



Susan Montee, CPA  
Missouri State Auditor

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September 2007

Grundy County, Missouri

Years Ended

December 31, 2006 and 2005



Office of  
Missouri State Auditor  
Susan Montee, CPA

September 2007

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

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The county and health center do not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditure of Federal Awards (SEFA). Total expenditures were overstated significantly for the two years ended December 31, 2006 and other expenditures related to some federal grants were not included on the schedule.

Budgets were not prepared for several county funds, the annual published financial statements did not include financial information for some county funds, and the County Commission and various other elected officials did not regularly monitor budget to actual data for funds they control, resulting in overspending of several county funds. In addition, the county has transferred approximately \$32,400 more than allowed by state law for the General Revenue Fund's administrative service fee.

The county did not always solicit bids, or bid documentation was not always retained for various purchases. While the county indicated several of those items were sole source procurements, this was not documented. Payments totaling approximately \$315,000 were made to townships and road districts without proper written contracts. In addition, while an annual financial report was submitted by most townships and road districts, these reports are not reviewed by the County Commission to ensure the CART monies are properly expended.

The County Clerk does not reconcile her account book with the County Collector, which would help ensure the accuracy of the annual settlement. The county also has not developed a formal emergency contingency plan for the computer system and has not formally negotiated arrangements for backup facilities in the event of a disaster.

Minutes of closed meetings held by the County Commission are not always taken. While numerous closed sessions were held, minutes were not taken for some of those meetings.

The county does not maintain documentation to support the calculation of the transfers made from the Ambulance Fund to the General Revenue Fund, which totaled \$117,000 during the audit period. The county has also not sought a legal opinion or had significant

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discussions in recent years on how these transfers are calculated. The county has been placing the entire proceeds of a general sales tax, (approximately \$430,000 annually), into the Ambulance Fund, and has transferred a portion of those monies to the General Revenue Fund. The ballot language places no restrictions on those monies, but documentation from a 1992 county commission meeting indicates that commissioners only ordered that an amount equal to 15% of budgeted expenditures be budgeted as an emergency reserve in the Ambulance Fund budget. The county has not been budgeting the Ambulance Fund in accordance with this order.

The county does not always bill for all allowable charges for ambulance services. For 5 of 20 cases tested, allowable charges totaling approximately \$450 were not properly billed. In addition, a reconciliation of accounts receivable to billings and payments received is not performed, transmittals to the County Treasurer are not always made timely and some checks and money orders were not restrictively endorsed upon receipt.

Also included in the report were suggestions for improvements to county property records. The audit also suggested improvements in the procedures of the Sheriff, Prosecuting Attorney, Circuit Clerk, and Health Center.

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

GRUNDY 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 AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS

To the County Commission  
and  
Officeholders of Grundy 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 Grundy 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 Grundy 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 Grundy 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 16, 2007, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Grundy 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 16, 2007

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	David Gregg
Audit Staff:	Ryan M. King
	Melissa McCoin
	Richard Stuck



**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 Grundy County, Missouri

We have audited the financial statements of various funds of Grundy County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 16, 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 Grundy County, Missouri, we considered the county's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

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

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

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

### Compliance and Other Matters

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

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

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



Susan Montee, CPA  
State Auditor

May 16, 2007

## Financial Statements

Exhibit A-1

GRUNDY 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	\$ 282,502	1,222,704	1,309,687	195,519
Special Road and Bridge	333,043	839,208	609,447	562,804
Assessment	28,518	180,704	209,171	51
Law Enforcement Training	2,983	2,903	4,664	1,222
Prosecuting Attorney Training	4,281	633	440	4,474
Ambulance	410,742	893,444	870,725	433,461
Law Enforcement Center	95,207	535,773	534,566	96,414
Prosecuting Attorney Bad Check	11,284	37,063	29,362	18,985
Recorder Preservation	3,672	4,030	7,307	395
Victims of Domestic Violence	31	452	461	22
Local Emergency Planning Committee	8,118	3,926	4,461	7,583
Law Enforcement Restitution	205	2,729	0	2,934
9-1-1	34,391	84,498	99,972	18,917
Election Services	16,594	168,120	186,932	(2,218)
Recorder's Technology	1,755	2,295	3,706	344
Juvenile	9,518	38,334	40,373	7,479
Prosecuting Attorney Delinquent Tax	722	28	549	201
Juvenile Restitution	545	249	0	794
Drug Court-Local	6,113	19,256	14,701	10,668
Drug Court-Federal Grant	(10,346)	93,086	90,446	(7,706)
Sheriffs Revolving	362	352	0	714
Collector Tax Maintenance Fund	15,044	9,945	7,096	17,893
Health Center	573,637	658,916	563,668	668,885
Families and Friends of the Developmentally Disabled	134,052	103,852	152,754	85,150
Circuit Clerk Interest	2,630	2,876	654	4,852
Law Library	21,339	6,010	4,650	22,699
Law Enforcement Center Construction	0	5,002,653	228,183	4,774,470
Cemetery Trust Funds	180,962	27,893	2,875	205,980
Sheriff Telephone Commissions	120	1,073	938	255
Sheriff Commissary	108	1,473	1,493	88
Division of Youth Services Grant	0	16,168	16,168	0
Associate Division Interest	870	27	0	897
Total	\$ 2,169,002	9,960,673	4,995,449	7,134,226

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

Exhibit A-2

GRUNDY 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	\$ 235,013	1,207,473	1,159,984	282,502
Special Road and Bridge	496,306	569,462	732,725	333,043
Assessment	18,037	138,919	128,438	28,518
Law Enforcement Training	4,902	2,741	4,660	2,983
Prosecuting Attorney Training	4,460	562	741	4,281
Ambulance	195,385	912,807	697,450	410,742
Law Enforcement Center	1,460	411,084	317,337	95,207
Prosecuting Attorney Bad Check	8,860	24,315	21,891	11,284
Recorder Preservation	1,956	4,266	2,550	3,672
Victims of Domestic Violence	47	322	338	31
Local Emergency Planning Committee	8,865	3,833	4,580	8,118
Law Enforcement Restitution	0	253	48	205
9-1-1	66,897	92,181	124,687	34,391
Election Services	16,867	6,421	6,694	16,594
Recorder's Technology	8,417	2,485	9,147	1,755
Juvenile	19,479	55,229	65,190	9,518
Prosecuting Attorney Delinquent Tax	1,560	162	1,000	722
Juvenile Restitution	275	270	0	545
Drug Court-Local	2,455	15,375	11,717	6,113
Drug Court-Federal Grant	0	4,935	15,281	(10,346)
Sheriffs Revolving	0	362	0	362
Collector Tax Maintenance Fund	10,198	9,503	4,657	15,044
Health Center	479,396	607,747	513,506	573,637
Families and Friends of the Developmentally Disabled	164,341	100,692	130,981	134,052
Circuit Clerk Interest	1,625	1,005	0	2,630
Law Library	20,065	5,766	4,492	21,339
Cemetery Trust Funds	169,849	13,417	2,304	180,962
Sheriff Telephone Commissions	86	1,588	1,554	120
Sheriff Commissary	87	1,965	1,944	108
Division of Youth Services Grant	0	13,297	13,297	0
Associate Division Interest	836	34	0	870
Total	\$ 1,937,724	4,208,471	3,977,193	2,169,002

