeds	53,939	51,549	2,390	50,291	47,445	2,846
Circuit Clerk	38,195	34,248	3,947	15,052	13,706	1,346
Associate Circuit Court	0	0	0	15,905	12,928	2,977
Court administration	6,918	6,926	(8)	6,915	5,611	1,304
Public Administrator	15,739	15,458	281	15,789	15,553	236
Prosecuting Attorney	77,422	71,217	6,205	78,187	73,457	4,730
County Coroner	25,800	33,217	(7,417)	26,807	21,535	5,272
University Extensior	46,601	46,601	0	46,601	46,601	0
Other	10,440	60,678	(50,238)	50,178	46,923	3,255
Transfers out	159,619	366,598	(206,979)	109,596	116,063	(6,467)
Emergency Fund	36,987	0	36,987	36,402	0	36,402
Total Disbursements	1,107,587	1,345,898	(238,311)	982,967	881,996	100,971
RECEIPTS OVER (UNDER) DISBURSEMENTS	105,186	(213,943)	(319,129)	75,931	293,577	217,646
CASH, JANUARY 1	278,685	430,440	151,755	136,863	136,863	0
CASH, DECEMBER 31	383,871	216,497	(167,374)	212,794	430,440	217,646

Exhibit B

MADISON 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)
<b><u>SPECIAL ROAD AND BRIDGE FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	285,000	280,419	(4,581)	276,000	274,563	(1,437)
Intergovernmental	415,040	411,422	(3,618)	415,100	386,841	(28,259)
Charges for services	4,609	1,509	(3,100)	0	5,025	5,025
Interest	2,000	3,706	1,706	800	3,391	2,591
Other	10,900	4,016	(6,884)	5,675	18,685	13,010
Transfers in	0	256,069	256,069	0	0	0
<b>Total Receipts</b>	<b>717,549</b>	<b>957,141</b>	<b>239,592</b>	<b>697,575</b>	<b>688,505</b>	<b>(9,070)</b>
<b>DISBURSEMENTS</b>						
Salaries and fringe benefit:	325,200	365,978	(40,778)	304,850	297,618	7,232
Supplies	159,680	144,404	15,276	127,350	162,714	(35,364)
Insurance	16,000	907	15,093	0	0	0
Road and bridge materials	167,000	306,016	(139,016)	277,500	328,930	(51,430)
Equipment repairs	10,500	12,262	(1,762)	10,500	14,416	(3,916)
Rentals	3,000	15,780	(12,780)	5,000	8,320	(3,320)
Equipment purchases	43,000	52,176	(9,176)	49,318	43,833	5,485
Construction, repair, and maintenance	10,000	19,583	(9,583)	35,000	0	35,000
Other	17,750	21,728	(3,978)	21,272	15,745	5,527
Transfers out	0	0	0	36,000	15,488	20,512
<b>Total Disbursements</b>	<b>752,130</b>	<b>938,834</b>	<b>(186,704)</b>	<b>866,790</b>	<b>887,064</b>	<b>(20,274)</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(34,581)</b>	<b>18,307</b>	<b>52,888</b>	<b>(169,215)</b>	<b>(198,559)</b>	<b>(29,344)</b>
<b>CASH, JANUARY 1</b>	<b>40,633</b>	<b>40,633</b>	<b>0</b>	<b>239,192</b>	<b>239,192</b>	<b>0</b>
<b>CASH, DECEMBER 31</b>	<b>6,052</b>	<b>58,940</b>	<b>52,888</b>	<b>69,977</b>	<b>40,633</b>	<b>(29,344)</b>
<b><u>ASSESSMENT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	136,081	129,009	(7,072)	124,773	135,672	10,899
Charges for services	900	2,150	1,250	2,243	820	(1,423)
Interest	90	470	380	0	90	90
Other	100	193	93	0	60	60
Transfers in	56,769	37,844	(18,925)	62,596	13,661	(48,935)
<b>Total Receipts</b>	<b>193,940</b>	<b>169,666</b>	<b>(24,274)</b>	<b>189,612</b>	<b>150,303</b>	<b>(39,309)</b>
<b>DISBURSEMENTS</b>						
Assessor	187,749	162,406	25,343	173,717	151,541	22,176
Transfers out	0	0	0	0	2,075	(2,075)
<b>Total Disbursements</b>	<b>187,749</b>	<b>162,406</b>	<b>25,343</b>	<b>173,717</b>	<b>153,616</b>	<b>20,101</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>6,191</b>	<b>7,260</b>	<b>1,069</b>	<b>15,895</b>	<b>(3,313)</b>	<b>(19,208)</b>
<b>CASH, JANUARY 1</b>	<b>8,816</b>	<b>8,816</b>	<b>0</b>	<b>12,129</b>	<b>12,129</b>	<b>0</b>
<b>CASH, DECEMBER 31</b>	<b>15,007</b>	<b>16,076</b>	<b>1,069</b>	<b>28,024</b>	<b>8,816</b>	<b>(19,208)</b>

Exhibit B

MADISON 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)
<b>EMERGENCY 911 FUND</b>						
<b>RECEIPTS</b>						
Telephone tax	101,570	104,277	2,707	121,930	111,615	(10,315)
Charges for service:	1,500	2,560	1,060	950	1,380	430
Interest	325	398	73	120	310	190
Other	0	683	683	0	296	296
Transfers In	139,000	132,000	(7,000)	100,000	100,000	0
Total Receipts	242,395	239,918	(2,477)	223,000	213,601	(9,399)
<b>DISBURSEMENTS</b>						
Salaries and fringe benefit:	203,004	202,148	856	156,008	165,188	(9,180)
Office expenditure:	50,200	39,612	10,588	46,085	40,997	5,088
Mileage and training	3,500	2,700	800	2,000	3,756	(1,756)
Other	1,500	0	1,500	1,500	0	1,500
Total Disbursements	258,204	244,460	13,744	205,593	209,941	(4,348)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,809)	(4,542)	11,267	17,407	3,660	(13,747)
CASH, JANUARY 1	16,251	16,251	0	12,591	12,591	0
CASH, DECEMBER 31	442	11,709	11,267	29,998	16,251	(13,747)
<b>RECORDER'S USER FEES FUND</b>						
<b>RECEIPTS</b>						
Charges for service:	7,500	6,261	(1,239)	7,500	6,718	(782)
Interest	96	278	182	182	104	(78)
Total Receipts	7,596	6,539	(1,057)	7,682	6,822	(860)
<b>DISBURSEMENTS</b>						
Recorder of Deeds	18,013	18,079	(66)	1,500	0	1,500
Total Disbursements	18,013	18,079	(66)	1,500	0	1,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,417)	(11,540)	(1,123)	6,182	6,822	640
CASH, JANUARY 1	21,589	21,589	0	14,767	14,767	0
CASH, DECEMBER 31	11,172	10,049	(1,123)	20,949	21,589	640
<b>RECORDER TECHNOLOGY FUND</b>						
<b>RECEIPTS</b>						
Charges for service:	4,800	3,819	(981)	4,200	4,099	(101)
Interest	54	157	103	68	39	(29)
Total Receipts	4,854	3,976	(878)	4,268	4,138	(130)
<b>DISBURSEMENTS</b>						
Recorder of Deeds	3,706	4,074	(368)	0	0	0
Total Disbursements	3,706	4,074	(368)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,148	(98)	(1,246)	4,268	4,138	(130)
CASH, JANUARY 1	8,096	8,096	0	3,958	3,958	0
CASH, DECEMBER 31	9,244	7,998	(1,246)	8,226	8,096	(130)

Exhibit B

MADISON 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)
<b><u>SPECIAL LAW ENFORCEMENT FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	1,000	0	(1,000)	0	1,550	1,550
Interest	4	31	27	0	4	4
Total Receipts	1,004	31	(973)	0	1,554	1,554
<b>DISBURSEMENTS</b>						
Sheriff	500	0	500	0	0	0
Total Disbursements	500	0	500	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	504	31	(473)	0	1,554	1,554
CASH, JANUARY 1	1,900	1,900	0	346	346	0
CASH, DECEMBER 31	2,404	1,931	(473)	346	1,900	1,554
<b><u>DOMESTIC VIOLENCE FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	30	1,088	1,058	1,000	1,162	162
Interest	1,200	50	(1,150)	40	25	(15)
Total Receipts	1,230	1,138	(92)	1,040	1,187	147
<b>DISBURSEMENTS</b>						
Domestic violence shelter	2,300	2,210	90	2,300	2,200	100
Office expenditures:	10	0	10	10	0	10
Total Disbursements	2,310	2,210	100	2,310	2,200	110
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,080)	(1,072)	8	(1,270)	(1,013)	257
CASH, JANUARY 1	4,048	4,048	0	5,061	5,061	0
CASH, DECEMBER 31	2,968	2,976	8	3,791	4,048	257
<b><u>MADISON COUNTY FORFEITURE FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	300	9,134	8,834	250	333	83
Interest	140	247	107	65	137	72
Total Receipts	440	9,381	8,941	315	470	155
<b>DISBURSEMENTS</b>						
Sheriff	987	10,269	(9,282)	0	1,379	(1,379)
Total Disbursements	987	10,269	(9,282)	0	1,379	(1,379)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(547)	(888)	(341)	315	(909)	(1,224)
CASH, JANUARY 1	8,928	8,928	0	9,837	9,837	0
CASH, DECEMBER 31	8,381	8,040	(341)	10,152	8,928	(1,224)

Exhibit B

MADISON 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)
<b><u>FLOOD BUY-OUT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
<b>DISBURSEMENTS</b>						
Salaries	0	594	(594)	0	0	0
Total Disbursements	0	594	(594)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(594)	(594)	0	0	0
CASH, JANUARY 1	594	594	0	594	594	0
CASH, DECEMBER 31	594	0	(594)	594	594	0
<b><u>LAW ENFORCEMENT SALES TAX FUND</u></b>						
<b>RECEIPTS</b>						
Sales taxes	430,000	486,639	56,639	408,000	427,448	19,448
Intergovernmental	6,400	7,168	768	6,800	16,727	9,927
Charges for service:	163,000	281,982	118,982	140,000	159,773	19,773
Interest	790	2,577	1,787	570	829	259
Other	20,900	4,390	(16,510)	11,450	14,334	2,884
Total Receipts	621,090	782,756	161,666	566,820	619,111	52,291
<b>DISBURSEMENTS</b>						
Salaries and fringe benefit:	369,708	372,461	(2,753)	277,860	293,678	(15,818)
Office expenditures:	13,500	11,086	2,414	9,300	12,420	(3,120)
Equipment	50,285	68,959	(18,674)	46,250	68,102	(21,852)
Maintenance and repairs	38,400	23,855	14,545	20,500	24,581	(4,081)
Mileage and training	500	207	293	500	522	(22)
Prisoner expense	10,520	8,622	1,898	10,020	10,517	(497)
Jail	83,742	76,506	7,236	84,000	73,771	10,229
Juvenile office	44,300	43,069	1,231	45,077	44,135	942
Debt service	32,547	30,061	2,486	65,582	38,954	26,628
Transfers out	92,000	122,164	(30,164)	64,000	82,185	(18,185)
Total Disbursements	735,502	756,990	(21,488)	623,089	648,865	(25,776)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(114,412)	25,766	140,178	(56,269)	(29,754)	26,515
CASH, JANUARY 1	128,339	128,339	0	158,093	158,093	0
CASH, DECEMBER 31	13,927	154,105	140,178	101,824	128,339	26,515
<b><u>SHERIFF REVOLVING FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	1,000	810	(190)	500	270	(230)
Interest	45	41	(4)	6	8	2
Total Receipts	1,045	851	(194)	506	278	(228)
<b>DISBURSEMENTS</b>						
Sheriff	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,045	851	(194)	506	278	(228)
CASH, JANUARY 1	1,339	1,339	0	1,061	1,061	0
CASH, DECEMBER 31	2,384	2,190	(194)	1,567	1,339	(228)

Exhibit B

MADISON 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)
<b><u>INMATE SECURITY FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	4,500	3,129	(1,371)	5,000	4,146	(854)
Interest	65	185	120	24	36	12
Total Receipts	<u>4,565</u>	<u>3,314</u>	<u>(1,251)</u>	<u>5,024</u>	<u>4,182</u>	<u>(842)</u>
<b>DISBURSEMENTS</b>						
Sheriff	0	0	0	0	0	0
Total Disbursements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,565	3,314	(1,251)	5,024	4,182	(842)
CASH, JANUARY 1	7,594	7,594	0	3,412	3,412	0
CASH, DECEMBER 31	<u>12,159</u>	<u>10,908</u>	<u>(1,251)</u>	<u>8,436</u>	<u>7,594</u>	<u>(842)</u>
<b><u>LAW ENFORCEMENT TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	6,500	4,973	(1,527)	9,000	6,553	(2,447)
Interest	225	336	111	80	222	142
Total Receipts	<u>6,725</u>	<u>5,309</u>	<u>(1,416)</u>	<u>9,080</u>	<u>6,775</u>	<u>(2,305)</u>
<b>DISBURSEMENTS</b>						
Sheriff	6,500	9,017	(2,517)	9,000	5,399	3,601
Total Disbursements	<u>6,500</u>	<u>9,017</u>	<u>(2,517)</u>	<u>9,000</u>	<u>5,399</u>	<u>3,601</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	225	(3,708)	(3,933)	80	1,376	1,296
CASH, JANUARY 1	15,104	15,104	0	13,728	13,728	0
CASH, DECEMBER 31	<u>15,329</u>	<u>11,396</u>	<u>(3,933)</u>	<u>13,808</u>	<u>15,104</u>	<u>1,296</u>
<b><u>PROSECUTING ATTORNEY TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	1,500	779	(721)	1,400	1,071	(329)
Interest	18	15	(3)	3	17	14
Total Receipts	<u>1,518</u>	<u>794</u>	<u>(724)</u>	<u>1,403</u>	<u>1,088</u>	<u>(315)</u>
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	850	996	(146)	1,050	787	263
Total Disbursements	<u>850</u>	<u>996</u>	<u>(146)</u>	<u>1,050</u>	<u>787</u>	<u>263</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	668	(202)	(870)	353	301	(52)
CASH, JANUARY 1	1,087	1,087	0	786	786	0
CASH, DECEMBER 31	<u>1,755</u>	<u>885</u>	<u>(870)</u>	<u>1,139</u>	<u>1,087</u>	<u>(52)</u>