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

Exhibit B

GRUNDY 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	\$ 5,540,066	4,911,386	(628,680)	3,971,065	4,172,620	201,555
DISBURSEMENTS	5,827,456	4,745,792	1,081,664	3,929,327	3,942,765	(13,438)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(287,390)	165,594	452,984	41,738	229,855	188,117
CASH, JANUARY 1	1,986,737	1,986,942	205	1,766,866	1,766,866	0
CASH, DECEMBER 31	1,699,347	2,152,536	453,189	1,808,604	1,996,721	188,117
<b>GENERAL REVENUE FUND</b>						
<b>RECEIPTS</b>						
Property taxes	130,000	131,582	1,582	182,823	194,373	11,550
Sales taxes	430,000	437,778	7,778	445,000	430,612	(14,388)
Intergovernmental	190,668	231,575	40,907	230,115	223,564	(6,551)
Charges for services	139,500	130,825	(8,675)	150,800	143,079	(7,721)
Interest	15,000	14,287	(713)	4,500	10,372	5,872
Other	99,461	117,492	18,031	151,750	103,652	(48,098)
Transfers in	169,500	159,165	(10,335)	120,167	101,821	(18,346)
Total Receipts	1,174,129	1,222,704	48,575	1,285,155	1,207,473	(77,682)
<b>DISBURSEMENTS</b>						
County Commissior	76,810	75,937	873	47,810	49,776	(1,966)
County Clerk	87,513	86,167	1,346	83,150	77,316	5,834
Elections	43,600	31,200	12,400	39,500	19,902	19,598
Buildings and grounds	138,724	120,345	18,379	105,412	50,110	55,302
Employee fringe benefit	102,100	104,303	(2,203)	88,100	91,967	(3,867)
County Treasurer	72,289	65,550	6,739	68,002	64,268	3,734
Circuit Clerk	25,584	31,296	(5,712)	26,400	23,990	2,410
Associate Circuit Court	13,050	9,889	3,161	11,050	7,330	3,720
Court administration	12,101	6,429	5,672	11,874	6,924	4,950
Public Administrator	40,000	39,921	79	40,100	38,557	1,543
Sheriff	261,583	278,025	(16,442)	288,535	259,777	28,758
Jail	124,568	124,019	549	117,474	125,615	(8,141)
Prosecuting Attorney	74,926	71,790	3,136	72,205	74,865	(2,660)
Juvenile Office	79,348	42,649	36,699	62,187	50,170	12,017
County Coroner	16,505	12,304	4,201	15,475	12,002	3,473
General County Government	66,325	56,775	9,550	60,800	83,211	(22,411)
Emergency Shelter Grant	11,805	11,508	297	9,586	10,656	(1,070)
Homeless Shelter Grant	17,470	17,470	0	17,470	17,470	0
Advocacy Center	93,817	122,910	(29,093)	81,575	93,206	(11,631)
Transfers out	58,000	1,200	56,800	0	0	0
Emergency Fund	35,281	0	35,281	38,555	2,872	35,683
Total Disbursements	1,451,399	1,309,687	141,712	1,285,260	1,159,984	125,276
RECEIPTS OVER (UNDER) DISBURSEMENTS	(277,270)	(86,983)	190,287	(105)	47,489	47,594
CASH, JANUARY 1	282,502	282,502	0	235,013	235,013	0
CASH, DECEMBER 31	5,232	195,519	190,287	234,908	282,502	47,594

Exhibit B

GRUNDY 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	45,000	43,194	(1,806)	50,000	40,351	(9,649)
Intergovernmental	879,081	489,712	(389,369)	838,019	512,218	(325,801)
Interest	15,000	15,633	633	6,000	12,470	6,470
Other	3,000	13,053	10,053	3,000	4,423	1,423
Transfers in	265,000	277,616	12,616	0	0	0
Total Receipts	1,207,081	839,208	(367,873)	897,019	569,462	(327,557)
<b>DISBURSEMENTS</b>						
Salaries	79,273	70,900	8,373	102,300	95,004	7,296
Employee fringe benefit	13,000	13,317	(317)	17,800	14,444	3,356
Supplies	23,700	26,855	(3,155)	23,200	21,117	2,083
Insurance	7,000	6,980	20	6,200	6,674	(474)
Road and bridge materials	107,000	195,957	(88,957)	48,000	66,877	(18,877)
Equipment repairs	11,000	10,984	16	11,000	12,997	(1,997)
Rentals	0	312	(312)	0	312	(312)
Equipment purchases	40,000	44,298	(4,298)	36,000	33,192	2,808
Construction, repair, and maintenance	623,500	180,705	442,795	509,500	176,823	332,677
Other	13,300	14,139	(839)	9,860	20,285	(10,425)
Transfers out	45,000	45,000	0	24,000	285,000	(261,000)
Total Disbursements	962,773	609,447	353,326	787,860	732,725	55,135
RECEIPTS OVER (UNDER) DISBURSEMENTS	244,308	229,761	(14,547)	109,159	(163,263)	(272,422)
CASH, JANUARY 1	333,043	333,043	0	496,306	496,306	0
CASH, DECEMBER 31	577,351	562,804	(14,547)	605,465	333,043	(272,422)
<b><u>ASSESSMENT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	144,000	176,188	32,188	136,311	136,079	(232)
Interest	2,000	2,268	268	280	2,003	1,723
Other	800	1,048	248	900	837	(63)
Transfers in	58,000	1,200	(56,800)	0	0	0
Total Receipts	204,800	180,704	(24,096)	137,491	138,919	1,428
<b>DISBURSEMENTS</b>						
Assessor	232,314	209,171	23,143	148,300	128,438	19,862
Total Disbursements	232,314	209,171	23,143	148,300	128,438	19,862
RECEIPTS OVER (UNDER) DISBURSEMENTS	(27,514)	(28,467)	(953)	(10,809)	10,481	21,290
CASH, JANUARY 1	28,518	28,518	0	18,037	18,037	0
CASH, DECEMBER 31	1,004	51	(953)	7,228	28,518	21,290

Exhibit B

GRUNDY 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>LAW ENFORCEMENT TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	1,000	0	(1,000)	0	0	0
Charges for service:	2,000	2,808	808	3,000	2,611	(389)
Interest	100	95	(5)	80	130	50
Total Receipts	3,100	2,903	(197)	3,080	2,741	(339)
<b>DISBURSEMENTS</b>						
Sheriff	6,000	4,664	1,336	6,000	4,660	1,340
Total Disbursements	6,000	4,664	1,336	6,000	4,660	1,340
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,900)	(1,761)	1,139	(2,920)	(1,919)	1,001
CASH, JANUARY 1	2,983	2,983	0	4,902	4,902	0
CASH, DECEMBER 31	83	1,222	1,139	1,982	2,983	1,001
<b><u>PROSECUTING ATTORNEY TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	450	396	(54)	500	418	(82)
Interest	130	237	107	60	144	84
Total Receipts	580	633	53	560	562	2
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	900	440	460	900	741	159
Total Disbursements	900	440	460	900	741	159
RECEIPTS OVER (UNDER) DISBURSEMENTS	(320)	193	513	(340)	(179)	161
CASH, JANUARY 1	4,281	4,281	0	4,460	4,460	0
CASH, DECEMBER 31	3,961	4,474	513	4,120	4,281	161
<b><u>AMBULANCE FUND</u></b>						
<b>RECEIPTS</b>						
Sales taxes	430,000	437,395	7,395	445,000	430,460	(14,540)
Charges for service:	381,000	431,616	50,616	300,000	471,306	171,306
Interest	10,050	21,283	11,233	2,000	9,269	7,269
Other	1,000	3,150	2,150	2,000	1,772	(228)
Total Receipts	822,050	893,444	71,394	749,000	912,807	163,807
<b>DISBURSEMENTS</b>						
Salaries	494,329	468,762	25,567	482,821	441,474	41,347
Office expense:	29,400	24,891	4,509	26,900	23,141	3,759
Equipment	148,108	154,712	(6,604)	104,000	101,594	2,406
Fuel and maintenance	23,500	26,785	(3,285)	21,000	17,535	3,465
Employee fringe benefits	88,681	82,062	6,619	87,145	72,013	15,132
Insurance	15,188	15,960	(772)	13,550	13,478	72
Other	1,100	3,912	(2,812)	3,000	3,495	(495)
Training	4,350	641	3,709	4,350	720	3,630
Transfers out	93,000	93,000	0	24,000	24,000	0
Total Disbursements	897,656	870,725	26,931	766,766	697,450	69,316
RECEIPTS OVER (UNDER) DISBURSEMENTS	(75,606)	22,719	98,325	(17,766)	215,357	233,123
CASH, JANUARY 1	410,742	410,742	0	195,385	195,385	0
CASH, DECEMBER 31	335,136	433,461	98,325	177,619	410,742	233,123

Exhibit B

GRUNDY 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>LAW ENFORCEMENT CENTER FUND</u></b>						
<b>RECEIPTS</b>						
Sales taxes	430,000	435,572	5,572	0	138,510	138,510
Intergovernmental	8,050	89,373	81,323	9,000	9,000	0
Interest	1,000	8,943	7,943	0	794	794
Other	458,405	1,885	(456,520)	1,400	1,780	380
Transfers in	0	0	0	0	261,000	261,000
Total Receipts	897,455	535,773	(361,682)	10,400	411,084	400,684
<b>DISBURSEMENTS</b>						
DARE training	1,905	1,937	(32)	1,400	1,836	(436)
Vehicle	8,050	8,051	(1)	9,000	9,000	0
Construction	715,000	246,962	468,038	0	306,501	(306,501)
Transfers out	265,000	277,616	(12,616)	0	0	0
Total Disbursements	989,955	534,566	455,389	10,400	317,337	(306,937)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(92,500)	1,207	93,707	0	93,747	93,747
CASH, JANUARY 1	95,207	95,207	0	1,460	1,460	0
CASH, DECEMBER 31	2,707	96,414	93,707	1,460	95,207	93,747
<b><u>PROSECUTING ATTORNEY BAD CHECK FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services:	35,000	36,293	1,293	19,300	24,005	4,705
Interest	0	770	770	185	310	125
Total Receipts	35,000	37,063	2,063	19,485	24,315	4,830
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	28,596	29,362	(766)	20,276	21,891	(1,615)
Total Disbursements	28,596	29,362	(766)	20,276	21,891	(1,615)
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,404	7,701	1,297	(791)	2,424	3,215
CASH, JANUARY 1	11,284	11,284	0	8,860	8,860	0
CASH, DECEMBER 31	17,688	18,985	1,297	8,069	11,284	3,215
<b><u>RECORDER PRESERVATION FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services:	4,000	3,804	(196)	4,500	4,176	(324)
Interest	80	226	146	40	90	50
Total Receipts	4,080	4,030	(50)	4,540	4,266	(274)
<b>DISBURSEMENTS</b>						
Ex Officio Recorder of Deeds	3,800	7,307	(3,507)	3,500	2,550	950
Total Disbursements	3,800	7,307	(3,507)	3,500	2,550	950
RECEIPTS OVER (UNDER) DISBURSEMENTS	280	(3,277)	(3,557)	1,040	1,716	676
CASH, JANUARY 1	3,672	3,672	0	1,956	1,956	0
CASH, DECEMBER 31	3,952	395	(3,557)	2,996	3,672	676

Exhibit B

GRUNDY 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>VICTIMS OF DOMESTIC VIOLENCE FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	300	440	140	500	315	(185)
Interest	10	12	2	10	7	(3)
Total Receipts	310	452	142	510	322	(188)
<b>DISBURSEMENTS</b>						
Shelter	300	461	(161)	500	338	162
Total Disbursements	300	461	(161)	500	338	162
RECEIPTS OVER (UNDER) DISBURSEMENTS	10	(9)	(19)	10	(16)	(26)
CASH, JANUARY 1	31	31	0	47	47	0
CASH, DECEMBER 31	41	22	(19)	57	31	(26)
<b><u>LOCAL EMERGENCY PLANNING COMMITTEE FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	3,400	3,538	138	6,400	3,568	(2,832)
Interest	200	388	188	120	265	145
Total Receipts	3,600	3,926	326	6,520	3,833	(2,687)
<b>DISBURSEMENTS</b>						
Equipment	150	0	150	1,500	0	1,500
Training	1,800	1,618	182	1,165	1,798	(633)
Office supplies	400	235	165	500	174	326
Dues	2,610	2,608	2	2,500	2,608	(108)
Total Disbursements	4,960	4,461	499	5,665	4,580	1,085
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,360)	(535)	825	855	(747)	(1,602)
CASH, JANUARY 1	8,118	8,118	0	8,865	8,865	0
CASH, DECEMBER 31	6,758	7,583	825	9,720	8,118	(1,602)
<b><u>LAW ENFORCEMENT RESTITUTION FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	0	2,698	2,698			
Interest	0	31	31			
Total Receipts	0	2,729	2,729			
<b>DISBURSEMENTS</b>						
Miscellaneous	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,729	2,729			
CASH, JANUARY 1	0	205	205			
CASH, DECEMBER 31	0	2,934	2,934			

Exhibit B

GRUNDY 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>911 FUND</b>						
<b>RECEIPTS</b>						
Charges for services:	90,000	82,599	(7,401)	96,000	90,377	(5,623)
Interest	1,600	1,899	299	1,200	1,804	604
Total Receipts	91,600	84,498	(7,102)	97,200	92,181	(5,019)
<b>DISBURSEMENTS</b>						
Salaries	56,000	56,000	0	56,000	56,000	0
Office Expenditures:	250	155	95	250	73	177
Equipment	1,000	0	1,000	0	16,003	(16,003)
Equipment repair and maintenance	5,000	3,683	1,317	12,500	6,790	5,710
Equipment support	39,000	34,394	4,606	39,000	40,257	(1,257)
Other	6,000	5,740	260	4,275	5,564	(1,289)
Total Disbursements	107,250	99,972	7,278	112,025	124,687	(12,662)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,650)	(15,474)	176	(14,825)	(32,506)	(17,681)
CASH, JANUARY 1	34,391	34,391	0	66,897	66,897	0
CASH, DECEMBER 31	18,741	18,917	176	52,072	34,391	(17,681)
<b>ELECTION SERVICES FUND</b>						
<b>RECEIPTS</b>						
Intergovernmental	167,960	167,574	(386)	85,450	5,234	(80,216)
Interest	500	546	46	75	565	490
Other	0	0	0	0	622	622
Total Receipts	168,460	168,120	(340)	85,525	6,421	(79,104)
<b>DISBURSEMENTS</b>						
Equipment	165,200	173,913	(8,713)	91,150	6,030	85,120
Training	3,400	2,034	1,366	2,000	441	1,559
Supplies	4,500	2,046	2,454	5,000	223	4,777
Miscellaneous	5,000	8,939	(3,939)	0	0	0
Total Disbursements	178,100	186,932	(8,832)	98,150	6,694	91,456
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,640)	(18,812)	(9,172)	(12,625)	(273)	12,352
CASH, JANUARY 1	16,594	16,594	0	16,867	16,867	0
CASH, DECEMBER 31	6,954	(2,218)	(9,172)	4,242	16,594	12,352
<b>RECORDER'S TECHNOLOGY FUND</b>						
<b>RECEIPTS</b>						
Charges for services:	2,200	2,209	9	2,300	2,313	13
Interest	170	86	(84)	100	172	72
Total Receipts	2,370	2,295	(75)	2,400	2,485	85
<b>DISBURSEMENTS</b>						
Ex Officio Recorder of Deeds	1,500	3,706	(2,206)	5,000	9,147	(4,147)
Total Disbursements	1,500	3,706	(2,206)	5,000	9,147	(4,147)
RECEIPTS OVER (UNDER) DISBURSEMENTS	870	(1,411)	(2,281)	(2,600)	(6,662)	(4,062)
CASH, JANUARY 1	1,755	1,755	0	8,417	8,417	0
CASH, DECEMBER 31	2,625	344	(2,281)	5,817	1,755	(4,062)

Exhibit B

GRUNDY 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>JUVENILE FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	64,434	37,131	(27,303)	24,671	54,291	29,620
Interest	20	35	15	10	23	13
Other	800	1,168	368	800	915	115
Total Receipts	65,254	38,334	(26,920)	25,481	55,229	29,748
<b>DISBURSEMENTS</b>						
Juvenile officer	35,494	19,208	16,286	10,503	11,369	(866)
Transfers out	31,500	21,165	10,335	16,768	53,821	(37,053)
Total Disbursements	66,994	40,373	26,621	27,271	65,190	(37,919)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,740)	(2,039)	(299)	(1,790)	(9,961)	(8,171)
CASH, JANUARY 1	9,518	9,518	0	19,479	19,479	0
CASH, DECEMBER 31	7,778	7,479	(299)	17,689	9,518	(8,171)
<b><u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	100	10	(90)	1,400	127	(1,273)
Interest	50	18	(32)	0	35	35
Total Receipts	150	28	(122)	1,400	162	(1,238)
<b>DISBURSEMENTS</b>						
Supplies	700	549	151	1,400	1,000	400
Total Disbursements	700	549	151	1,400	1,000	400
RECEIPTS OVER (UNDER) DISBURSEMENTS	(550)	(521)	29	0	(838)	(838)
CASH, JANUARY 1	722	722	0	1,560	1,560	0
CASH, DECEMBER 31	172	201	29	1,560	722	(838)
<b><u>JUVENILE RESTITUTION FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	500	249	(251)	500	270	(230)
Total Receipts	500	249	(251)	500	270	(230)
<b>DISBURSEMENTS</b>						
Miscellaneous	500	0	500	500	0	500
Total Disbursements	500	0	500	500	0	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	249	249	0	270	270
CASH, JANUARY 1	545	545	0	275	275	0
CASH, DECEMBER 31	545	794	249	275	545	270