Exhibit B

MADISON 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)
<b><u>PROSECUTING ATTORNEY BAD CHECK FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	22,500	31,251	8,751	19,750	22,085	2,335
Interest	18	106	88	13	16	3
Total Receipts	<u>22,518</u>	<u>31,357</u>	<u>8,839</u>	<u>19,763</u>	<u>22,101</u>	<u>2,338</u>
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	18,000	31,394	(13,394)	19,500	17,167	2,333
Transfers out	0	2,420	(2,420)	0	0	0
Total Disbursements	<u>18,000</u>	<u>33,814</u>	<u>(15,814)</u>	<u>19,500</u>	<u>17,167</u>	<u>2,333</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,518	(2,457)	(6,975)	263	4,934	4,671
CASH, JANUARY 1	5,036	5,036	0	102	102	0
CASH, DECEMBER 31	<u>9,554</u>	<u>2,579</u>	<u>(6,975)</u>	<u>365</u>	<u>5,036</u>	<u>4,671</u>
<b><u>TAX MAINTENANCE FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	15,000	14,354	(646)	12,750	13,653	903
Interest	620	985	365	175	522	347
Total Receipts	<u>15,620</u>	<u>15,339</u>	<u>(281)</u>	<u>12,925</u>	<u>14,175</u>	<u>1,250</u>
<b>DISBURSEMENTS</b>						
County Collector	2,000	2,710	(710)	4,000	5,895	(1,895)
Total Disbursements	<u>2,000</u>	<u>2,710</u>	<u>(710)</u>	<u>4,000</u>	<u>5,895</u>	<u>(1,895)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	13,620	12,629	(991)	8,925	8,280	(645)
CASH, JANUARY 1	32,988	32,988	0	24,708	24,708	0
CASH, DECEMBER 31	<u>46,608</u>	<u>45,617</u>	<u>(991)</u>	<u>33,633</u>	<u>32,988</u>	<u>(645)</u>
<b><u>REDEVELOPMENT TAX INCREMENT FINANCING FUND</u></b>						
<b>RECEIPTS</b>						
Property tax	50,745	121,401	70,656	89,850	93,406	3,556
Intergovernmental	45,570	109,020	63,450	2,110	2,194	84
Interest	913	2,185	1,272	0	0	0
Transfers in	26,270	62,849	36,579	1,000	5,286	4,286
Total Receipts	<u>123,498</u>	<u>295,455</u>	<u>171,957</u>	<u>92,960</u>	<u>100,886</u>	<u>7,926</u>
<b>DISBURSEMENTS</b>						
Transfers out	119,448	110,561	8,887	92,960	100,886	(7,926)
Total Disbursements	<u>119,448</u>	<u>110,561</u>	<u>8,887</u>	<u>92,960</u>	<u>100,886</u>	<u>(7,926)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,050	184,894	180,844	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	<u>4,050</u>	<u>184,894</u>	<u>180,844</u>	<u>0</u>	<u>0</u>	<u>0</u>

Exhibit B

MADISON 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)
<b><u>CIRCUIT CLERK INTEREST FUND</u></b>						
<b>RECEIPTS</b>						
Interest	1,000	2,036	1,036	500	1,041	541
Transfers in	0	132	132	0	0	0
Total Receipts	1,000	2,168	1,168	500	1,041	541
<b>DISBURSEMENTS</b>						
Office expenditures:	500	1,036	(536)	500	634	(134)
Total Disbursements	500	1,036	(536)	500	634	(134)
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,132	632	0	407	407
CASH, JANUARY 1	1,471	1,471	0	1,064	1,064	0
CASH, DECEMBER 31	1,971	2,603	632	1,064	1,471	407
<b><u>TIME PAYMENT FEE FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	5,500	4,068	(1,432)	4,000	5,361	1,361
Total Receipts	5,500	4,068	(1,432)	4,000	5,361	1,361
<b>DISBURSEMENTS</b>						
Circuit Clerk	300	2,103	(1,803)	4,000	663	3,337
Total Disbursements	300	2,103	(1,803)	4,000	663	3,337
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,200	1,965	(3,235)	0	4,698	4,698
CASH, JANUARY 1	6,015	6,015	0	1,317	1,317	0
CASH, DECEMBER 31	11,215	7,980	(3,235)	1,317	6,015	4,698
<b><u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u></b>						
<b>RECEIPTS</b>						
Interest	0	19	19	400	302	(98)
Total Receipts	0	19	19	400	302	(98)
<b>DISBURSEMENTS</b>						
Office expenditures:	0	0	0	400	386	14
Transfers out	0	132	(132)	0	0	0
Total Disbursements	0	132	(132)	400	386	14
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(113)	(113)	0	(84)	(84)
CASH, JANUARY 1	120	113	(7)	197	197	0
CASH, DECEMBER 31	120	0	(120)	197	113	(84)

Exhibit B

MADISON 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)
<b>HEALTH CENTER FUND</b>						
<b>RECEIPTS</b>						
Property taxes	92,000	95,915	3,915	96,904	93,729	(3,175)
Intergovernmental	457,183	434,758	(22,425)	606,790	551,682	(55,108)
Charges for services	28,750	27,433	(1,317)	24,000	20,417	(3,583)
Interest	1,830	1,915	85	900	986	86
Other	89,525	83,952	(5,573)	43,015	22,081	(20,934)
Total Receipts	669,288	643,973	(25,315)	771,609	688,895	(82,714)
<b>DISBURSEMENTS</b>						
Salaries and fringe benefit	468,450	458,312	10,138	462,825	442,687	20,138
Office expenditures	89,600	73,833	15,767	149,300	164,259	(14,959)
Equipment	18,000	16,396	1,604	11,500	4,476	7,024
Mileage and training	30,000	27,442	2,558	31,500	29,291	2,209
Building repair	5,600	4,640	960	2,500	1,763	737
Insurance	6,500	5,177	1,323	3,700	6,252	(2,552)
Utilities	12,000	10,370	1,630	13,000	12,183	817
Contracted services	20,000	19,154	846	24,550	21,887	2,663
Building expenses	0	0	0	4,500	4,000	500
Total Disbursements	650,150	615,324	34,826	703,375	686,798	16,577
RECEIPTS OVER (UNDER) DISBURSEMENTS	19,138	28,649	9,511	68,234	2,097	(66,137)
CASH, JANUARY 1	6,822	6,822	0	4,725	4,725	0
CASH, DECEMBER 31	\$ 25,960	\$ 35,471	\$ 9,511	\$ 72,959	\$ 6,822	\$ (66,137)

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

Notes to the Financial Statements

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

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

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

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Sheriff Commissary Fund and the Juvenile Assessment Fund for the years ended December 31, 2006 and 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>
General Revenue Fund	2006
Special Road and Bridge Fund	2006 and 2005
Emergency 911 Fund	2005
Recorder's User Fees Fund	2006
Recorder Technology Fund	2006
Madison County Forfeiture Fund	2006 and 2005
Flood Buy-Out Fund	2006
Law Enforcement Sales Tax Fund	2006 and 2005
Law Enforcement Training Fund	2006
Prosecuting Attorney Training Fund	2006
Prosecuting Attorney Bad Check Fund	2006
Tax Maintenance Fund	2006 and 2005
Redevelopment Tax Increment Financing Fund	2005
Circuit Clerk Interest Fund	2006 and 2005
Time Payment Fee Fund	2006
Associate Circuit Division Interest Fund	2006

D. Published Financial Statements

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

However, the county's published financial statements for the years ended December 31, 2006 and 2005 did not include the Sheriff Commissary Fund or the Juvenile Assessment Fund.

In addition, the Health Center Board published its financial statements separately from the county's statement for the year ended December 31, 2006. However, the Health Center Board's published financial statements, did not disclose disbursement detail by vendor.

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. Cash includes both deposits and investments.

## 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 depositaries 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, Madison County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county and health center'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 custodial bank in the county'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.

### 4. Contingent Liability

As of December 31, 2006, the county's legal counsel indicated a potential claim against the county. The instance involved a sexual harassment suit against the county. The potential liability to the county cannot be determined at this time.

### 5. Subsequent Event

In April 2007, the voters of Madison County approved a county sales tax of one-half percent of retail sales for a period of 8 years for the purpose of construction, reconstruction, maintenance and repairs of roads, bridges, and highways, and the purchase of necessary equipment and supplies. The sales tax is expected to generate annual revenues of approximately \$500,000.

6. Prior Period Adjustments

The Juvenile Assessment Fund's cash balance of \$786 at January 1, 2005, was not previously reported but has been added.

The County Employee Retirement Fund's cash balance of \$1,892 at January 1, 2005, was previously reported but has been removed.

Schedule

MADISON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
YEARS ENDED DECEMBER 31, 2006 AND 2005

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

**06-1. Budgets and Financial Statements**

The budget documents contained incorrect amounts and numerous misclassifications. In addition, actual expenditures exceeded budgeted amounts for several funds.

A. The county budget documents contained incorrect amounts and numerous misclassifications. The following problems were noted:

1. For the year ended December 31, 2006, actual amounts presented in the budget for the General Revenue Fund differed from the Treasurer's annual settlement by \$58,738 in receipts and disbursements. The differences in the General Revenue Fund disbursements are shown in the table below.

<u>Disbursement Classification</u>	<u>2007 County Budget</u>	<u>Per County Treasurer</u>	<u>Difference</u>
Fringe benefits	\$ 94,581	101,828	(7,247)
Postage	13,897	8,827	5,070
Record preservation	0	6,195	(6,195)
Purchase of Certificates of Deposit	0	150,000	(150,000)
Transfer to Road and Bridge Fund	256,069	150,893	105,176
Madison County Re-Development TIF	114,913	0	114,913
Tax Maintenance	2,410	2,710	(300)
HAVA Funds Title I	52,222	57,205	(4,983)
Coroner	1,350	1,277	73
Prosecuting Attorney	11,264	9,025	2,239
Court Administration	6,918	6,926	(8)
Total	\$ <u>553,624</u>	<u>494,886</u>	<u>58,738</u>

The county budget reflected TIF revenues of \$58,738; however, the Treasurer's records did not include this amount.

The county could not provide any explanation of the various errors noted. It appears the county made errors combining the Redevelopment Tax Increment (TIF) Fund with the General Revenue Fund, distributing the fringe benefits and postage to the various classifications, and recording the transfer of the General Revenue Fund's certificate of deposits (CD) to the Road and Bridge Fund. The Treasurer simply shows postage and fringe benefits as one line item; however, the County Clerk attempted to distribute them to the various official's budget. As a result of these errors and adjustments, receipts and disbursements of the TIF Fund and the General Revenue Fund did not agree to the Treasurer's annual settlement and the ending balance did not agree to the reconciled bank balances plus the certificates of deposit. Adjustments were made for the various problems noted and for the handling of the county's CDs (see also part A.2.).

2. At December 31, 2006 and 2005, the Treasurer's fund ledgers and the county's budgets did not accurately present the balance, receipts, or disbursements of the General Revenue Fund. Certificate of deposits (CDs) totaling \$206,592 and \$151,755 (including accumulated interest) were not included in the balance for the years ended December 31, 2006 and 2005, respectively. In addition, the purchase and redemption of the CDs were shown as transactions and interest income was not recorded in the fund ledgers until the related CD was cashed or redeemed. As a result, the fund ledgers did not present accurate cash balances, receipts, or disbursements for the General Revenue Fund and since these records are used to prepare the budgets, the budgets also reflected these misstatements. The County Clerk uses the Treasurer's records to prepare the actual amounts presented in the budgets due to the inadequate detail of the County Clerk's disbursement records. The former County Clerk simply maintained a check register for the various county funds with no disbursement classifications.
3. Budgets also contained numerous misclassifications for both budgeted and actual amounts, such as "transfers in" classified as "intergovernmental", "charges for services" and "other", and "transfers out" classified as "debt service." For example, "transfers out" of the Madison County Law Enforcement Sales Tax Fund of \$122,164 were classified as "repairs, upkeep and utilities". Monies received from the state for the Recorder's office totaling approximately \$45,000 each year were recorded as "charges for services" instead of "intergovernmental". In addition, the "other" disbursement classification for the two years ended December 31, 2006 and 2005 reflected actual amounts of approximately \$165,000 and \$158,000, respectively. This included 911 dispatch fees of \$65,000 and \$80,000 in 2006 and 2005, respectively, which should have been recorded as "charges for services."

Incorrect amounts and misclassifications on the budgets occurred because a thorough review and comparison to the supporting records was not performed prior to budget approval. In addition, the county should purchase or establish an adequate accounting system to facilitate the preparation of the budgets and financial statements.

Considering the various problems noted, the approved budgets did not provide county citizens with reliable information about the county's finances and are a less effective management tool for the county. Adjustments for these problems have been discussed with the county officials and made to the audited financial statements.

To be of maximum assistance to the county, budget documents need to be accurate and include proper classifications of receipts and disbursements. This is also necessary so that the county can prepare useful and accurate financial statements. Detailed disbursement records should be maintained by the County Clerk's office and used to prepare the budget documents. A thorough review process needs to be implemented to ensure budget documents are accurate and complete prior to approval. In addition, the county should include the balances of any CD's on the fund ledgers and the county budget.

B. Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31,	
	2006	2005
General Revenue	\$ 238,311	N/A
Special Road and Bridge	186,704	20,274
Emergency 911	N/A	4,348
Madison County Forfeiture	9,282	1,379
Law Enforcement Sales Tax	21,488	25,776
Law Enforcement Training	2,517	N/A
Prosecuting Attorney Bad Check	15,814	N/A
Redevelopment Tax Increment Financing	N/A	7,926

The County Commission and other officials receive a quarterly report showing the actual revenue and expenditures to date and prior year's amounts, but the report does not indicate the budgeted amounts. The County Commission and officials review the reports and determine if an amendment to the budget should be made. While the County Commission and other officials apparently reviewed the reports with the budgets and made some amendments, it appears that they did not adequately monitor the fund transactions. As a result, expenditures of several funds exceeded budgeted amounts.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget

is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

Similar conditions were noted in our prior report and the County Commission responded that they would make an effort to implement this recommendation; however, little or no corrective action has been taken.

**WE AGAIN RECOMMEND** the County Commission:

- A. Ensure proper compilation and review procedures are in place to ensure the budget document presents accurate and complete financial information. In addition, the Treasurer should ensure receipts and disbursements activity is properly recorded in the fund ledger and the county should purchase or establish an adequate accounting system.
- B. And other county officials ensure that budgets provide reasonable estimates of anticipated financial activity.

**AUDITEE'S RESPONSE**

A. *The County Commission indicated:*

*This recommendation has been implemented.*

*The County Treasurer indicated:*

*This recommendation will be implemented.*

*The current County Clerk indicated:*

*Detailed disbursement records are now maintained by my office and have been since I took office in January.*

B. *The County Commission indicated:*

*We approved the \$150,000 blacktopping expenditure which caused the large overage in the Road and Bridge Fund and the General Revenue Fund. We will ensure the budget is amended in the future.*

The county did not solicit bids or perform other price comparison procedures for some major purchases. In addition, neither the county commission minutes nor the expenditure records contained adequate documentation of the county's efforts to compare prices (i.e., phone contacts, inquiries) or reasons to support sole source purchase determinations. Concerns were noted related to the following purchases:

Used Truck	\$	18,797
Trailer Lease		14,345/year
Equipment Rental		28,500
Used Tractor		15,000

According to the County Commission the purchase of the used tractor was not bid because they are always looking for equipment for the road and bridge department, and if an opportunity presents itself they may purchase the equipment without bidding.

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

- During 2006 and 2005, the county spent approximately \$400,000 for asphalt from the Special Road and Bridge Fund. All asphalt was obtained from one vendor and there was no documentation to show that other vendors had been considered. The County Commission indicated that this is the only vendor in the area that sells asphalt. However, the county has not documented reasons to support this sole source purchase determination.
- Fuel and oil purchases made by the county totaled approximately \$135,600 and \$110,300, during 2006 and 2005, respectively. The County Commission and the Road and Bridge Supervisor indicated that fuel and oil is purchased based upon location of the Road and Bridge crew. The Sheriff's office uses various local service stations for their fuel.
- Prisoner meals costing approximately \$38,000 and \$28,500 in 2006 and 2005 respectively are not bid. The Sheriff purchases supplies to prepare the prisoner meals from local grocery stores. In addition, prisoner lunches during the work week are purchased from the Site Council. According to the Sheriff and the County Commission, the meals are purchased from the Site Council to help support the senior citizens.

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. The

County Commission is not adequately reviewing expenditures to ensure compliance with bid requirements.

Routine use of a competitive procurement process (advertisement for bids, phone solicitations, written requests for proposals, 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, and the county's selection process and criteria should be retained to demonstrate compliance with the law and support decisions made. The County Commission should establish a formal bid policy to ensure compliance with bid requirements.

This condition was noted in the prior report.

**WE AGAIN RECOMMEND** the County Commission perform a competitive procurement process for all major purchases and maintain documentation of decisions made. In addition, a formal bid policy should be established.

### **AUDITEE'S RESPONSE**

*The County Commission indicated:*

*Bids were obtained for the expenditures noted in the chart. We will ensure the bid documentation and bid decisions are properly retained in the future. The Sheriff has done a price comparison for prisoner meals and we will ensure the proper documentation is retained. We will look into obtaining a bulk fuel tank for the county and obtaining bids for fuel.*

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

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

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Madison County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2004.

04-1. County Budgets and Financial Reports

- A. The County did not have procedures in place to ensure the County's budget documents were properly prepared and accurately presented the financial activity of the County. In a few instances, the actual receipt and disbursement amounts were not correctly reported and did not agree with the records maintained by the County Treasurer. Errors included incorrect amounts being reported and inconsistent and erroneous classifications of receipts, disbursements, and transfers.
- B. The County Commission approved disbursements in excess of budgeted amounts for various funds and budgets were not prepared for various funds.

Recommendation:

The County Commission and the County Clerk should ensure all significant receipts, disbursements, and transfers are accurately and consistently reported in the County budget documents and not authorize warrants in excess of budgeted disbursements. If valid reasons necessitate excess disbursements, or unexpected revenues are received, the original budget should be formally amended and filed with the State Auditor's Office.

Status:

Not implemented. See finding number 06-1.

04-2. Bidding Compliance

Bids were not solicited or advertised by the County nor was bid documentation retained for various purchases.

Recommendation:

The County Commission should solicit bids for purchases in accordance with state law and retain documentation of these bids and the justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the County Clerk should retain documentation of these circumstances.

Status:

Not implemented. See finding number 06-2.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

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

We have audited the financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 9, 2007.

Because the Senate Bill 40 Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed that audit report and other applicable information.

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 and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Responses. These MAR findings resulted from our audit of the financial statements of Madison County but do not meet the criteria for inclusion in the written report on internal control over financial reporting and on compliance and other matters that is required for an audit performed in accordance with

*Government Auditing Standards.* Madison 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. County Financial Condition**

Our prior report for the two years ended December 31, 2002, indicated that Madison County’s General Revenue and Special Road and Bridge Funds were experiencing declining cash balances and increasing disbursements. Similarly, during the two years ended December 31, 2006, the General Revenue and Special Road and Bridge Funds’ cash balances were also maintained at significantly low levels. However, the General Revenue Fund’s poor financial condition appears to be due to supplementing the Road and Bridge Fund. The following chart shows General Revenue Fund and Special Road and Bridge Fund receipts, disbursements, and cash balances for the two years ended December 31, 2006.

	Year Ended December 31,			
	General Revenue Fund		Special Road and Bridge Fund	
	2006	2005	2006	2005
Cash balance, January 1	\$ 430,440	136,863	40,633	239,192
Receipts	1,131,955	1,175,573	957,141	688,505
Disbursements	1,345,898	881,996	938,834	887,064
Cash balance, December 31	\$ 216,497	430,440	58,940	40,633

Based on the county’s budgets for the year ended December 31, 2007, the ending cash balance of the General Revenue Fund and the Special Road and Bridge Fund are projected to be only \$318,684 and \$69, respectively. In 2006, the county transferred \$256,069 from the General Revenue Fund to the Special Road and Bridge Fund to supplement that fund. The county continues to budget disbursements in excess of receipts each year for the Special Road and Bridge Fund. Per the County Clerk, the large increase in Special Road and Bridge disbursements was due to increased costs of gravel and blacktop materials.

The County Commission should review discretionary disbursements to ensure sufficient use of resources available to the county and to determine if long term reductions are possible. In addition the County Commission should attempt to maximize receipts from all sources.

**WE AGAIN RECOMMEND** the County Commission consider various alternatives of increasing receipts and or/reducing disbursements to ensure that the General Revenue and Special Road and Bridge Funds’ financial condition improves and is able to maintain an adequate operating cash reserve.

**AUDITEE’S RESPONSE**

*The County Commission indicated:*

*The Road and Bridge Fund should improve with the passage of the 1/2 cent sales tax in April 2007. The General Revenue Fund should not need to supplement this fund in the future.*

**2.**

**Expenditures**

The county did not properly assess the value of a real estate purchase and did not properly document how it determined which funds would be used to purchase the property. Supporting documentation for some expenditures was insufficient and the accounts payable process does not provide adequate controls to prevent duplicate payments and ensure goods and services have been received. In addition, the county does not have formal policies regarding the use of cellular phones or a written contract with the Prosecuting Attorney's office.

A. The county did not properly assess the value of a real estate purchase. In addition, the county did not properly document how it determined which funds would be used to purchase the property.

1. In December 2002, the county entered into a lease agreement, with an option to purchase some property across the street from the courthouse. The County Commission indicated the original intention was to build a justice center on the property. In December 2004, the county exercised their option to purchase the land and paid a total of \$127,100 for this property. Independent appraisals were not obtained prior to entering into the lease agreement and subsequent purchase. The current County Commissioners and County Clerk could offer no explanation as to why an appraisal was not obtained. The County Assessor's appraised market value of the property in 2004 was \$55,910, which is considerably less than the purchase price.

The disparity between these amounts and the actual amounts paid demonstrates the benefit of independent appraisals to help establish the market value for real estate purchases. Good business practice requires that major real estate purchases be formally and independently appraised to ensure a reasonable price is paid, and that discussions and reasons supporting the eventual purchase are documented.

2. Of the \$127,100 purchase price, \$32,046 was paid from the Law Enforcement Sales Tax (LEST) Fund and \$95,054 from the General Revenue Fund. The Law Enforcement Sales Tax Fund is restricted to law enforcement related expenditures. The December 20, 2004, commission minutes indicate the County Commission voted to pay half of the lease balance by December 31, 2004 and the remaining half by January 2005. However, the minutes do not indicate from which fund these payments are to be made. Current county personnel could not provide any explanation as to why some of this was paid

from the LEST Fund and some from the General Revenue Fund or how the split between the funds was determined.

As discussed in part 1 above, the county's intention at the time of purchase was to build a justice center on the property, which they believed constituted a law enforcement related expenditure. However, in 2006, the sales tax proposed to fund the justice center was not approved by the voters. Currently the land is being used by the Sheriff's office and the courthouse for additional parking, but there is no clear plan for the property's future use. In the future, the county should ensure such funding decisions are clearly documented.

B. Supporting documentation related to some expenditures was insufficient. The following problems were noted:

- Supporting documentation for three expenditures reviewed consisted of hand written notes from county officials, including a payment for a road and bridge trailer for \$16,500 in 2005. In addition, the county used a statement, which did not detail the expenses, instead of the original detailed invoice to pay for an additional three expenditures reviewed. This resulted in at least one duplicate payment. In 2006, the County Clerk paid a vendor \$4,171 from a summary statement which had already been paid using the invoice (see also part C.1. below). The county received a refund from the vendor for this overpayment. To ensure the validity and propriety of expenditures, compliance with statutory provisions, and avoid duplicate payments, adequate supporting documentation should be obtained for all payments to vendors.
- The County Commission does not obtain an estimate of the expenditures for the Juvenile Office or documentation of the actual expenditures for the office. The county pays a portion of the operational costs of the Juvenile Office located in St. Francois County. During the audit period these costs were approximately \$44,000 per year. To ensure the county is only paying their share of the costs, the County Commission should obtain and review a copy of the Juvenile Office's budget as well as summary documentation of actual expenditures.

The monies in these funds represent public funds and county officials have a fiduciary responsibility to ensure expenditures are appropriate and reasonable, and supported with adequate documentation. Without obtaining and properly reviewing adequate documentation from vendors and other officials, the County Commission cannot determine the validity and propriety of the expenditures.

C. The county's accounts payable process does not provide adequate controls to prevent duplicate payments or ensure that goods and services have been received prior to payment.

1. Invoices are not marked as paid or otherwise canceled upon payment. In addition, bills are sometimes paid based on a summary statement, rather than an original invoice. Also, an adequate review of the expenditure system is not performed to ensure payment has not already been made. As a result, at least two duplicate payments were processed, one for association fees for \$300 and the other for equipment for a police vehicle for \$4,171 (see also part B above). While vendors refunded or issued credits for the overpayments noted, there is no assurance that all duplicate payments have been identified.
2. Acknowledgment (or verification) of receipt of goods or services was not documented prior to payment on 10 of 31 invoices reviewed. Procedures to approve billings for goods and services that pertain to various departments/offices do not require review and approval by those officials or employees that have knowledge of the transactions.
3. Approval by the county commission for some expenditures was not adequately documented. The County Commission indicated they review all disbursements and stamp the supporting documentation with their initials. However, supporting documentation did not show the commissioners' stamp on 11 of the 35 expenditures reviewed.
4. Vehicle logs for the road and bridge department are not compared to the fuel and oil purchases. Fuel and oil purchases for the road and bridge department represent a significant cost to the county totaling approximately \$86,550 and \$80,300 for 2006 and 2005, respectively.

Proper reviews of billings by officials or employees most knowledgeable of the transactions, comparison of receipts or records of individual transactions to overall month-end billings and logs, and verification of receipt are necessary to ensure the county is paying for legitimate goods or services and to avoid duplication of payment.

- D. The county does not have formal policies regarding use of county cellular telephones or for reimbursements to officials for use of their personal cellular telephones. In addition, the county has not evaluated the cost of providing county-owned cellular telephones compared to reimbursing certain county officials for usage on their personal cellular telephones. The county spent approximately \$3,200 and \$3,700 for cellular telephone usage in 2006 and 2005, respectively.

The county provides cellular telephones to some officials and employees, and reimburses one official for the use of his personal cellular telephone. Billing details are not required for reimbursement to the official for the use of his personal cellular telephone, and documentation submitted is limited to the front page of the telephone bill which does not provide any detail of the actual usage. The county does not review telephone bills for personal usage for the county-provided cellular telephones.

The county should adopt a written cellular telephone policy. This policy should provide criteria for determining which employees need a cellular telephone, proper use of county telephones, and a reimbursement policy if the county commission authorizes personal use. Effective review procedures should be implemented to monitor county telephone usage and review detailed billings for propriety prior to approval for payment.