Exhibit B

GRUNDY 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>DRUG COURT LOCAL FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	15,800	14,026	(1,774)	8,500	11,604	3,104
Charges for service:	3,000	1,500	(1,500)	4,000	1,875	(2,125)
Other	0	3,730	3,730	0	1,896	1,896
Total Receipts	18,800	19,256	456	12,500	15,375	2,875
<b>DISBURSEMENTS</b>						
Mileage	3,000	0	3,000	1,200	316	884
Tracker	9,000	14,701	(5,701)	9,600	9,373	227
Miscellaneous	1,150	0	1,150	3,635	2,028	1,607
Total Disbursements	13,150	14,701	(1,551)	14,435	11,717	2,718
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,650	4,555	(1,095)	(1,935)	3,658	5,593
CASH, JANUARY 1	6,113	6,113	0	2,455	2,455	0
CASH, DECEMBER 31	11,763	10,668	(1,095)	520	6,113	5,593
<b><u>DRUG COURT FEDERAL GRANT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	131,051	93,086	(37,965)			
Total Receipts	131,051	93,086	(37,965)			
<b>DISBURSEMENTS</b>						
Salaries	76,800	55,201	21,599			
Employee fringe benefit	0	8,901	(8,901)			
Telephone	1,260	1,235	25			
Office Supplies	4,000	2,681	1,319			
Mileage & Training	10,045	5,863	4,182			
Miscellaneous	28,600	16,565	12,035			
Total Disbursements	120,705	90,446	30,259			
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,346	2,640	(7,706)			
CASH, JANUARY 1	(10,346)	(10,346)	0			
CASH, DECEMBER 31	0	(7,706)	(7,706)			
<b><u>SHERIFFS REVOLVING FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	1,000	0	(1,000)			
Charges for services:	500	321	(179)			
Interest	20	31	11			
Total Receipts	1,520	352	(1,168)			
<b>DISBURSEMENTS</b>						
Sheriff	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,520	352	(1,168)			
CASH, JANUARY 1	362	362	0			
CASH, DECEMBER 31	1,882	714	(1,168)			

Exhibit B

GRUNDY 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>COLLECTOR TAX MAINTENANCE FUND</b>						
<b>RECEIPTS</b>						
Charges for services	8,400	9,012	612	8,500	9,047	547
Interest	500	933	433	125	456	331
Total Receipts	8,900	9,945	1,045	8,625	9,503	878
<b>DISBURSEMENTS</b>						
Ex Officio Collector of Revenue	8,620	7,096	1,524	5,250	4,657	593
Total Disbursements	8,620	7,096	1,524	5,250	4,657	593
RECEIPTS OVER (UNDER) DISBURSEMENTS	280	2,849	2,569	3,375	4,846	1,471
CASH, JANUARY 1	15,044	15,044	0	10,198	10,198	0
CASH, DECEMBER 31	15,324	17,893	2,569	13,573	15,044	1,471
<b>HEALTH CENTER FUND</b>						
<b>RECEIPTS</b>						
Property taxes	259,917	285,957	26,040	248,000	280,355	32,355
Intergovernmental	262,070	281,566	19,496	238,544	274,501	35,957
Charges for service	32,200	36,684	4,484	28,700	34,358	5,658
Interest	7,500	12,079	4,579	3,000	7,756	4,756
Other	33,337	42,630	9,293	2,700	10,777	8,077
Total Receipts	595,024	658,916	63,892	520,944	607,747	86,803
<b>DISBURSEMENTS</b>						
Salaries	383,919	380,470	3,449	367,606	369,850	(2,244)
Operating	28,550	32,987	(4,437)	25,000	24,151	849
Building and grounds	33,300	27,133	6,167	19,700	25,357	(5,657)
Medical supplies	44,900	41,962	2,938	36,600	36,828	(228)
Mileage and training	21,200	17,526	3,674	16,600	19,453	(2,853)
Insurance	11,475	10,579	896	12,612	10,639	1,973
Utilities	10,000	9,214	786	8,900	7,734	1,166
Rent	43,392	43,392	0	12,934	19,135	(6,201)
Miscellaneous	600	405	195	600	359	241
Total Disbursements	577,336	563,668	13,668	500,552	513,506	(12,954)
RECEIPTS OVER (UNDER) DISBURSEMENTS	17,688	95,248	77,560	20,392	94,241	73,849
CASH, JANUARY 1	573,637	573,637	0	479,396	479,396	0
CASH, DECEMBER 31	591,325	668,885	77,560	499,788	573,637	73,849

Exhibit B

GRUNDY 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>FAMILIES AND FRIENDS OF THE DEVELOPMENTALLY DISABLED FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	90,000	94,846	4,846	87,600	92,957	5,357
Intergovernmental	5,980	5,342	(638)	90	4,999	4,909
Interest	1,700	3,203	1,503	2,000	2,145	145
Other	1,100	461	(639)	6,480	591	(5,889)
Total Receipts	98,780	103,852	5,072	96,170	100,692	4,522
<b>DISBURSEMENTS</b>						
Operating expenses	40,225	22,260	17,965	35,803	31,400	4,403
Purchase of Service	22,877	44,841	(21,964)	28,576	20,917	7,659
Medicaid match	35,110	37,691	(2,581)	35,110	33,309	1,801
Purchase of land and building	0	42,948	(42,948)	0	35,000	(35,000)
Other	59,636	5,014	54,622	14,028	10,355	3,673
Total Disbursements	157,848	152,754	5,094	113,517	130,981	(17,464)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(59,068)	(48,902)	10,166	(17,347)	(30,289)	(12,942)
CASH, JANUARY 1	134,052	134,052	0	164,341	164,341	0
CASH, DECEMBER 31	74,984	85,150	10,166	146,994	134,052	(12,942)
<b><u>CIRCUIT CLERK INTEREST FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service	0	2,820	2,820	0	936	936
Interest	50	56	6	40	69	29
Total Receipts	50	2,876	2,826	40	1,005	965
<b>DISBURSEMENTS</b>						
Circuit Clerk	1,600	654	946	1,600	0	1,600
Total Disbursements	1,600	654	946	1,600	0	1,600
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,550)	2,222	3,772	(1,560)	1,005	2,565
CASH, JANUARY 1	2,630	2,630	0	1,625	1,625	0
CASH, DECEMBER 31	1,080	4,852	3,772	65	2,630	2,565
<b><u>LAW LIBRARY FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service	5,400	5,985	585	6,500	5,745	(755)
Interest	22	25	3	20	21	1
Total Receipts	5,422	6,010	588	6,520	5,766	(754)
<b>DISBURSEMENTS</b>						
Law books	4,500	4,650	(150)	4,200	4,492	(292)
Equipment	5,000	0	5,000	5,000	0	5,000
Remolding	5,000	0	5,000	5,000	0	5,000
Total Disbursements	14,500	4,650	9,850	14,200	4,492	9,708
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,078)	1,360	10,438	(7,680)	1,274	8,954
CASH, JANUARY 1	21,339	21,339	0	20,065	20,065	0
CASH, DECEMBER 31	12,261	22,699	10,438	12,385	21,339	8,954

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

Notes to the Financial Statements

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

B. Basis of Accounting

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

C. Budgets and Budgetary Practices

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

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Drug Court – Federal Grant Fund	2005
Sheriffs Revolving Fund	2005
Law Enforcement Restitution Fund	2005
Law Enforcement Center Construction Fund	2006
Cemetery Trust Funds	2006 and 2005
Sheriff Telephone Commission Fund	2006 and 2005

Sheriff Commissary Fund	2006 and 2005
Division of Youth Services Grant Fund	2006 and 2005
Associate Division Interest Fund	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>
Law Enforcement Center Fund	2005
Prosecuting Attorney Bad Check Fund	2006 and 2005
Recorder Preservation Fund	2006
Victims of Domestic Violence Fund	2006
9-1-1 Fund	2005
Election Service Fund	2006
Recorder Technology Fund	2006 and 2005
Juvenile Fund	2005
Drug Court Local Fund	2006
Health Center Fund	2005
Families and Friends of The Developmentally Disabled Fund	2005

D. Published Financial Statements

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

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Health Center Fund	2006 and 2005
Circuit Clerk Interest Fund	2006 and 2005
Law Library Fund	2006 and 2005
Sheriff Telephone Commissions Fund	2006 and 2005
Sheriff Commissary Fund	2006 and 2005
Division of Youth Services Grant Fund	2006
Associate Division Interest Fund	2006 and 2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

### Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Grundy County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's, the Health Center Board's, and the Families and Friends of the Developmentally Disabled Board's deposits at December 31, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's or the boards' custodial bank in the county's or the boards' 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.