- E. The county does not have a written agreement to reimburse the Prosecuting Attorney for maintaining an office outside the courthouse, which is used for both county business and private practice. Starting in January of 2007, the county paid the current Prosecuting Attorney \$300 per month for rent and reimbursed her for other expenses such as utilities and postage. A similar problem was noted with the former Prosecuting Attorney who received \$504 a month for rent, telephone, and copies. From January 1, 2005 thru July 2006 (when the Prosecuting Attorney moved his office to the courthouse), a total of \$9,072 was paid to the Prosecuting Attorney for these services. The county did not prepare an IRS Form 1099-MISC for these payments.

There is no signed contract with the current Prosecuting Attorney outlining the terms of the agreement, rights, and responsibilities of each party. Although the former Prosecuting Attorney indicated he had a contract with the county, a signed copy could not be located. A written contract would help ensure the county is only paying for county business.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Contracts which fully stipulate the terms of the agreements, rights, and responsibilities of the parties are necessary to ensure the county is able to determine if services are being provided in accordance with expectations. Contracts should include, at a minimum, the products or services to be provided, time limitations or expectations, duties and responsibilities of all parties, remedial actions in the event of noncompliance, criteria for detail to be included in billings, and the dates or events upon which billings may be submitted. The county also needs to ensure an IRS Form 1099-MISC is prepared for these payments.

Conditions B, C.1-2, C.4, D, and E were noted in our prior report.

**WE RECOMMEND** the County Commission:

- A.1 Ensure independent appraisals are obtained for all future real estate transactions.
- 2. Ensure funding decisions are adequately documented.
- B. Ensure adequate documentation is obtained and reviewed to support all expenditures from county funds.
- C. Establish effective expenditure review procedures to prevent duplicate payments and ensure payments are only made for legitimate goods and services.
- D. Review the various methods of providing cellular telephone service to county officials and employees to ensure the most cost-efficient method is used. In addition, the County Commission should work with the other officials and departments to develop formal policies and procedures for telephone usage and review detailed billings for propriety.
- E. Enter into a written contract with the Prosecuting Attorney that specifically states the services to be provided to the county. In addition, documentation should be retained of the allocation of resources between the county and the Prosecuting Attorney's private practice to ensure there is a clear distinction between them. IRS Forms 1099-MISC should be prepared when required.

**AUDITEE'S RESPONSE**

*The County Commission indicated:*

*A&E. These recommendations will be implemented immediately.*

*B. We are working on implementation of this recommendation.*

*C. Recommendations 1 thru 3 have been implemented. We will review the fourth recommendation.*

*D. We will review this recommendation.*

<b>3. Salaries, Bonding, and Payroll Records and Procedures</b>
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The effective dates for the Collector's and Assessor's salary increases may not have complied with state law and the Collector's bond was less than the amount required by state law. Some payments for services were not handled through normal payroll procedures or reported to the IRS as required. In addition, centralized payroll leave records and complete personnel files were not maintained by the County Clerk.

- A. It appears the effective dates of the Collector’s and Assessor’s salary increases did not comply with the law. Increases resulting from changes in the county’s assessed valuation were made effective on January 1, rather than on these officials’ dates of incumbency as provided by law. Thus, it appears increases in salary should not have taken effect until March 1 and September 1 for the County Collector and the Assessor, respectively, the date of these officeholders' incumbency.

Section 50.333.8, RSMo, provides for salaries to be adjusted each year on the official’s year of incumbency for assessed valuation changes that affect the maximum allowable compensation for that office. The county should evaluate whether the timing of these salary increases resulted in overpayments and rectify the situation as appropriate.

- B. The County Collector's bond was less than the amount required by state law. The County Collector is bonded for \$50,000 for the months of March through October, \$70,000 for the months of November and February, and \$750,000 for the months of December and January. The \$50,000 bond for October and \$70,000 bond for November are insufficient by approximately \$9,126 and \$149,908, respectively. The collector's bond is written for a four year term from March 2007 to February 2011, which coincides with her term of office. The amounts reported to the Department of Revenue, to support the calculations of the bond, did not agree to actual collections.

Per Section 52.020.1, RSMo, the county collector's bond for any one month should be for an amount equal to the average total monthly collection for the same month during the preceding four years (but not to exceed the largest total collections made during any one month of the year preceding his election), plus ten percent of the amount and no collector shall be required to give bond in excess of seven hundred and fifty thousand dollars.

- C. The former Prosecuting Attorney’s assistant received compensation in addition to her regular salary from the county for the years ended December 31, 2006, and 2005, as noted below.

	<u>2006</u>	<u>2005</u>
Regular County Salary	\$ 20,930	19,890
Prosecuting Attorney Bad Check Fund	<u>21,665</u>	<u>15,970</u>
Total County Compensation	<u>\$ 42,595</u>	<u>35,860</u>

The payments from the Prosecuting Attorney's Bad Check Fund were not processed through the normal county payroll procedures. According to the former Prosecuting Attorney, these payments were for time spent processing bad checks. However, the county and former Prosecuting Attorney did not require the assistant to prepare timesheets to support her county salary or this additional pay. Since these additional payments were not processed through the normal county payroll procedures, they were not subject to the proper withholdings and were not reported on the employee's W-2 forms. However, in 2006 the County Clerk did issue the assistant an IRS Form 1099-MISC for the additional payments. Since there was no contract with this employee, it is questionable whether this individual should be treated as an independent contractor or a county employee.

The county should require the employees' time worked be properly recorded on monthly timesheets to ensure compliance with Fair Labor Standards Act (FLSA) and ensure the propriety of payments made. The IRS Code contains specific instructions regarding the treatment of an employee versus an independent contractor. The county needs to ensure it complies with IRS regulations. The failure to correctly identify and handle such arrangements may result in noncompliance with the Fair Labor Standards Act (FLSA) and not properly withholding and paying various taxes.

- D. Centralized records of vacation leave, sick leave or compensatory time earned, taken, or accumulated are not maintained by the County Clerk. The only record of this time is found on the employee's timesheet, except for the Road and Bridge and Sheriff's departments. These departments maintain logs concerning leave; however, these logs are not sent to the county clerk's office.

Centralized records are needed to ensure that employees are meeting expectations of county employment, that policies are being uniformly followed, and that potential leave and/or compensatory time liabilities are being monitored. In addition, such records are needed in the event disputes arise and to demonstrate compliance with the federal Fair Labor Standards Act.

- E. A sheriff's reserve deputy, when serving as a guard in the transportation of prisoners, was paid mileage fees of thirty cents per mile directly from the county. Because these payments are not processed through the normal county payroll procedures, they are not subject to payroll withholdings and are not reported on the respective W-2 or 1099 forms. Approximately, \$3,600 was paid to the reserve deputy for guard fees during the year ended December 31, 2006.

Sections 6041 and 6051 of the Internal Revenue Code require payments of at least \$600 or more in one year to an individual for professional services or for services performed as a trade or business by nonemployees (other than corporations) be reported to the federal government on Form 1099.

- F. Complete personnel files are not maintained by the county for each employee. Documentation of the approved employees' salaries and any adjustments (e.g. starting salary, raises) is not in the individual personnel files. While the commission does approve the wage and salary expense submitted for each office's budget, this is done in total and not for individual employees.

Personnel files should be maintained for each employee to provide documentation of personnel actions and to provide readily accessible work histories. The personnel files should contain documentation of the county commission's authorization for the hiring of that employee, the pay rate at which the employee was hired, and any subsequent changes in pay rate.

Conditions C, D, and E were noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. Re-evaluate the timing of these salary increases as compared to statutory provisions, seeking legal counsel if necessary. If overpayments are determined, pursue repayments or offset amounts against future salary payments as appropriate.
- B. And the County Collector ensure the bond coverage is sufficient as required by state law.
- C. Ensure all salary payments are supported by timesheets showing actual time worked, subject to payroll withholdings, and are reported on W-2 forms.
- D. Require centralized leave records be maintained by the County Clerk's office.
- E. Ensure payments for services are appropriately reported to the IRS.
- F. Ensure complete personnel files are maintained for all county employees which include authorization for the employee's hiring, the initial pay rate and any subsequent increases, and any other personnel actions.

**AUDITEE'S RESPONSE**

*The County Commission indicated:*

- A. *We will review this recommendation with the Prosecuting Attorney.*
- B. *We will work with the County Collector to implement this recommendation.*

*C&D. We have implemented these recommendations.*

- E. *A 1099 will be issued this year.*

F. *The County Clerk's office is in the process of updating all personnel files.*

*The County Collector indicated:*

B. *I will contact the bonding company immediately to determine if changes can be made to the current bond.*

*The Sheriff indicated:*

E. *I will review this with the County Commission.*

<b>4. Property Tax System</b>
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The current and delinquent tax books are not being prepared or verified for accuracy by the County Clerk. Controls over property tax additions and abatements are not adequate. In addition, the County Collector has not filed complete and accurate annual settlements.

A. The former County Clerk did not prepare or verify the accuracy of the current or delinquent tax books. The County Collector enters the tax rates which are obtained from the County Clerk, and also extends and prints the current and back tax books. According to the former County Collector, there were no tests performed to ensure the accuracy of the tax statements, nor did the former County Clerk test the accuracy of the tax statements. Further, the former County Clerk did not perform tests to verify the totals of the current and back tax books.

Because the Collector is responsible for collecting property tax monies, good internal controls require that someone independent of that process be responsible for generating and testing the accuracy of the property tax books.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, he/she should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. Failure to do so could result in errors or irregularities going undetected.

B. Controls over property tax additions and abatements are not adequate.

1. The Assessor's office makes changes to the property tax system for property tax additions and abatements. For abatements, the Assessor prepares the court order which is signed by the County Clerk with a copy given to the Collector. At the next commission meeting the County Commissioners also sign the Court Order. For additions, the Assessor enters the addition into the property tax system and notifies the Collector of the change. The Collector then prints an "add on" tax statement and collects payment. A court order is not prepared or approved by the County Clerk or Commission for "add-ons". At the end of the tax year, the Collector prints a report showing all additions and abatements entered into the tax system, which is used to prepare the annual settlement. No independent and subsequent review of the actual changes made to the property tax system as compared to approved change requests and/or court orders is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. The county's failure to follow control procedures established under statutory guidelines allows greater opportunity for errors or inappropriate transactions to occur. To comply with the statutes and provide for the proper segregation of duties, court orders should be prepared and approved periodically by the County Commission for property tax additions and abatements. The County Clerk should periodically reconcile all approved additions and abatements to actual changes made to the property tax system. Such procedures are essential to ensure that only appropriate correcting adjustments are made to the master property tax records.

2. Although the former County Clerk attempted to maintain an account book with the County Collector, it was not complete or accurate. The account book only included collection information presented on the monthly settlements of the County Collector, but did not include charges and credits for additions and abatements, Forest Cropland monies, or Payment in Lieu of Taxes. An account book should summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These figures could then be verified by the County Clerk from aggregate abstracts, tax books, court orders, monthly reports, and totals of charges and credits. These verifications are the County Clerk's means of ensuring the amount of taxes charged to the County Collector and reported credits are complete and accurate. As a result, neither the former County Clerk nor the County Commission detected reporting errors in the County Collector's settlements (see part C below).

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

- C. The former County Collector's annual settlements contained errors in amounts reported which caused differences between total collections and distributions. For example - for the year ended February 28, 2007, monies collected for commissions and late assessment penalties totaling \$54,400 and \$16,950, respectively, were omitted from the annual settlement. In addition, the collections for protested taxes were incorrectly presented, resulting in an understatement in total collections of \$77,456. Incomplete and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the collector was charged with collecting.

These conditions were noted in our prior report.

**WE AGAIN RECOMMEND:**

- A. The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.
- B.1. The county develop procedures to ensure any changes to the property tax system are properly approved and monitored.
- 2. The County Clerk maintain a complete account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.
- C. The County Collector prepare annual settlements that are complete and accurate.

**AUDITEE'S RESPONSE**

*The current County Clerk indicated:*

- A. *This recommendation will be implemented. I started working on this immediately upon taking office.*
- B.2. *This recommendation will be implemented.*

*The County Commission indicated:*

- B.1
- &2. *These recommendations will be implemented.*

*The current County Collector indicated:*

C. *This recommendation will be implemented.*

<b>5. Schedule of Expenditures of Federal Awards</b>
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The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by \$155,900 and by \$68,000 for the years ended December 31, 2006 and 2005, respectively.

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

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. Some programs were understated and other programs were overstated each year. For example, in 2006 the former County Clerk failed to include federal monies of \$107,247 for CFDA 10.665 the Schools and Road Program. In addition, the Health Center reported revenues instead of expenditures for several programs. The former County Clerk was unable to provide supporting documentation for some of the amounts originally shown on the SEFA. The former County Clerk also failed to include the required pass-through grantor's number on most of the programs that were reported. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

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

A similar condition was noted in our prior report.

**WE AGAIN RECOMMEND** the County Commission, County Clerk, and Health Center Board work to ensure the SEFA is complete and accurate.

**AUDITEE'S RESPONSE**

*The County Commission and the current County Clerk indicated:*

*This recommendation will be implemented.*

*The Health Center indicated:*

*We have implemented procedures to report these amounts based on a calendar year instead of a contract year and using expenditures.*

<b>6. Tax Increment Financing (TIF)</b>
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As noted in our prior report, some of the TIF monies were not properly invested. In July 2001, the Madison County Commission established a Tax Increment Financing District (TIF) northwest of the city of Fredericktown to try to stimulate business growth. In December 2002, the county sold revenue bonds totaling \$1,035,000 to finance the TIF project. At December 31, 2006, the county had \$121,304 invested in a Fidelity Treasury Money Market Fund. Investments of local public funds are limited to insured or collateralized bank deposits or direct investment in government securities that can be held to maturity. While this recommendation was made during the prior 2002 audit, no action has been taken.