3. Prior Period Adjustments

The following funds' cash balances at January 1, 2005, were not previously reported but have been added:

<u>Fund</u>	<u>Balance</u>
Cemetery Trust Fund	\$169,849
Sheriff Commissary Fund	87

Supplementary Schedule

Schedule

GRUNDY COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-7139 ERS045-4139	\$ 42,464 0	0 45,029
	Program Total		42,464	45,029
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Economic Development -				
14.228	Community Development Block Grants/State' Program	2000-PF17	1,200	0
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO1640743 ERO1640571	11,508 0	0 10,656
	Program Total		11,508	10,656
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety				
16.523	Juvenile Accountability Incentive Block Grant	2003-JABG-SUP-07	16,168	0
16.585	Drug Court Discretion Grant Program	2005DCBX0022	90,446	15,281
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,000	1,461
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Constructor	BRO 040(19) BRO 040(20) BRO 040(22)	8,646 418 1,682	0 5,598 17,429
	Program Total		10,746	23,027
Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	0	2,431

Schedule

GRUNDY COUNTY, MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
GENERAL SERVICES ADMINISTRATION				
Passed through state				
Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	225	153
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State				
90.401	Help America Vote Act Requirements Payment	95-1650-0-1-808	166,010	5,088
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-5139L	1,510	993
93.268	Immunization Grants	N/A	55,656	44,115
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	DH050032022 DH060031078	5,716 6,772	3,583 0
	Program Total		<u>12,488</u>	<u>3,583</u>
Department of Social Services -				
93.569	Community Service Block Grant	HPC-42	17,470	17,470
Department of Health and Senior Services -				
93.575	Child Care and Development Block Grant	PGA067-6139C PGA067-6139S PGA067-4169C PGA067-5169C	2,100 855 0 0	0 0 2,378 650
	Program Total		<u>2,955</u>	<u>3,028</u>
Department of Social Services -				
93.643	Children's Justice Grants to State	AOCO5380061	18,252	8,221
93.669	Child Abuse and Neglect State Grant	AOCO5380061	18,251	9,453

Schedule

GRUNDY COUNTY, MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2006	2005
Department of Health and Senior Services				
93.991	Preventive Health and Health Services Block Gran	A0C04380006	33,501	36,550
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-7139M	23,379	0
		PGA062-70113	122	0
		ERS146-5139M	0	15,487
	Program Total		<u>23,501</u>	<u>15,487</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.067	Homeland Security Grant Program	2005-GET5-0022	100,393	0
	Total Expenditures of Federal Award:		\$ <u><u>623,744</u></u>	<u><u>242,026</u></u>

N/A - Not applicable

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

Notes to the Supplementary Schedule

GRUNDY COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

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

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

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided	
		Year Ended December 31, 2006	2005
14.231	Emergency Shelter Grants Program	\$ 11,508	10,656
93.569	Community Service Block Grant	17,470	17,470

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

State Auditor's Report



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

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

To the County Commission  
and  
Officeholders of Grundy County, Missouri

Compliance

We have audited the compliance of Grundy County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

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

In our opinion, Grundy County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 06-1.

### Internal Control Over Compliance

The management of Grundy County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance 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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described as finding number 06-1 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We consider the significant deficiency referred to above, finding number 06-1 to be a material weakness.

The response of Grundy County, Missouri, to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's response and, accordingly, we express no opinion on it.

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

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

Susan Montee, CPA  
State Auditor

May 16, 2007

Schedule

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

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiency identified that is not considered to be a material weaknesses?  yes  none reported

Noncompliance material to the financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weakness identified?  yes  no
- Significant deficiency identified that is not considered to be a material weakness?  yes  none reported

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

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

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
16.585	Drug Court Discretion Grant Program
90.401	Help America Vote Act Requirements Payments
97.067	Homeland Security Grant Program

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

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

## Section II - Financial Statement Findings

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

## Section III - Federal Award Findings and Questioned Costs

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

<b>06-1.</b>	<b>Schedule of Expenditures of Federal Awards</b>
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Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Department of Health
Federal CFDA Numbers:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	ERS045-7139 and ERS045-4139
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Numbers:	16.585
Program Title:	Drug Court Discretion Grant Program
Pass-Through Entity	
Identifying Number:	2005DCBX0022
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable
Federal Grantor:	Election Assistance Commission
Pass-Through Grantor:	Office of Secretary of State
Federal CFDA Numbers:	90.401
Program Title:	Help America Vote Act Requirements Payments
Pass-Through Entity	
Identifying Number:	95-1650-0-1-808
Award Years:	2006 and 2005
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Numbers:	97.067
Program Title:	Homeland Security Grant Program
Pass-Through Entity	
Identifying Number:	2005-GET5-0022
Award Years:	2006
Questioned Costs:	Not Applicable

The county and health center do 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. Total reported expenditures were overstated by \$24,800 and \$107,700 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. The most significant errors occurred in 2005 when the County Clerk incorrectly reported \$72,500 as federal expenditures for the Community Service Block Grant program and \$60,800 as federal expenditures for the Local Law Enforcement Block Grant Program; however, these amounts represented state monies. Other smaller errors were noted on various programs, including programs administered by the health center. The audited SEFA was adjusted to correct these errors. 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.

**WE RECOMMEND** the County Commission and County Clerk work to ensure the SEFA is complete and accurate.

**AUDITEE'S RESPONSE**

*We work hard on the preparation of the SEFA and will continue to do so to ensure it is accurate and complete.*

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

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

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

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

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

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

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

The prior audit report issued for the two years ended December 31, 2004, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

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

We have audited the financial statements of various funds of Grundy County, Missouri, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 16, 2007. We also have audited the compliance of Grundy County, Missouri, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 16, 2007.

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

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

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

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

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

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

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

<b>1. Budgetary Practices and Published Financial Statements</b>
--

Budgets were not prepared for some county funds and information regarding several county funds was omitted from the county's annual published financial statements. In addition, actual expenditures exceeded budgeted amounts for several county funds and administrative transfers to the General Revenue Fund exceeded allowable amounts and should be repaid to the Special Road and Bridge Fund.

- A. The County Commission and various elected officials did not ensure budgets were prepared for some county funds for the years ended December 31, 2006 and 2005. While a budget was not prepared in 2006 for the Law Enforcement Center Construction Fund, which had receipts of over \$5 million, these monies were received by the county's trustee bank on December 28, 2006, but were not expected to be received until early 2007. Most other unbudgeted funds are controlled by another county official. By failing to ensure budgets were prepared for all county funds, the county has not complied with statutory provisions and cannot effectively monitor expenditures or fund balances.

Sections 50.525 to 50.745, RSMo (the county budget law), requires counties to prepare annual budgets for all funds, describes details to be provided in budget documents, provides timeframes for the completion of certain aspects of the budgetary process, and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's office. By preparing or obtaining budgets for all county funds, the County Commission, county boards, and other county officials present a complete financial plan to the county citizens, can more effectively monitor and evaluate all county financial resources, can ensure compliance with statutory provisions, and can prepare complete financial statements.

- B. The county's annual published financial statements did not include financial information for several county funds. 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.

- C. The County Commission and other elected officials do not regularly monitor budget to actual data for funds they control, resulting in actual disbursements exceeding budgeted amounts for several funds, as follows:

Fund		Year Ended December 31,	
		2006	2005
Law Enforcement Center Fund	\$	N/A	306,937
Prosecuting Attorney Bad			
Check Fund		766	1,615
Recorder Preservation Fund		3,507	N/A
Victims of Domestic Violence Fund		161	N/A
911 Fund		N/A	12,622
Election Service Fund		8,832	N/A
Recorder Technology Fund		2,206	4,147
Juvenile Fund		N/A	19,791
Drug Court Local Fund		1,551	N/A
Health Center Fund		N/A	12,954
Families and Friends of the			
Developmentally Disabled Fund		N/A	18,902

These various funds were overspent, at least in part, due to the County Commission and various other elected officials failing to monitor the amount of available expenditures in their budget when spending items were approved.

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.

- D. The County Commission has transferred more than allowed by state law for the General Revenue Fund's administrative service fee. The county exceeded the allowable amount by approximately \$32,400 during the two years ending December 31, 2006. At least part of the problem was caused by a budget prepared for the Special Road and Bridge Fund in 2006 that was significantly higher than what was actually spent. Actual expenditures were far below the budgeted amount and the county failed to adjust the amount of the transfer down to 5% of actual expenditures. In addition, while the budget for the Special Road and Bridge Fund was reasonable in 2005, the county paid the salary of the presiding commissioner, \$25,760, from the Special Road and Bridge Fund as well as making a transfer of \$24,000 to the General Revenue Fund, which caused the transfer to exceed the allowable amount.

Section 50.515, RSMo 2000, allows the county to impose an administrative service fee on the Special Road and Bridge Fund and the Special Road and Bridge Sales Tax Fund. The administrative service fee shall not exceed five percent of the total budget

of the fund. These transfers have taken funds which are restricted to road and bridge purposes, and used them for the county's general operating expenses.

Conditions similar to parts A-C were noted in our prior report.

**WE RECOMMEND** the County Commission:

- A. And other county officials ensure budgets are prepared for all county funds.
- B. Ensure all required information is presented in the county's annual published financial statements.
- C. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts.
- D. Develop a repayment plan for the money which is due from the General Revenue Fund to the Special Road and Bridge Fund. The County Commission should also ensure future administrative transfers do not exceed the statutory allowance.

**AUDITEES RESPONSE**

- A. *For the funds we handle we will ensure budgets are completed and will discuss with other officials during the budget approval process the need for their budgets.*
- B. *We will do our best to include this information in the future.*
- C. *We do look at budget to actual reports currently and will make an effort to look at them more in the future.*
- D. *We will develop a repayment plan by year end and will ensure administrative transfers are done in accordance with state law.*

<b>2. Bidding and CART Monies</b>
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The county does not have adequate procedures regarding the procurement of major purchases and professional services. The county made payments to townships and road districts without proper written contracts and does not monitor the use of County Aid Road Trust (CART) monies.

- A. While a review of county minutes and bid files indicated the county bid numerous items, the county did not always solicit bids, or bid documentation was not always retained for various purchases as discussed below.

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.

We had concerns related to the following purchases:

<u>Items or Services</u>	<u>Cost</u>
Ambulance	\$ 106,908
GPS Mapping	71,455
Defibrillators	25,118
Voice Recorder	15,413

The county indicated that the ambulance, GPS Mapping, and the defibrillators were only available through one source, but this was not documented.

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

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.

- B. Payments were made to townships and road districts without proper written contracts. During the two years ended December 31, 2006, the county distributed approximately \$315,000 in CART revenues to fourteen townships and special road districts within the county based on the number of road miles in each district. The county did not enter into written contracts with the townships or special road districts related to these distributions and does not monitor the townships' or special road districts' use of these monies. While an annual financial report is submitted to the County Clerk by the townships and road districts, these reports are not reviewed by the County Commission to ensure the CART monies were properly expended.

To ensure CART monies are used only for road-related purposes, the County Commission should obtain written contracts with the townships and special road districts which document the specific services to be provided for the use of these monies and include provisions for the County Commission to monitor the townships and road districts' use of county funds. This monitoring could be accomplished by performing a detailed review of the annual reports submitted to the County Clerk.

**WE RECOMMEND** the County Commission:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- B. Obtain written agreements, which specifically state what services are to be provided to the county, for any distribution of CART monies. In addition, the County Commission should perform a detailed review of the annual reports submitted by the townships and special road districts to ensure these monies were properly expended in accordance with the contracts.

**AUDITEES RESPONSE**

- A. *We will make every effort to bid applicable purchases and will strive to ensure all applicable items are bid in the future as required.*
- B. *We will enter into contracts with all applicable townships and road districts and will perform a detailed review of reports effective year end 2007.*

<b>3. Property Tax and Computer Controls</b>
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The County Clerk does not reconcile her account book with the Ex Officio County Collector, and there is not a contingency plan for the computer system.

- A. The County Clerk does not reconcile her account book with the Ex Officio County Collector. Although the County Clerk and the Ex Officio Collector each maintain account books they do not reconcile books to each other. Failure of the County Clerk to verify the accuracy of account book could result in failure to detect errors on the annual settlement.
- B. The county does not have a formal emergency contingency plan for the computer system, and has not formally negotiated arrangements for backup facilities in the event of a disaster.

Contingency plans should include plans for a variety of situations, such as short-and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Because of the county's degree of reliance on the data processing, the need for contingency planning is evident.

**WE RECOMMEND** the County Clerk:

- A. Use her account book to help reconcile the aggregate abstracts, tax books and annual settlement.
- B. Work with the County Commission to develop a formal contingency plan for the county's computer systems.

**AUDITEES RESPONSE**

- A. *I will consider implementing this.*
- B. *We will attempt to have a contingency plan adopted by January 1, 2008.*

<b>4. County Property Records and Procedures</b>
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Procedures and records to account for county property are not adequate. The County Clerk does not maintain an overall county property listing, some departments did not perform inventories or submit required reports, inventory reports were not accurate or complete, and assets tags do not include all applicable information.

Each year the County Clerk sends a memo to all county departments requesting they perform inspections and physical inventories, and submit inventory reports to document these efforts. These reports are to be submitted to the County Clerk for review and signature. The following issues were noted with county property records:

- The County Clerk does not maintain an overall county property listing.
- The Special Road and Bridge department did not perform inventories and submitted no information to the county clerk.
- Physical inventory reports received were not accurate or complete. We noted a purchase of an ambulance for \$106,908 and a voice recorder for \$15,413 that were not included on the physical inventory sheets.
- Asset tags do not include all information applicable to the item. Information such as asset number or serial number are not included on asset tags.

Based on the recordkeeping and reporting problems noted above, it is clear that the county has not complied with statutory provisions. Additionally, the completeness and accuracy of the overall county property records is questionable. These problems increase the possibility of undetected theft and inadequate insurance coverage.

Section 49.093, RSMo requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

**WE RECOMMEND** the County Clerk work with other county departments to ensure physical inventories are conducted and reports submitted, implement a procedure for tagging and tracking property purchases throughout the year, and follow up on discrepancies identified during the annual physical inventory process. In addition, the County Clerk should exercise more care to ensure all property records are retained and can be located.

**AUDITEES RESPONSE**

*We will work to improve our overall county asset records.*

<b>5. County Commission Minutes</b>
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Minutes of closed meetings held by the County Commission are not always taken. The County Commission held numerous closed meetings during the past several years, but minutes were not taken for some closed meetings. Without minutes of closed meetings, 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 meeting and requires minutes to 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.

**WE RECOMMEND** the County Commission take minutes for all closed sessions.

**AUDITEES RESPONSE**

*We typically take minutes for closed sessions and will ensure they are taken in the future.*

The county lacks documentation to support transfers made from the Ambulance Fund to the General Revenue Fund. The County Commission has not sought a legal opinion or had significant discussions regarding these transfers in recent years. In addition, some applicable charges are not billed to clients, receipt slips are not issued for all monies received, and monies received are not transmitted timely.

- A. The county does not maintain documentation to support the calculation of the transfers made from the Ambulance Fund to the General Revenue Fund and has not sought a legal opinion or had significant discussions in recent years on how these transfers are calculated. Currently, the proceeds of one of the counties general sales taxes, approximately \$430,000 annually, is placed in the Ambulance Fund. The county budgets for and has made an annual transfer from the Ambulance Fund to the General Revenue Fund for the past several years to help improve the financial condition of the General Revenue Fund.

During our audit period \$117,000 was transferred to the General Revenue Fund, while the cash balance of the Ambulance Fund increased by approximately \$238,000. The ballot language approving this general sales tax placed no restrictions on how these monies would be spent, although the county has historically placed these monies in the Ambulance Fund. Documentation from a county commission meeting in 1992 indicated the commission ordered that a line item be budgeted for emergency reserves at 15% of budgeted expenditures in the Ambulance Fund. Any remaining proceeds of the sales tax would then be transferred to the General Revenue Fund for other county needs. The county has not been budgeting an emergency fund line item within the Ambulance Fund, has not maintained documentation to support the calculation of the amounts actually transferred, and does not calculate any allowable transfer. The commission has not received a legal opinion regarding this situation from the Prosecuting Attorney or had significant documented discussions about this matter since 1992.

Based on language from the 1992 commission minutes and the lack of restrictions on the ballot for the sales tax, it appears additional amounts could have been transferred in past years. The commission should consider getting a legal opinion regarding future transfers and determine how much, if any, additional transfers could be made.

- B. The county does not always bill for all allowable charges for ambulance services. The ambulance director explained that Medicare and Medicaid will only pay certain amounts so they typically only bill Medicare and Medicaid for amounts they will pay. For 5 of 20 cases tested, allowable charges, totaling approximately \$450, were not properly billed to patients or their insurance carrier after receiving ambulance services. None of these five were billable to Medicare or Medicaid. Employees indicated there were no written policies, but some things had been verbally

communicated, but not followed through on. As a result, all services provided are not properly billed resulting in lost revenue to the county.

Written policies related to billing and collection of accounts receivable are necessary to ensure consistency and to establish adequate internal controls over accounts receivable.

- C. A reconciliation of accounts receivables to billings and payments received is not performed. In addition, transmittals to the County Treasurer are not made on a timely basis and checks and money orders are not restrictively endorsed upon receipt.

Billings are generated from a computerized system and payments received are posted to a manual receipt log and the computer billing application. However, there is no reconciliation of accounts receivable to billings and payments to ensure all payments received are posted to the log and computer. A cash count performed on March 15, 2007 identified 6 checks, totaling \$1,799 which were not transmitted to the County Treasurer until March 21, 2007. In addition, none of these checks were restrictively endorsed.

Monthly reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of these reconciliations should be retained to support conclusions and any corrections made, and to facilitate independent reviews. In addition, to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, transmittals should be made daily and all checks and money orders should be restrictively endorsed immediately upon receipt.