Section 110.270, RSMo states counties may place money not needed for current operations in obligations described in Article IV, Section 15 of the Missouri Constitution, which states monies not needed for current expenses shall be placed on time deposit in banking institutions in this state or in obligations of the U.S. government. Section 110.010, RSMo requires the public funds of every county, etc. which are deposited in any banking institution be secured by the deposit of securities of the character prescribed by Section 30.270, RSMo.

**WE AGAIN RECOMMEND** the County Commission invest funds only in allowable investments.

**AUDITEE'S RESPONSE**

*The County Commission indicated:*

*This recommendation will be implemented.*

<b>7. Capital Assets</b>
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County capital asset records and procedures need improvement. The following problems regarding various county capital asset records were noted:

- The former County Clerk did not have procedures in place to track capital asset purchases throughout the year and had not updated the overall county capital asset records since 2004. Normally, the former County Clerk sent a listing of capital assets from the previous year to county departments requesting they perform inspections and physical inventories, and update the inventory reports, but this had

not been done since 2004. As a result, some additions have not been entered into the county property records. For example, in May of 2005, the county purchased a tractor out of the Special Road and Bridge Fund for \$15,000, but it was never included on the county property records.

- Disposition information such as dates and amounts are not recorded in the county capital asset records.
- Written authorization is not obtained from the County Commission for the disposition of capital assets.

This lack of monitoring or involvement by the County Clerk increases the possibility of theft occurring without detection. In addition, capital assets could be purchased or disposed of without proper modifications to the county's insurance coverage.

Adequate capital asset records and monitoring procedures by the County Clerk are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internal controls over county property. The comparison of periodic inventories to overall county capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new capital asset items are necessary to properly protect county assets.

**WE RECOMMEND** the County Clerk implement a procedure for tagging and tracking new capital assets throughout the year, modify insurance coverage promptly, and follow up on discrepancies identified during the annual physical inventory process. In addition, a physical inventory should be performed annually.

### **AUDITEE'S RESPONSE**

*The current County Clerk indicated:*

*This recommendation will be implemented.*

<b>8. Computer Controls</b>
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Computer systems and data are vulnerable to unauthorized use, modification or destruction. A review of the computer operations and controls indicated the following areas where improvements are needed:

- A. The security of a password system is dependent upon keeping passwords confidential. However, passwords are not periodically changed in the Treasurer's, Collector's, Recorder's, and Health Center's offices to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. In addition, the Health Center is not immediately deleting an employee's ID and

password upon termination. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

Passwords are an effective, simple control to provide protection against improper access to computer systems and data. Passwords are important even in an environment where the computer is physically accessible only to county personnel. Passwords have been successfully providing security for computer systems for a long time. They are integrated into many systems and programs, and users are familiar with them. When properly managed in a controlled environment, passwords can provide effective security.

- B. Backup data in the Collector and County Clerk's office is not tested to help prevent loss of information and to ensure that all essential county information and computer systems can be recovered following a disaster or computer failure. Backing up data files and systems is a critical part of system recovery and continuity of operations. Backups are used, for example, to restore files after a personal computer virus corrupts the files or after a computer hard drive fails. Frequency of backups depends upon how often data changes and how important those changes are. County officials and users should determine what backup schedule and testing is appropriate.

Backups in the Recorder's office are not stored at an offsite location. Backups are stored in the courthouse, which makes them susceptible to the same damage as the master files. Normally, the primary contingency strategy for computer systems and data is regular backup and secure offsite storage. Regular backup procedures decrease the amount of work required to get back to where the county was prior to the disruption. Storing backups offsite provides another level of assurance of access to county data.

Important decisions to be addressed include how often backup procedures are performed and how often backups are stored off-site. A minimum level of backup information, together with records of the backup copies and documented restoration procedures, should be stored at the secure off-site location, at a sufficient distance to escape any damage from a disaster at the main site. These procedures should allow the county to maintain business operations or to recover rapidly from most disruptions to or failure of the county's computer systems.

- C. A security system is not in place in the Treasurer and County Clerk's office to detect or prevent incorrect log-on attempts or shutdown the system after a certain period of inactivity. An unauthorized individual could try an infinite number of times to log on the system, and if successful, have unrestricted access to programs and data files. To help protect computer files, a security system should be implemented to stop incorrect log-on attempts after a certain number of tries. Such a system should

produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.

**WE RECOMMEND** the:

- A. Treasurer, Collector, Recorder, and Health Center require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.
- B. Collector and County Clerk's office ensure backup county data is tested on a regular, predefined basis. In addition, ensure the Recorder's office county data is stored at a secure off-site location.
- C. Treasurer and County Clerk implement a security system to detect and report incorrect log-on attempts after a certain number of tries.

**AUDITEE'S RESPONSE**

*The Treasurer indicated:*

*A&B. These recommendations have already been implemented.*

*The Collector indicated:*

- A. I am currently working on this.*
- B. This recommendation will be implemented.*

*The Recorder indicated:*

- A. I will discuss this with my software company.*
- B. This recommendation will be implemented.*

*The Health Center indicated:*

- A. We have implemented a password policy for all employees on each personal computer.*

*The County Clerk:*

- B. This recommendation has been implemented.*
- C. This recommendation will be implemented.*

The collector's liabilities are not reconciled to the bank account, partial payment records are not adequate, deposits are not made intact or on a timely basis, and some disbursements are not made by check. In addition, the former Collector did not properly withhold commissions from tax collections, recalculate the surtax distribution percentages since 1985, properly distribute interest income, or locate some paid delinquent tax bills. Also, a savings account for a soda fund is maintained by the former Collector and the transactions of this fund are not accounted for adequately.

- A. Monthly listings of open items (liabilities) were not reconciled to the former County Collector's bank account. The February 28, 2007, bank reconciliation showed the reconciled bank balance exceeded liabilities by \$37,870. Of that amount, \$26,286 of protested taxes should have been refunded to the taxpayer in November 2006. After this was brought to the current Collector's attention, she made the refund in April 2007. According to the former Collector, the remaining \$11,584 is from partial payments. However, a review of the partial payment listing showed only \$4,260 was being held in the bank account (see part B.1. below).

Monthly reconciliations of the cash balance to liabilities are necessary to ensure the cash balances are sufficient to cover liabilities. Without the preparation of such reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded. In addition, differences noted when performing monthly reconciliations should be promptly investigated and resolved. Various statutory provisions including Sections 447.500 through 447.995, RSMo, provide for the disposition of unclaimed and unidentified monies.

- B. Records and procedures related to the collection of partial payments are not adequate. The County Collector accepts partial payments from tax payers who are unable to pay their tax bills in full. Once the tax bill is fully paid the taxes are marked paid in the tax books and the taxes distributed. An adequate ledger is not maintained of the amounts collected and the amounts due from each taxpayer. The former Collector indicated the receipt of partial payments was recorded on the collector's copy of the tax statement, which was filed with the unpaid statements until full payment was received. The following problems were noted regarding partial payment procedures.
1. Check payments were posted to a partial payment ledger and deposited in the regular checking account until the bill was fully paid. Only the payee, the amount paid, and the date paid were posted to the partial payment ledger. The ledger showed approximately \$4,260 in partial payments at February 28, 2007. The current Collector identified 9 tax statements indicating partial payments had been received and deposited; however, only 7 of these were

listed on the partial payment ledger. In addition, one envelope (See B.2.) in the vault indicated a partial payment had been received and deposited; however, this payment was not listed on the partial payment ledger nor was it indicated on the tax statement. In addition, there was no reconciliation between the ledger and the amounts held in the bank account. As discussed in part A above, the February 28, 2007 bank account's unidentified balance was \$11,584, which the former Collector indicated was from partial payments.

2. Cash payments are held in the collector's vault. Once payment is received in full, the cash is deposited, taxes are marked paid in the tax books, and the taxes are distributed. The partial payments are placed in separate envelopes labeled with the tax payers name and amount of partial payments received (see also part C.2 below) and recorded on the tax statement. The cash payments are not posted to the partial payments ledger. A cash count on April 11, 2007, included 34 envelopes totaling approximately \$1,900. Some of these partial payments were for taxes which had already been paid in full or outlawed; however, the monies were still being held in cash in the vault.

The County Collector should re-evaluate the procedures for accepting and processing partial payments. Accurate and detailed records should be maintained of all amounts collected and due, and all amounts collected should be deposited and reconciled to amounts held in the bank account. In addition, procedures should be implemented to follow-up on the remaining amounts due.

- C. Monies received are not always deposited intact or in a timely manner. Cash receipts for merchant licenses and duplicate tax receipts are only deposited once a month. Partial payments paid in cash are not deposited until payment is received in full (see part B.2.). A cash count performed on January 24, 2007, showed cash attributed to duplicate tax receipts and merchant licenses totaling approximately \$107. In addition, a cash count performed on April 11, 2007 on the partial payments stored in the vault totaled approximately \$1,900 (see also part B.2. above.).

To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

- D. Some disbursements are not made by check. When an individual over pays their taxes, a money order is obtained from the bank and mailed to the individual. The former Collector indicated refunds were done this way to avoid numerous outstanding checks. To ensure the proper accounting of disbursements all refunds should be issued by check.
- E. The former Collector did not properly withhold commissions from tax collections.

1. The former Collector withheld an extra one-half percent commission on utility taxes for tax years 2006 and 2005. As a result the Collector over withheld and remitted to the General Revenue Fund \$1,350 and \$1,950 for tax years 2006 and 2005, respectively. Section 52.260 RSMo, allows for a 1% commission to be taken on all tax collections.
  2. A one-half percent mailing commission is not collected on all current collections including current delinquent collections, exclusive of railroad and utilities taxes as required. As a result, the collector did not withhold and remit to the General Revenue Fund \$20,899 and \$19,625 for tax years 2006 and 2005, respectively. Section 52.250, RSMo, allows this commission on all current taxes exclusive of railroad and utility taxes as compensation for mailing the statements and receipts.
  3. In 2006, the Collector did not include the seven percent add-on commission when he disbursed \$9,418 in old partial payment collections to the political subdivisions. As a result the Collector did not collect and remit commissions of \$659 to the proper funds. Section 52.290, RSMo, allows this commission to be added to the face of the tax bill for all delinquent and back taxes. Two-sevenths of the fees collected pursuant to the provisions of this section shall be paid into the county general fund, two-sevenths of the fees collected pursuant to the provisions of this section shall be paid into the tax maintenance fund and three-sevenths of the fees collected pursuant to the provisions of this section shall be paid into the county employees' retirement fund.
- F. The former County Collector continued to distribute surtax collections using percentages calculated for distributing the 1985 collections and had not recalculated the surtax distribution percentages each year as required by state law. A large commercial development was completed in the county in 2005 which would affect the surtax distribution percentages. Surtax collections are to be distributed to various political subdivisions based on percentages derived from a combination of the 1984 merchants' and manufacturers' taxes paid and the current assessed valuation for subclass 3 commercial property for each year compared to the 1985 valuation. Section 139.600, RSMo, outlines the procedures to be followed to calculate the percentages for the first and each succeeding year the surtax is imposed.
- G. The former County Collector did not distribute interest earned on bank deposits properly. According to the former Collector the allocations were based on a percentage derived from the respective tax levies. No consideration of assessed valuation and its effect on overall collections was included in the allocation. In addition, the former County Collector used the same percentages to allocate interest earned each year of the audit, even though various tax levies and assessed valuations had changed. The former County Collector's method distributes less money than should be to subdivisions with higher assessed valuations. State law and various

Attorney General Opinions provide for the allocation of interest to various funds. To allocate the interest equitably, the percentage of tax collections should be used.

- H. The County Collector could not locate the delinquent tax bills that were paid from February 2005 through October 2005. Record retention is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.
- I. The County Collector maintains a savings account for monies received from the soda machine located in the courthouse. However, the former Collector did not keep adequate records of the transactions of the soda fund, or maintain documentation for all disbursements. In addition, the former Collector withdrew cash from the account to make disbursements. The soda fund monies are used to replenish the soda machine as well as for flowers for funerals and employee Christmas parties. Approximately, \$209 and \$3 was deposited to the soda fund account during 2006 and 2005, respectively. The ending balance of the account at December 31, 2006 was \$140. To ensure proper accounting of all transactions, adequate records should be maintained, and all disbursements should be made by check. In addition, all proceeds of the soda fund should be turned over to the County Treasurer.

Similar conditions to Parts A – D, E.1, F and G were noted in the previous audit report and the former County Collector indicated that he would implement the recommendations. However, it appears nothing was done to correct these problems. This noncompliance could have resulted in significant lost revenue for some of the political subdivisions within the county.

**WE RECOMMEND** the County Collector:

- A. Prepare a monthly listing of open items and reconcile the listing to the account balance. In addition, the Collector should attempt to identify and properly dispose of the unidentified monies in the bank account.
- B. Re-evaluate the practice of accepting partial payments. Accurate records should be maintained of all partial payments received and due, including reconciling amounts collected to amounts held in the bank account, and the collection of delinquent amounts due should be actively pursued.
- C. Deposit all monies intact on a timely basis.
- D. Make all refunds by check.
- E. Recalculate commissions for the audit period and past years and withhold from or make adjustments to the various political subdivisions' further distributions to

correct for errors noted. In the future, the County Collector should calculate and withhold commissions in accordance with state statutes.

- F. Ensure future distributions of surtax collections take into consideration the current year's assessed valuation of subclass 3 commercial property for each political subdivision as required by state law.
- G. Allocate interest based on tax collections and in accordance with state statutes and Attorney General Opinions.
- H. Retain financial records in a secure location to prevent misplacement or loss.
- I. Turn over all proceeds of the soda fund to the treasurer and adequately track the transactions of the soda fund money. In addition, issue checks for all disbursements and ensure adequate documentation is maintained for the transactions of the fund.

### **AUDITEE'S RESPONSE**

*The current Collector indicated:*

- A. *An open items listing is now being generated and an attempt is being made to identify and dispose of the unidentified monies in the account.*
- B. *I will continue the practice of accepting partial payments. I have started keeping a ledger of the payments and will work on reconciling it to the bank statement.*
- C&D. *These recommendations have been implemented.*
- E. *I do not plan to recalculate prior years, but will ensure the proper amounts are calculated and withheld in the future.*
- F. *I will attempt to recalculate the surtax distribution ratios.*
- G&H. *These recommendations will be implemented.*
- I. *I will review this situation.*

### **AUDITOR'S COMMENT**

- E. With the county's current financial condition, it would appear prudent for the collector to recalculate the commissions.

**10.****Sheriff's Commissary Account Controls and Procedures**

The Sheriff does not have a system for tracking the profit and loss from the sale of commissary items, perform monthly bank reconciliations, maintain copies of some invoices for commissary purchases, or ensure invoices are marked paid and properly approved. Receipt slips are not issued for monies received and receipts are not deposited intact on a timely basis. The Sheriff also keeps inmate monies in cash in envelopes rather than depositing them into a bank account. Money orders are not immediately restrictively endorsed and voided checks are not properly retained.

The jailer is responsible for all operations of the Sheriff's commissary bank account. The Sheriff's Department purchases commissary items to sell to jail inmates and the profits from these sales are used to buy items for use by the Sheriff's Department. The Sheriff's commissary processed approximately \$16,800 and \$11,800 for the years ended 2006 and 2005. Several problems were noted in the operation of this system.

- A. The Sheriff does not have a system for tracking the profit and loss from the sales of commissary items. In addition, all monies earned from the sale of commissary items are retained in the sheriff's commissary account. The Sheriff does not maintain adequate records of items purchased for the commissary or the monies received from the sale of the items. To adequately account for commissary merchandise, records should be maintained in a manner to allow for the tracking of profit and loss on all sales from the commissary. The profits from the commissary account should be deposited into the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasury. Section 50.550, RSMo, authorizes the County Commission to establish separate funds as necessary.
- B. Formal bank reconciliations are not performed for the commissary account. The checkbook ledger contained many mathematical errors and pages with no running balance. At December 31, 2006, the checkbook ledger showed a balance of \$3,894 in the account; however, the reconciled bank balance was \$3,699. Of the \$195 difference, \$159 represented errors in the checkbook ledger and the remaining \$36 was unidentified.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved timely.

- C. Several problems were noted regarding disbursements:
  - 1. The Sheriff's office could not locate the invoices paid in 2005. Record retention is necessary to ensure the validity of transactions and provide an

audit trail. In addition, Section 109.270, RSMo, states that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

2. Invoices were not noted as paid or otherwise canceled upon payment. The possibility that an invoice will be paid twice is increased when invoices are not properly canceled. To ensure against duplicate payment of bills, invoices should be marked paid.
  3. Payments were made without any indication of proper approval or acknowledgement of receipt of goods or services. To ensure that payments are valid and for goods or services actually received, proper approval should be noted along with evidence of receipt of goods or services.
- D. Prenumbered receipt slips are not issued for monies received from or on behalf of the inmates (also see part F). In addition, there is no summary record of monies received for commissary sales. To ensure receipts are properly handled and recorded, prenumbered receipt slips should be issued for all monies received from or on behalf of the inmates and a receipt log should be maintained to record all commissary sales. In addition, to adequately safeguard receipts, the method of payment should be indicated on each receipt slip and the composition (cash and money orders) should be reconciled to the composition of bank deposits.
- E. Monies received are not deposited intact or on a timely basis. During the audit period, deposits were made approximately once per week. A cash count of the commissary monies on April 16, 2007, included cash totaling \$387. Inmates are paid the balance of their funds in cash and money orders received on behalf of the inmates are cashed (the cash is placed in the inmate's envelope and the money order is deposited to the commissary account) from the cash on hand. As a result, the composition of receipts can not be agreed to the composition of deposits. In addition, deposit slips do not list the individual money orders comprising the deposit. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100 and the composition should be reconciled to the bank deposits.

In addition, money orders received for deposit to the commissary account are not restrictively endorsed immediately upon receipt. The money orders are endorsed by the jailer when the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- F. The Sheriff does not deposit inmates' monies, but rather keeps the cash in separate envelopes for each inmate. During a cash count on April 16, 2007, \$211 in cash was on hand that belonged to various inmates. The envelopes indicate the original amount received. When the inmate makes a purchase from the commissary they are required to fill out a request form. The jailor verifies the inmate has sufficient funds in the envelope and indicates the inmates remaining balance on the request form.

To adequately protect this money from loss or misuse, it should be deposited into a separate inmate bank account and a ledger should be maintained documenting each inmate's balance, receipts, and disbursements. This ledger should be reconciled monthly to the inmate bank account.

- G. Voided checks are not properly retained. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.

These conditions were noted in our prior report.

**WE AGAIN RECOMMEND** the Sheriff:

- A. Develop records to adequately track profits and losses on the commissary operations and turn all profits over to the County Treasurer as accountable fees.
- B. Ensure monthly bank reconciliations are prepared.
- C.1. Retain financial records in a secure location to prevent misplacement or loss.
  - 2. Ensure invoices are properly canceled upon payment.
  - 3. Ensure all invoices contain an indication of approval and of receipt of goods or services.
- D. Issue prenumbered receipt slips for all monies received from or on behalf of the inmates and maintain a log of commissary sales. In addition, the composition of the receipts should be reconciled to deposits.
- E. Deposit all monies intact daily or when receipts exceed \$100. In addition, all disbursements should be made by check. Restrictively endorse all money orders immediately upon receipt.
- F. Deposit all inmate money into a separate bank account and maintain a ledger indicating balances, receipts, and disbursements by inmate. This ledger should be reconciled monthly to the bank account balance.
- G. Require all voided checks be defaced and retained.

## **AUDITEE'S RESPONSE**

*The Sheriff indicated:*

*A,B*

*C2-3*

*&G. These recommendations will be implemented.*

*C.1. This recommendation has been implemented.*

*D. We will begin maintaining logs for inmate monies and commissary sales.*

*E. We will try to deposit more timely.*

*F. Due to the lack of manpower, this cannot be implemented.*

## **AUDITOR'S COMMENT**

F. There is no evidence that additional manpower would be required to implement this recommendation and decrease the risk of loss and theft of these monies.

<b>11. Sheriff's Fee Account Controls and Procedures</b>
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The Sheriff's office does not properly document the monthly bank reconciliation or deposit timely, and could not provide authorization for continuing to collect a bond processing fee which was repealed. In addition, the Sheriff department's vehicle fuel usage and operating costs are not adequately monitored.

The Sheriff's office received approximately \$104,400 and \$125,800 for the years ended 2006 and 2005 for gun permit fees, bonds, and service fees (subpoenas, summons).

A. Bank reconciliations are not properly documented. The Sheriff's clerk indicated monthly bank reconciliations are performed; however, documentation is not maintained. The bank balance was approximately \$5,065 at December 31, 2006. Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely. The Sheriff should investigate any differences noted and take appropriate action.

This condition was noted in our prior report.

B. The Sheriff could not provide any authorization to support continuing to collect a bond processing fee after the statute authorizing the fee was repealed. During the year ending December 31, 2006, the Sheriff collected bond processing fees totaling

\$1,015. These fees were deposited into the county General Revenue Fund. Although Section 57.280, RSMo 1994, authorized the Sheriff to collect a \$5 fee for taking and returning every bond required by law, this statute was repealed in 1996 by Senate Bill No. 869, First Regular Session, 89th General Assembly. The new law does not contain a provision to collect bond processing fees. Therefore, it appears the Sheriff does not have authority to continue to collect the fee, and should refrain from collecting such fees.

- C. Fuel usage and operating costs for Sheriff's department vehicles are not adequately monitored. Disbursements for gasoline reflected on the Law Enforcement Sales Tax fund budget totaled approximately \$49,000 during 2006. Sheriff's department deputies purchase gas for county owned vehicles with gas purchasing cards, but do not document the mileage of the vehicle and number of gallons purchased on the vehicle logs. The daily mileage logs simply indicate the beginning and ending odometer reading and the calls made for the day. In addition the odometer reading is not noted on the vendor receipt. The county receives a monthly billing statement for these purchases, but the daily mileage logs are not compared to the monthly gas bills, nor is miles per gallon reviewed for the various vehicles.

Effective monitoring procedures which include reviews of vehicle logs and comparison of log information to fuel purchases and other maintenance charges, are necessary to prevent paying vendors for improper billing amounts and decrease the risk of theft or misuse of fuel or other maintenance items occurring without being detected.

- D. Some monies received are not deposited in a timely manner. Monies are normally collected each business day, but deposits are normally made only one time per week. A cash count performed on March 28, 2007, showed over eight working days of undeposited collections, totaling approximately \$1,220 and including approximately \$970 in cash. To reduce the risk of loss or misuse of funds, deposits should be made on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

**WE RECOMMEND** the Sheriff:

- A. Ensure bank reconciliations are prepared and documented on a monthly basis.
- B. Discontinue the collection of the bond fees.
- C. Ensure vehicle expense log information is compared to vendor billings, and vehicle fuel usage costs are analyzed for reasonableness.
- D. Deposit all monies intact on a timely basis.

## **AUDITEE'S RESPONSE**

*The Sheriff indicated:*

- A. *We will document the reconciliation in the future.*
- B&C. *These recommendations have been implemented.*
- D. *We will deposit more frequently.*

<b>12. Prosecuting Attorney's Accounting Controls and Procedures</b>
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Bank reconciliations are not performed, receipt slips are not issued for some monies, and deposits are not made timely. The office does not properly monitor court ordered restitution due from defendants or file a monthly report of fees collected. In addition, the Prosecuting Attorney is not bonded.

The Prosecuting Attorney received approximately \$142,000 and \$175,000 for the years ended 2006 and 2005 in bad checks, bad check fees, and restitution.

- A. Bank reconciliations for the former Prosecuting Attorney's accounts were not performed. In addition, open items listings were not prepared for the account. At December 31, 2006, a reconciled balance of \$2,138 was in the restitution bank account and \$1,549 was in the bad check bank account. The former Prosecuting Attorney's clerk indicated the balance in the restitution account was open items and old outstanding checks and the amount in the bad check account was made up entirely of old outstanding checks. However, the former Prosecuting Attorney's office did not maintain documentation of outstanding checks for the bank account.

In addition, the former Prosecuting Attorney cannot locate the bank statements before October 2006 for either bank account.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely. In addition, reconciling the balances to an open items listing is necessary to ensure underlying records are in balance and that sufficient cash is available to pay all liabilities. The Prosecuting Attorney should investigate any differences noted and take appropriate action.

- B. The following concerns were noted regarding receipting procedures:
  - 1. Receipt slips were not issued by the former Prosecuting Attorney's office for some court ordered restitution monies received. In addition, the composition

of receipt slips issued is not reconciled to the composition of deposits. Without issuing receipt slips for all monies collected, the Prosecuting Attorney's office cannot ensure all monies collected are ultimately recorded and deposited in the bank.

2. Monies received were not always deposited in a timely manner by the former Prosecuting Attorney's office. Monies were normally collected each business day, but deposits were normally made only two times per month. Deposit slips for December 2006 indicated deposits ranged from \$3,295 to \$8,828.

To adequately account for collections and reduce the risk of loss or misuse of funds, receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment (i.e. cash, checks, or money orders), the receipt slip numbers should be accounted for properly, and the composition should be reconciled to the bank deposits. In addition, checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

- C. The former Prosecuting Attorney's office did not adequately monitor court ordered restitution due from defendants. There were numerous instances where defendants who were on a court ordered restitution plan were delinquent in their payments and no follow up action had been taken by the former Prosecuting Attorney' office such as the issuance of a warrant or the revocation of probation. For example, a \$2,500 balance remains due on a case for which restitution was ordered in November 2005 and no payments have been made. There was no documentation in the case file to indicate any follow up procedures to attempt to collect the balance had been performed, and no warrant was issued. Adequate procedures are necessary to ensure proper and timely follow up action on amounts due.
- D. A monthly report of fees collected is not filed with the County Commission. Section 50.370, RSMo, requires county officials to prepare and file with the County Commission monthly reports of fees collected. A monthly report of fees would allow the County Commission to review the activity of this office.
- E. The Prosecuting Attorney is not covered by a bond. Properly bonding all persons with access to monies would better protect the official and the county from risk of loss.

Conditions A and E were noted in our prior report.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Ensure bank reconciliations are prepared on a monthly basis for each account. In addition, open items listings should be prepared monthly and reconciled to the

account balances. The Prosecuting Attorney should investigate unidentified monies or shortages. In addition, all bank statements should be retained and an outstanding check list maintained.

- B.1. Require prenumbered receipt slips be issued for all monies received.
- 2. Deposit all monies intact on a timely basis.
- C. Establish procedures to properly monitor court ordered restitution and ensure appropriate action is taken for individuals who are delinquent.
- D. Prepare monthly reports of fees as required by state law.
- E. Obtain adequate bond coverage.

### **AUDITEE'S RESPONSE**

*The current Prosecuting Attorney indicated:*

- A. *The current office is in the process of trying to determine the ownership of funds remaining in accounts belonging to the former Prosecuting Attorney's office.*
- B.1. *This is the former office holder's issue. Our system prints receipts and allows for reconciliation of monies received, both against the individual cases and the bank deposits.*
  - 2 *Again, this is the former office holder's issue.*
- C. *The current office is in the process of trying to determine the ownership of funds remaining in accounts belonging to the former Prosecuting Attorney's office.*
- D. *I do not believe that this section is applicable to my office, as the Bad Check Fund is discretionary to my office, and not subject to County Commission oversight.*
- E. *There is no statutory requirement for my office to be bonded, but each of the employees that has any access to the money is bonded through the county. I do not collect monies, deposit monies, or sign checks; I review all records for completeness and accuracy.*

### **AUDITOR'S COMMENT**

- D. Section 50.370 indicates "every county officer who receives any fees or other remunerations for official services ... which is payable to the county shall at the end of each month file a verified report with the county commission of his county showing all fees charged and accruing to his office ...".