**WE RECOMMEND** the County Commission:

- A. Request an opinion from the Prosecuting Attorney regarding the sales tax currently used to fund the Ambulance Department and develop a current policy on how those monies will be handled.
- B. Develop written policies for ambulance billing and collections and ensure patients are billed for all services.
- C. Require monthly accounts receivable listings be reconciled to beginning accounts receivable, plus billings, less collections and adjustments. Any differences which cannot be accounted for should be investigated. In addition, monies should be transmitted to the County Treasurer on a timely basis and checks should be restrictively endorsed upon receipt.

## **AUDITEES RESPONSE**

- A. *We will talk this matter over with the Prosecuting Attorney and come up with a policy.*
- B. *We will develop written policies for ambulance billings and ensure patients are billed for all charges in the future.*
- C. *We will discuss procedures for accounts receivable with the Ambulance Director and make changes as necessary. The Ambulance Department has already started restrictively endorsing checks upon receipt and we will discuss the need to increase the number of transmittals.*

<b>7. Sheriff Accounting Controls and Procedures</b>
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Accounting and bookkeeping duties are not adequately segregated. Monies received are not always deposited intact and on a timely basis. Telephone commission monies are maintained outside the county treasury. In addition, commissary profits are not turned over to the county treasury and there are no perpetual inventory records for commissary items.

The Sheriff's office handled receipts and disbursements of approximately \$300,000 during the two years ended December 31, 2006.

- A. Accounting and bookkeeping duties are not adequately segregated. The Sheriff's bookkeeper is responsible for receipting, recording, and depositing monies received; preparing and signing checks; and preparing month-end reports and reconciliations. The Sheriff indicated he reviews the accounting records and reconciliations, but does not document his review.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. If proper segregation cannot be achieved due to the limited staff available, the Sheriff should at least compare bank deposits with recorded receipts and review bank reconciliations. Proper supervision by the Sheriff and documented reviews help ensure that financial records are properly maintained and help detect errors on a timely basis.

- B. Receipts are not always deposited intact on a timely basis. Gun permits and Sheriff's fees are deposited once a month. Gun permits and fees totaling \$447 received by July 3, 2006, were not deposited until August 1, 2006. During this same time period the Sheriff received \$7,500 in bond and room and board payments that were deposited either the same day or within one day of receiving them.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact on a timely basis, such as daily if significant amounts of cash are collected.

- C. The Sheriff maintains telephone commission monies and profits from the commissary fund outside the county treasury. Sheriff's records reflect telephone commissions totaling \$1,073 and \$1,588 were received for collect calls made by inmates from the jail telephone, and monies received for the inmate commissary of \$1,473 and \$1,965 for the years ended December 31, 2006 and 2005, respectively. The records indicate that during the same period, expenditures related to telephone commissions totaling \$938 and \$1,554, and expenditures related to the commissary totaling \$1,493 and \$1,944 were made from these funds. The telephone commission checks are cashed and maintained in a petty cash fund, and the profits from the sale of commissary items are placed in the petty cash fund, rather than turning these monies over to the County Treasurer. The money in the petty cash fund is used to purchase jail supplies and for various other office expenses.

Maintaining these funds outside the county treasury circumvents the appropriation process and the checks and balances system in place for most other county funds. In addition, there is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states "...sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining account balance should be transferred to the County Treasurer and future receipts should be transmitted to the County Treasurer.

- D. The Sheriff's Office does not maintain a perpetual inventory of commissary items. Amounts spent for purchases and amounts received from sales to inmates are tracked in a log, but inventory balances are not kept for any commissary items. The sheriff's office purchases candy bars, ramen noodles, soup cups, soap, and wash clothes which they keep as an inventory for the inmates to purchase. By not maintaining an inventory of the commissary items, there is less assurance that all items sold are paid for and properly accounted for.

To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records. In addition, a physical inventory count should be made periodically and reconciled to the inventory balances.

Conditions A, B and C were noted in a previous report.

**WE RECOMMEND** the Sheriff:

- A. Adequately segregate the accounting duties or, at a minimum, ensure that periodic independent reviews of the accounting records are performed and documented.
- B. Deposit all receipts intact and on a timely basis.
- C. Transfer the balance of the petty cash fund over to the County Treasurer and turn over all future telephone commission monies and profits from the commissary to the County Treasurer.
- D. Maintain perpetual inventory records for commissary items and reconcile inventory records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.

**AUDITEES RESPONSE**

- A. *I agree and have already begun periodically reviewing accounting records.*
- B. *I agree and have already implemented this recommendation.*
- C&D. *I will take these recommendations under advisement. Once we move into the new Law Enforcement Center I will determine the procedures needed.*

<b>8. Prosecuting Attorney's Accounting Controls and Procedures</b>
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Accounting and bookkeeping duties are not adequately segregated, there is no documentation of money orders turned over to victims for bad check restitution, and there is no agreement with the county outlining payments of expenses. Restitution payments are not distributed timely and the cash balance of the restitution account exceeds open items (liabilities), and the open items listings are not maintained. In addition, bonuses are given to employees and employees responsible for handling assets are not bonded.

The Prosecuting Attorney's Office collects bad check and court-ordered restitution monies. Bad check restitution is usually forwarded directly to the victims. Bad check collection fees received in the form of money orders made payable to the County Treasurer are transmitted directly to that office for credit to the Prosecuting Attorney's Bad Check Fund. Court-ordered restitution payments are deposited to the official bank account and checks are issued for the distribution of the restitution. During 2006, the Prosecuting Attorney's office collected approximately \$198,000. Our review of the Prosecuting Attorney's accounting controls and procedures revealed the following concerns:

- A. Accounting and bookkeeping duties are not adequately segregated. The office employs two secretaries, one of which is responsible for all duties related to restitution and the other responsible for handling bad checks. There is no indication that supervisory reviews are performed by the Prosecuting Attorney to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by more clearly assigning accounting and bookkeeping duties to be performed by each employee or by implementing an independent documented review of records by another employee or the Prosecuting Attorney.

- B. Money orders received for repayment of bad checks are not deposited but instead are forwarded directly to the victim and documentation is not obtained from the merchant to ensure payments are received. In addition, money orders received do not always indicate the payee. A cash count performed on February 27, 2007, showed 12 money orders totaling \$1,053, which did not have a payee indicated on them.

Good internal control procedures require that all cash be deposited to an official account and distributed through issuance of a check; and that documentation, such as a receipt slip, be obtained when monies are transmitted via a money order. Failure to do so increases the risk that loss or misappropriation of funds will not be detected on a timely basis.

- C. The Prosecuting Attorney does not have an office in the courthouse. He performs his county duties from an office building used in the operation of his private law practice. The county does not have a written agreement with the Prosecuting Attorney outlining the portion of his expenses to be paid by the county. Currently, the county pays 100 percent of the salaries for two secretaries, leased copier, and 60 percent of trash and telephone services. There is no documentation supporting how these percentages were determined and it is unclear how much of the county paid secretaries time is spent performing private practice work for the Prosecuting Attorney.

Since county resources should be used only for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining what expenses will be provided by the county and what will be provided by the private practice. The basis for the arrangements should be documented and retained. To ensure the Prosecuting Attorney is not personally benefiting from this arrangement, it is important to document the adequacy of the financial arrangement and the basis for the allocation of resources between county and private use. There needs to be a clear

distinction made between county and private practice resources and work efforts to

avoid the appearance of impropriety and alleviate questions regarding possible inappropriate use of public resources.

- D. The Prosecuting Attorney's office accumulates partial payments on court ordered restitution until significant amounts have been received and then distributes the funds to the victims. The Prosecuting Attorney attempts to pay out these monies on a quarterly basis. While a pay out was made on February 1, 2007, and approximately \$7,500 was distributed, the next payout of approximately \$11,700 was not done until September 2007. Approximately \$600 left in the bank account has been collected on behalf of the victims by order of the court to pay restitution.

To expedite the distribution of restitution to victims and to reduce the amount of open items necessary to be accounted for, the Prosecuting Attorney's office should consider distributing restitution payments to the victims more timely.

- E. At February 21, 2007 the reconciled cash balance of the restitution account exceeded the open items listing by approximately \$970. The Prosecuting Attorney indicated that records from the prior office holder were obtained and researched and monies were disposed of on many cases; however, some monies have not been identified. In addition, open items listings are not maintained, but are disposed of after being reconciled to the cash balance.

To ensure that receipts and disbursements are properly handled and accurately posted to the case files, and that there is sufficient cash to cover all liabilities for open cases, a complete and accurate open-items listing should be prepared monthly and reconciled to the cash balance. Such reconciliations would allow for prompt detection of errors and allow the Circuit Clerk to determine disposition of any unidentified monies remaining over a period of time. Any amounts remaining that cannot be distributed should be turned over to the state's Unclaimed Property Section in accordance with state law.