- E. While we agree that there is no statutory requirement for the Prosecuting Attorney to be bonded, it would appear necessary to protect the county from loss. The current Prosecuting Attorney has indicated she plans to open bank accounts for these monies.

<b>13. Circuit Clerk Controls and Procedures</b>
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Adequate procedures have not been established to ensure all accrued costs are adequately identified and pursued. In addition, procedures need to be established to routinely follow up on old outstanding checks.

Circuit Clerk receipts totaled approximately \$635,800 and \$819,200 in 2006 and 2005, respectively, from fines and costs for criminal cases, filing fees and court costs for civil cases, and bonds.

- A. Adequate procedures have not been established to ensure all accrued costs (court costs, incarceration costs, and fines) are adequately identified and pursued. Warrants are issued in some misdemeanor cases when costs are not paid and follow up procedures are performed on civil cases with accrued costs approximately once a year. The Circuit Clerk relies on Probation and Parole officers to ensure individuals are making payments to the court as required.

In July 2006, the Circuit Clerk began using the Tax Intercept Program for the collection of outstanding court costs. Upon request, the Circuit Clerk ran a report of accrued costs totaling \$599,465 that were due to the Circuit Court as of April 9, 2007. The Circuit Clerk does not regularly run and review this report. Additional follow up efforts were not documented and appropriate action has not been taken by the court to collect these costs from the defendants.

The Circuit Clerk should establish written procedures for collecting accrued costs. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lower revenue. The Circuit Clerk should also consider using the state's debt collection agency for the collection of outstanding court costs. In addition, printing a complete accrued costs listing would allow the Circuit Clerk to more easily review the amounts owed to the court, and take appropriate steps to ensure all amounts owed are collected on a timely basis.

- B. The Circuit Clerk's office does not account for the numerical sequence of manual receipt slips and trace the manual receipt slips to the Justice Information System, (JIS). Periodically, when the JIS is down, manual receipt slips are issued for monies collected and then posted by the same clerk to the JIS when the system is back online. Without accounting for prenumbered manual receipt slips for all monies collected, the court cannot ensure all monies collected are ultimately recorded and deposited.

- C. Procedures have not been established to routinely follow up on outstanding checks. At December 31, 2006, the Circuit Clerk's bank account had six outstanding checks over two years old totaling \$8,906. The Circuit Clerk indicated she has been working with the Attorney General's Office to dispose of the \$8,300 check noted in this total. These old outstanding checks create additional and unnecessary recordkeeping responsibilities.

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, amounts remaining unclaimed should be disposed of in accordance with state law.

**WE RECOMMEND** the Circuit Clerk:

- A. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection of all costs owed to the court. In addition, the Circuit Clerk should consider using the state's debt collection agency for the collection of costs owed to the court.
- B. Ensure the numerical sequence of manual receipt slips issued is accounted for properly and all manual receipt slips are posted to the JIS.
- C. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

**AUDITEE'S RESPONSE**

*The Circuit Clerk indicated:*

- A. *We will prepare a listing, and will attempt to send out letters. In addition, we will look into utilizing the state collection agency.*

*B&C. These recommendations will be implemented.*

<b>14. Health Center's Accounting Controls and Procedures</b>
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The Health Center capital asset records are in need of improvement, timesheets are not signed by the employees or the supervisors, and minutes are not prepared for some closed meetings. In addition, the published financial statements in 2006 did not contain vendor detail.

A. Health Center capital asset records and procedures need improvement. The following problems regarding various Health Center capital asset records were noted:

- The Health Center did not document an annual physical inventory of Health Center capital assets.
- Some acquisition/disposition dates are not recorded in the Health Center capital asset records. In addition, disposition records did not contain explanations to identify pertinent details, such as reasons for disposal, method of disposal, to whom disposed, and amount received.
- Written authorization is not obtained from the Health Center Board for the disposition of Health Center property.

Adequate capital asset records and monitoring procedures by the Health Center are necessary to ensure compliance with Section 49.093, RSMo and provide adequate internal controls over Health Center property. The comparison of periodic inventories to overall Health Center capital asset records could potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Procedures to promptly identify, tag, and insure new capital assets are necessary to properly protect Health Center assets.

This condition was noted in our prior report.

B. Employee timesheets are not signed by the employee. In addition, timesheets are not signed by a supervisor to document approval. Time sheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.

C. Minutes of closed meetings held by the Health Center board are not always taken. The Health Center board held numerous closed sessions over the past several years. Minutes for the closed sessions are not taken, unless there is a vote on an issue. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that the various statutory provisions are being followed.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

- D. The Health Center's annual published financial statements did not show the detail of expenditures by vendor in 2006. The Health Center administrator indicated she was not aware expenditures should be listed by vendor.

Section 50.800, RSMo, provides details regarding the various information required to be provided in the county's annual published financial statements, and requires that receipts, disbursements, and beginning and ending balance information be presented for all county funds.

Complete published financial statements are needed to adequately inform the citizens of the county's financial activities and show compliance with statutory requirements.

**WE RECOMMEND** the Health Center Board:

- A. Maintain capital asset records in a manner that balances can be reconciled. Document annual inventories and follow up on discrepancies identified during the annual physical inventory process. In addition, the Health Center should ensure all pertinent information is recorded on the capital asset records and written authorization is documented for disposition of assets.
- B. Ensure all timesheets are signed by the employee and by the employee's supervisor to document approval.
- C. Ensure minutes are taken for all closed sessions and any discussion held in closed sessions.
- D. Ensure all required information is presented in the annual published financial statements.

**AUDITEE'S RESPONSE**

*The Health Center indicated:*

- A. *We will document capital assets with running balances. All items which are deleted from the inventory shall be approved by the County Health Department's Board of Trustees.*
- B. *Employee timesheets which are now electronically generated will be signed by the employee and authorized by a supervisor. Each timesheet is reviewed for accuracy prior to being printed by the Administrator.*
- C. *All closed sessions shall be recorded and minutes produced. Proper documentation of closed sessions during the open session shall be maintained.*
- D. *The annual published financial statement shall detail expenditures by vendor.*

## Follow-Up on Prior Audit Findings

MADISON 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 Madison 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. County Financial Condition

The financial condition of the General Revenue, Special Road and Bridge, and the Madison County Law Enforcement Sales Tax (LEST) fund was weak.

Recommendation:

The County Commission continue to take the necessary steps to improve the financial condition of the county.

Status:

Not implemented. See MAR finding number 1.

2. Budgetary Practices and Published Financial Statements

- A. Formal budgets were not prepared for various county funds.
- B. The county did not budget emergency expenditures.
- C. The annual published financial statements did not agree to the actual amounts presented in the budget statements prepared by the county for the General Revenue and LEST funds.

In addition, the published financial statements did not include the financial activity of the Sheriff Commissary Fund, the various TIF funds, and the Tax Maintenance Fund. Also, disbursements were not listed by vendor for the funds presented.

Recommendation:

The County Commission:

- A. Ensure budgets are prepared for all funds.
- B. Ensure emergency funds are budgeted in the General Revenue Fund.

- C. Ensure financial information for all county funds is properly reported in the annual published financial statements and disbursements are listed by vendor.

Status:

- A. Not implemented. Formal budgets were not prepared for the Sheriff Commissary and Juvenile Assessment Fund for the years ended December 31, 2006 and 2005. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.
- C. Partially implemented. The annual published financial statements agreed to the actual amounts presented in the budget statements by the county; however, published financial statements did not include the financial activity of all county funds. In addition, the budgets did not accurately reflect receipts and disbursements for some funds. See finding number 06-1. Although not repeated in the current MAR, our recommendation remains as stated above. Also, disbursements were not listed by vendor for the Health Center Fund. See MAR finding number 14.

3. Officials' Salaries and Payroll Policies:

- A. The county had not taken action on mid-term salary increases given to the associate county commissioners in 1997. A subsequent Supreme Court decision held the statute section unconstitutional.
- B. The County Treasurer's salary was increased \$7,514 annually, effective with the start of her new term of office on January 1, 2003. A salary commission meeting held in July 2002 approved this increase. There was no written documentation supporting whether the meeting complied with Section 50.333, RSMo.
- C. In addition to her regular county salary, the Prosecuting Attorney's secretary received additional compensation. The payments made from the Prosecuting Attorney Bad Check Fund and the IV-D receipts were not processed through the normal county payroll records and procedures. The county and Prosecuting Attorney did not require the secretary to prepare timesheets to support her county salary or this additional pay. Also, because the additional payments were not processed through the normal county payroll records and procedures, they were not subject to the proper withholdings, and were not reported on the employee's W-2 forms.
- D. Instead of receiving overtime pay, sheriff's deputies serving as guards in the transportation of prisoners during off duty hours, were paid per diem and mileage fees. In addition, the transporter and each guard received fees of 25 cents per mile.

Because these payments were not processed through the normal county payroll procedures, they were not subject to payroll withholdings and were not reported on

the respective W-2 forms. In addition, the hours spent in transporting prisoners were not included on timesheets.

- E. Records were not maintained of annual leave, sick leave, and compensatory time earned, taken, and accumulated for some employees.
- F. The county did not have a comprehensive employee manual.
- G. Timesheets completed by the 911 supervisor and the road and bridge supervisor did not include documentation of supervisory approval.

Recommendation:

The County Commission:

- A. Review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.
- B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.
- C. And the Prosecuting Attorney ensure all salary payments are supported by timesheets showing actual time worked, are subject to payroll withholdings, and are reported on W-2 forms.
- D. And the Sheriff review this situation. Deputies who serve as guards should be paid their normal salary for the amount of time spent and all payments should be included on W-2 forms.
- E. Require records be maintained by the County Clerk's office of vacation, sick, and compensatory leave earned, used, and accumulated.
- F. Establish written policies and procedures to ensure operations are conducted in compliance with applicable legal provisions and to assist employees in properly performing their assigned duties.
- G. Require all timesheets include supervisory approval.

Status:

- A. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented. The Prosecuting Attorney provided an opinion that the salary commission meetings may be held in years other than odd-numbered years.

C,D  
&E. Not implemented. See MAR finding number 3.

F&G Implemented.

4. Tax Increment Financing Project (TIF)

- A. The County Commission sold the TIF revenue bonds through a negotiated, instead of a competitive sale, and did not seek open bids assuring the most competitive rate of return for the taxpayers.
- B. The County Commission did not competitively select the bond underwriter, legal counsel, or the servicing bank. In addition, the county did not seek the advice of an independent financial advisor to represent the county's interests in the bond transaction.
- C. Some of the TIF monies were not properly invested.

Recommendation:

The County Commission:

- A. Pursue fair and open competition in any future bond sales.
- B. Request competitive proposals for all services related to bond issuances.
- C. Invest funds only in allowable investments.

Status:

- A&B. The county did not issue any new bonds during the audit period.
- C. Not implemented. See MAR finding number 6.

5. Disbursement Procedures

- A. The county processed some payments to vendors without proper supporting documentation.
- B. Invoices were not always noted as paid or otherwise canceled upon payment.
- C. The County Commission approved some payments to vendors without requiring acknowledgment of receipt of goods or services.

Recommendation:

The County Commission:

- A. Ensure all payments are supported by an invoice documenting the purchase.
- B. Ensure invoices are properly canceled upon payment.
- C. Ensure all invoices contain an indication of receipt of goods or services.

Status:

A,B  
&C. Not implemented. See MAR finding number 2.

6. Contract Procedures

- A. The county did not have written agreements for some services such as prisoner boarding, dispatch services, TIF project services, law enforcement office rent, attorney fees, and computer services.
- B. The Prosecuting Attorney maintained an office outside the courthouse, which was used for both county business and his private practice. Although there was a written agreement between the Prosecuting Attorney and the county, it was not signed by either party.

The contract stated the county was to pay up to \$435 per month for rent, copies, and phone charges; however, the contract did not detail the exact charges for each service. The county did not prepare an IRS Form 1099-MISC information for these payments.

In addition, the contract did not outline what would be provided by the Prosecuting Attorney's private practice.

Recommendation:

The County Commission enter into written contracts that specifically state the services to be provided to the county. Any disbursements made should be monitored for compliance with the terms of the contract. In addition, documentation should be retained of the allocation of resources between the county and the Prosecuting Attorney's private practice to ensure there is a clear distinction between them. IRS Forms 1099-MISC should be prepared when required.

Status:

Partially implemented. The county enters into written contracts for most services; however, does not have a signed written agreement with the Prosecuting Attorney. See MAR finding number 2.

7. Telephone Policies

A formal telephone policy had not been established or approved by the county and controls over employee telephone usage could have been improved.

- A. Cellular telephone users were not required to identify personal calls and detailed billings were not obtained for all cellular phones.
- B. The county paid state and local sales taxes for cellular telephone equipment and services.
- C. Detailed bills for regular telephones were not reviewed for personal calls.

Recommendation:

The County Commission establish a formal written policy regarding telephone usage including cellular telephone usage. This policy should outline proper controls over the use of the telephones, such as prohibiting personal use. In addition, the county should discontinue paying state and local sales taxes on cellular telephone usage.

Status:

Not implemented. See MAR finding number 2.

8. Vehicle Records

- A. The road and bridge department did not maintain vehicle usage logs which documented how the vehicles were used.
- B. The road and bridge department did not reconcile fuel and oil usage to fuel and oil purchased.

Recommendation:

The County Commission:

- A. Require vehicle logs be maintained for all county vehicles. In addition, the Commission should review these logs to monitor the usage of county owned vehicles.

- B. Reconcile fuel and oil usage to fuel and oil purchased and investigate significant differences.

Status

- A. Implemented.
- B. Not implemented. See MAR finding number 2.

9. Property Tax Book Procedures

- A. Although the County Clerk attempted to maintain an account book with the County Collector, it was not complete or accurate.
- B.1) Controls over property tax additions needed improvement.
  - 2) The County Clerk did not prepare the current or back tax books or verify the tax book totals.

Recommendation:

The County Clerk:

- A. Maintain a complete account book with the County Collector. The County Commission should use the account book to verify the County Collector's annual settlements.
- B.1) Prepare all additions to the tax books and charge the County Collector with the additions at the time the additions are prepared. All additions should be approved by the County Commission.
  - 2) Prepare the current and back tax books in accordance with state law.

Status:

- A. Partially implemented. The County Clerk does maintain an account book with the Collector; however, differences between the County Clerk's account book and the Collector's account book are not properly investigated. See MAR finding number 4.
- B. Not implemented. See MAR finding number 4.

10. County Collector's Controls and Procedures

- A. As a result of the County Collector not maintaining a complete and accurate list of monies held in his bank account such as partial payments, he could not perform a

complete reconciliation of his bank balance. The reconciled bank balance exceeded the liability listing by over \$15,500.

- B. The County Collector did not compare the composition and amount of collections received to deposits made to the bank account. The Collector was unable to perform such comparisons due, in part, to the following:
  - 1) The County Collector did not deposit duplicate tax receipt fees, copy fees, and county merchant license fees that were collected in cash, on a daily basis.
  - 2) The County Collector refunded overpayments by cash or money order.
- C. Surtax collections were not properly distributed.
- D. The County Collector's annual settlements were not complete or correct.
- E. The County Collector was not properly withholding commissions from tax collections.
- F. The County Collector did not distribute interest earned on bank deposits properly.

Recommendation:

The County Collector:

- A. Perform complete monthly reconciliations of his records and attempt to identify and distribute the unidentified monies in his account.
- B. Deposit all monies received daily and intact. For any overpayments, the excess should be refunded by check.
- C. Ensure future distributions of surtax collections take into consideration the current year's assessed valuation for subclass 3 commercial property of each political subdivision as required by law. The County Collector should obtain information from the County Assessor indicating the changes in the assessed valuation of commercial property.
- D. File complete and accurate annual settlements.
- E. Recalculate commissions for the audit period and past years and withhold from or make adjustments to the various political subdivisions' future distributions to correct for errors noted. In the future, the County Collector should calculate and withhold commissions in accordance with state statutes.
- F. Allocate interest based on tax collections and in accordance with state statutes and Attorney General Opinions.

Status:

A&

C-F. Not implemented. See MAR finding number 9.

B. Partially implemented. The County Collector compares the composition and amount of collections received to deposits made to the bank account. However, cash receipts received for duplicate tax statements and merchant licenses are not deposited on a daily basis and refunds for overpayments are made by money order. See MAR finding number 9.

11. Sheriff's Commissary Account Controls and Procedures

A. The Sheriff did not have a system for tracking the profit and loss from the sales of commissary items. In addition, all monies earned from the sale of commissary items were retained in the sheriff's commissary account. The Sheriff did not keep records indicating what was purchased for the commissary or the receipts received from the sales.

B. The duties of receiving, recording, depositing, and disbursing monies were not adequately segregated.

C. Monthly bank reconciliations were not performed.

D.1) Many payments were processed without proper supporting documentation.

2) Invoices were not noted as paid or otherwise canceled upon payment.

3) Payments were made without any indication of proper approval. In addition, payments were made without requiring acknowledgement of receipt of goods or services.

4) Several items purchased appeared to be questionable in nature.

5) Sales tax was paid on several items.

E. Pre-numbered receipt slips were not issued for monies received. In addition, there was no receipt ledger or record of receipts.

F. Monies received were not deposited intact or on a timely basis. In addition, disbursements were made from cash and the jailers and deputies were allowed to purchase items and write personal checks in excess of the amount purchased. As a result, the composition of receipts did not agree to the composition of deposits.

G. Checks and money orders received for deposit to the commissary account were not restrictively endorsed immediately upon receipt.

- H. The Sheriff did not deposit inmates' monies, but rather kept the cash in separate envelopes for each inmate.

Recommendation:

The Sheriff:

- A. Develop records to adequately track profits and losses on the commissary operations and turn all profits over to the County Treasurer as accountable fees.
- B. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C. Perform complete monthly bank reconciliations.
- D.1) Maintain adequate documentation for all disbursements. Records should be established so that disbursements can be tied directly to their supporting documentation.
  - 2) Ensure invoices are properly canceled upon payment.
  - 3) Ensure all invoices contain an indication of approval and receipt of goods or services.
  - 4) Ensure all purchases are proper.
  - 5) Discontinue paying sales tax on items purchased for the county.
- E. Issue pre-numbered receipt slips for all monies received. In addition, the composition of the receipts should be recorded on the receipt slips and reconciled to the deposits.
- F. Deposit all monies daily or when receipts exceed \$100. The Sheriff should discontinue the practice of allowing deputies and jailers to buy items with personal checks. In addition, all disbursements should be made by check.
- G. Restrictively endorse all checks and money orders immediately upon receipt.
- H. Deposit all inmate money into a separate bank account and maintain a ledger indicating balances, receipts, and disbursements by inmate. This ledger should be reconciled monthly to the bank account balance.

Status:

A,C

D.2-3

E,G

&H. Not implemented. See MAR finding number 10.

B&

D.5. Implemented.

D.4. Implemented. We were only able to review invoices for 2006.

D.1. Partially implemented. For 2006 proper supporting documentation was present for payments; however, the 2005 invoices could not be located. See MAR finding number 10.

F. Partially implemented. Disbursements are made by check and jailers and deputies are not allowed to purchase items or cash personal checks. However, inmate monies are not deposited into the bank account. See MAR finding number 10.

12. Sheriff's Fee Account Controls and Procedures

A. Accounting duties were not adequately segregated.

B. Receipts were not deposited intact and on a timely basis. In addition, receipts were not recorded immediately upon receipt.

C. The composition and amount of collections received were not compared to deposits made to the bank account.

D. Monthly bank reconciliations were not performed timely.

E. Bond monies received were not deposited or distributed on a timely basis.

Recommendation:

The Sheriff:

A. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.

B. Deposit all monies daily or when receipts exceed \$100. In addition, receipts should be recorded immediately upon receipt.

C. Reconcile the composition of receipts to the composition of bank deposits. The Sheriff should disallow the practice of cashing personal checks.

D. Perform complete monthly bank reconciliations on a timely basis.

E. Deposit and distribute bond receipts in a timely manner.

Status:

A-C  
&E. Implemented.

D. Partially implemented. Bank reconciliations are performed, but they are not properly documented. See MAR finding number 11.

13. Prosecuting Attorney's Controls and Procedures

A. The duties of receiving, recording, and depositing monies were not adequately segregated.

B. Receipts were not deposited in a timely manner.

C. Monthly bank reconciliations were not performed. As a result, the Prosecuting Attorney could not reconcile his receipt and disbursement records with the bank statements, and an unidentified overage of \$1,659 existed in the account.

D. The Prosecuting Attorney had not established procedures to routinely follow up on outstanding checks.

E. Voided checks were not properly retained.

F. The Prosecuting Attorney and his secretary were not covered by an employee bond.

G. The Prosecuting Attorney did not file a monthly report with the County Commission.

H. The Prosecuting Attorney did not require any accounting over money used in undercover operations.

Recommendation:

The Prosecuting Attorney:

A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

B. Deposit monies daily or when accumulated receipts exceed \$100.

C. Require complete and accurate bank reconciliations be performed each month and attempt to identify and distribute the unidentified monies in his account.

- D. Establish procedures to routinely follow up on old outstanding checks.
- E. Require all voided checks be defaced and retained.
- F. Consider obtaining adequate bond coverage for all employees with access to monies.
- G. File monthly reports of fees with the County Commission as required by state law.
- H. Require a monthly report and independent count of the undercover money.

Status:

- A-E  
&G. Not implemented. See MAR finding number 12.
- F. Partially implemented. The secretary is covered by a bond, but the Prosecuting Attorney is not. See MAR finding number 12.
- H. The Prosecuting Attorney no longer has funds for undercover operations.

14. Health Center Procedures

- A. Additions of fixed assets were not recorded as they occurred, and fixed asset disbursements were not reconciled to additions in the inventory records. In addition, property tags were not always affixed to assets when acquired. Also, the total value of the health center's land and buildings was not included in the property records.
- B. Leave records were not properly reviewed for compliance with policy, and several problems were noted concerning the employees' leave records and balances.
- C. The Health Center Administrator earned time and one-half for overtime hours worked and the Health Center Board did not approve this overtime.
- D. Invoices were not always noted as paid or otherwise canceled upon payment.
- E. The health center paid for Christmas dinners for employees and their spouses.

Recommendation:

The Health Center Board:

- A. Require the Administrator to record all additions of fixed assets as they occur, reconcile additions to the property records periodically, affix property tags to assets at the time of purchase, and record the value of land and buildings on the fixed asset records.

- B. Require health center policies be followed regarding leave balances and usage.
- C. Discontinue paying the Administrator time and one-half for overtime.
- D. Ensure invoices are properly canceled upon payment.
- E. Discontinue the practice of using health center funds for Christmas dinners.

Status:

- A. Partially implemented. Additions of fixed assets are recorded as they occur and property tags are now affixed to the assets when acquired. In addition, the value of land and buildings has been added to the fixed asset records. However reconciliations and annual inventories are not properly documented. See MAR finding number 14.
- B-E. Implemented.

STATISTICAL SECTION

History, Organization, and  
Statistical Information

MADISON COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1818, the county of Madison was named after President James Madison. Madison County is a county-organized, third-class county and is part of the Twenty-Fourth Judicial Circuit. The county seat is Fredericktown.

Madison 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 309 miles of county roads and 47 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 10,725 in 1980 and 11,800 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	\$	72.3	68.4	63.2	61.4	31.9	14.8
Personal property		27.0	24.0	23.6	22.2	8.2	4.7
Railroad and utilities		8.6	10.0	10.2	10.1	10.4	10.6
Total	\$	107.9	102.4	97.0	93.7	50.5	30.1

\* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$	.1347	.1704	.1583	.1600
Special Road and Bridge Fund		.2662	.2662	.2664	.2664
Health Center Fund		.0927	.0917	.0918	.0918
Madison County Council for the Developmentally Disabled Board Fund		.1826	.1806	.1808	.1808

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

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	\$ 34,406	31,266	30,542	29,246
General Revenue Fund	176,049	190,823	180,799	176,424
Special Road and Bridge Fund	299,369	273,242	268,392	265,021
Assessment Fund	76,080	70,739	70,373	43,290
Health Center Fund	102,910	93,121	91,463	90,310
Madison County Council for the Developmentally Disabled Boar	203,259	183,884	180,540	178,055
School districts	3,253,682	2,993,472	2,874,657	3,027,830
Library district	102,910	93,121	91,463	90,310
Hospital	203,260	183,884	180,636	178,343
Colleges	440,388	404,840	391,724	382,960
Cities	52,095	37,843	42,899	46,187
County Clerk	461	543	556	270
Surtax	297,098	272,481	354,294	252,557
County Employees' Retirement	41,114	39,927	40,379	34,484
Tax Maintenance Fund	15,510	13,826	13,205	11,589
Tax Increment Financing	154,057	121,401	93,405	81,933
Land Sales Over Plus	10,204	8,062	9,308	6,300
Commissions and fees:				
General Revenue Fund	70,397	65,961	65,294	58,267
Total	\$ 5,533,249	5,078,436	4,979,929	4,953,376

Note: Some disbursements were not properly reflected on the collector's annual settlement. Errors noted on the years ended February 28, 2007 and 2006 have been corrected.

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				%
	2007	2006	2005	2004	
Real estate	91	91	91	91	
Personal property	90	89	90	89	
Railroad and utilities	100	100	100	100	

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

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

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

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	\$				
Ken Pate, Presiding Commissioner		23,018	22,196	22,196	21,074
Dennis Bradford, Associate Commissioner		22,572	21,384		
Roy Roberts, Associate Commissioner				20,196	19,074
Terry Hovis, Associate Commissioner		22,572	21,384		
Larry Mungle, Associate Commissioner				20,196	19,074
Paula Francis, Recorder of Deeds		32,300	30,600	30,600	29,024
Joan Whitener, County Clerk		32,300	30,600	30,600	28,900
M. Dwight Robbins, Prosecuting Attorney		38,250	36,550	36,550	34,850
Davis Lewis, Sheriff		37,800	36,000	34,000	33,150
Kay Rehkop, County Treasurer		32,300	30,600	30,600	28,900
Charles C. Follis, County Coroner		9,900	9,000	8,500	8,075
Kim Clauser, Public Administrator		13,500	13,500	12,750	12,750
Danny Thompson, County Collector, year ended February 28 (29),	32,300	30,883	30,600	29,183	
Grace Thomas, County Assessor (1), year ended August 31,		33,600	31,800	30,333	28,900
William Douglas McFarland, County Surveyor (2)					

(1) Includes \$688, \$688, \$765, and \$900 annual compensation received from the state in 2006, 2005, 2004, and 2003, respectively.

(2) Compensation on a fee basis.

State-Paid Officials:

Eileen Provow, Circuit Clerk	49,470	48,500	47,900	48,762
Robert Stillwell, Associate Circuit Judge	96,000	96,000	96,000	96,000

In July 2001, the Madison County Commission established a Tax Increment Financing District (TIF) northwest of the city of Fredericktown to try to stimulate business growth. In December 2002, the county sold revenue bonds totaling \$1,035,000 to finance the TIF project. As of December 31, 2006, the Madison County TIF bonds had a remaining balance of \$900,000.

In 2004, the Madison County Commission established a TIF in Fredericktown to build a Wal-Mart. The county entered into a redevelopment agreement which stated that within one year of completion of the project the county would issue TIF bonds to repay a revenue promissory note

with Wal-Mart. The amount of the bonds were not to exceed \$1,100,000. To date the certification of completion has not been submitted to the county.