- F. In January 2007 and 2006, the Prosecuting Attorney authorized payments from the Prosecuting Attorney Bad Check Fund totaling \$500 each year to his employees as bonuses. These payments were not included in the county payroll records, were not subject to the proper withholdings, and were not reported on the employees' W-2 forms.

These bonuses represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which states "...a governmental agency deriving its power from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officials after the service has been rendered."

- G. The Prosecuting Attorney and his employees responsible for handling monies are not bonded. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees handling money should be adequately bonded.

Conditions similar to A, B, D, E and G were noted in our previous report.

**WE AGAIN RECOMMEND** the Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented supervisory reviews of the accounting records.
- B. Deposit all cash receipts to the official checking account and distribute such monies by issuing a check. In addition, documentation should be obtained when money orders are turned over directly to the victim and payee should be indicated on money orders.
- C. Enter into a written agreement with the county outlining the specific arrangements regarding payment of the Prosecuting Attorney's expenses. The basis for this arrangement should be documented and retained.
- D. Consider distributing restitution payments to victims on a more timely basis.
- E. Continue to attempt to identify and disburse all monies in the bank account and dispose of unidentified and unclaimed monies in accordance with state law. In addition, documentation of the reconciliation of open items to the reconciled cash balance should be maintained.
- F. Discontinue the practice of paying bonuses to employees.
- G. Obtain bond coverage for all employees handling receipts.

**AUDITEES RESPONSE**

- A. *I agree and will perform reviews of accounting records and document these reviews.*
- B. *I understand the auditor's concerns, but we have had no problems with merchants receiving these funds in the past and believe our procedures are adequate. I will do my best to ensure a payee is on each money order, but to a certain extent this is out of my control.*
- C. *I agree to discuss this with the County Commission and get a written agreement in place.*
- D. *I will discuss distribution procedures with my staff and determine if changes are needed.*
- E. *We have made every attempt to determine who these monies belong to and will turn this over to unclaimed property. I will ensure an open items list is prepared in the future and reconcile it to a cash balance.*
- F. *I will take this under advisement.*

G. *I will implement this recommendation.*

<b>9. Circuit Clerk Controls</b>
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Circuit Court procedures related to manual receipt slips and accrued costs are in need of improvement. The Circuit Court processes approximately \$206,000 annually in civil and criminal case fees, fines, and bonds.

A. Manual receipt slips are issued when the Justice Information System (JIS) is not available. The following issues were noted with manual receipt slips:

- The Circuit Clerk does not account for the numerical sequence of some receipt slips issued. The Circuit Clerk's office issues two-part unofficial manual receipt slips. The duplicate copy of the receipt slip is attached to the monies and then thrown away after the receipt is entered into JIS. Because copies of the receipt slips were not retained, the numerical sequence could not be accounted for.
- Manual receipt slips were only issued for monies received in cash. When payment is received by check or money order, instead of issuing a manual receipt slip, a case fee sheet is printed from JIS and the payment is notated there.

To adequately account for collections and reduce the risk of loss or misuse of funds, if manual receipt slips will be issued, they should be official and prenumbered and should be issued for all monies received immediately upon receipt. In addition, the receipt slip numbers should be accounted for and the composition should be reconciled to the JIS receipt slips issued when they are entered into the system.

B. Procedures to monitor and collect accrued court costs could be improved. The Circuit Clerk's office generates an accrued court cost listing periodically. The December 31, 2006 listing totaled over \$237,000. The Circuit Clerk's office made no effort to collect accrued costs during our audit period.

Accrued costs could remain uncollected because of inadequate monitoring procedures which might eventually result in lost revenue. Without the active and timely pursuit of unpaid fines, costs, and restitution, revenues to the state, county, and others could be lost. Although recent legislation has increased the court's opportunities to collect debts owed for court cases, the Circuit Clerk's office does not participate in any of these options.

The Circuit Clerk's office could also consider reporting the unpaid debt to one of the three main credit reporting bureaus. Without the active and timely pursuit of unpaid fines and costs, revenues to the state and county could be lost.

**WE RECOMMEND** the Circuit Clerk:

- A. Require official prenumbered receipt slips be issued for all monies received and the numerical sequence of manual receipt slips be accounted for properly. In addition, the Circuit Clerk should ensure the composition of manual receipt slips is reconciled to JIS receipt slips.
- B. Establish more formal and consistent procedures for pursuing amounts due the court and/or assessing the likelihood of their collection.

**AUDITEES RESPONSE**

- A. *I will take this under advisement and implement to the extent possible based on available time.*
- B. *I just took office January 1, 2007 and have already begun tax intercepts. We will contact OSCA and determine other collection actions available*

<b>10. Health Center</b>
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The Health Center has accumulated a significant cash reserve without any specific plans for its use, bids are not obtained for all required purchases, and reasons for closing meetings are not always documented.

- A. During the two years ended December 31, 2006 receipts exceeded disbursements by \$189,489, resulting in the cash balance of the Health Center Fund increasing from \$479,396 at December 31, 2004 to \$668,885 at December 31, 2006. Disbursements averaged approximately \$540,000 during 2006 and 2005. The Health Center should determine its future needs, and consider such information when setting future property tax levies.
- B. While a review of Health Center minutes and bid files indicated the Health Center bid numerous items, the Health Center did not always solicit bids, or bid documentation was not always retained for various purchases as discussed below.

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

We had concerns related to the following purchases:

<u>Items or Services</u>	<u>Cost</u>
Vaccines (2006)	\$ 29,778
Vaccines (2005)	23,813
Health Insurance (2006)	22,019
Health Insurance (2005)	19,473
Air conditioning/heating unit	6,638

The Health Center indicated that vaccines were only available through one source, although this was not documented.

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

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.

- C. Reasons for closing meetings are not always documented. The Health Center Board held numerous closed meetings during the past several years. Open meeting minutes typically will indicate that the meeting is being closed, but the specific reason is not documented.

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.

**WE RECOMMEND** the Health Center Board of Directors:

- A. Review the cash balance and consider reducing the property tax levy. If plans have been made for expending the accumulated fund balance, such plans should be set forth publicly in the budget document.
- B. Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- C. Ensure the reason for closing the session is documented in open minutes.

**AUDITEES RESPONSE**

The Health Center Administrator responded:

- A. *I will discuss this with the Board and would put a plan in place to reduce the cash balance to a manageable level by January 31, 2008.*
  
- B&C. *I agree and will implement these recommendations in the future.*

## Follow-Up on Prior Audit Findings

GRUNDY 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 Grundy 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. Financial Condition

The General Revenue Fund was experiencing a declining cash balance.

Recommendation:

The County Commission take the necessary steps to improve the financial condition of General Revenue Fund.

Status:

Partially implemented. Cash balances for the General Revenue Fund have increased over the last couple of years. While the budget for the year ended December 31, 2007 projected an ending cash balance of \$147, it appears monies may be available from other sources to improve this situation. See MAR finding number 6.

2. Budgetary Practices and Published Financial Statements

- A. Formal budgets were not prepared for various county funds for the years ended December 31, 2002 and 2001.
- B. The expenditures of some funds exceeded the original budgets prior to the County Commission and Health Center amending the budgets to reflect increased expenditures made during 2002 and 2001.
- C. The 2003 General Revenue Fund budget reflected a deficit ending budgeted fund balance of \$45,980.
- D. The annual published financial statement of the county did not include the financial activity of some county funds.

Recommendation:

The County Commission:

- A. Ensure budgets are obtained or prepared for all county funds.
- B. And Health Center Board of Trustees ensure budget amendments are made prior to incurring actual expenditures and public hearings are held prior to adopting budget amendments.
- C. Discontinue appropriating expenditures in excess of available resources.
- D. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

A&D. Not Implemented. See MAR finding number 1.

B&C. Implemented.

3. County Commission Minutes

- A. The official county commission meeting minutes were not up to date.
- B. Open meeting minutes did not always document the specific reasons for entering the closed session or the final disposition of matters discussed in closed meetings, if applicable.
- C. The Presiding County Commissioner did not sign the county commission meeting minutes.

Recommendation:

The County Commission:

- A. Ensure the official record of meetings is prepared on a timely basis.
- B. Ensure the reasons for going into closed session and the final disposition of matters discussed in closed session, as provided by state law, are documented in the county commission open minutes.
- C. Continue to approve and sign minutes.

Status:

A&C. Implemented.

B. Not Implemented. See MAR finding number 5.

4. Property Tax System and Computer Controls

A. Access to the property tax system was not adequately restricted and changes to data were not routinely monitored.

B. The County Clerk did not maintain an account book with the Ex Officio Collector.

C. The county did not have a formal emergency contingency plan for the computer system, and did not formally negotiate arrangements for backup facilities in the event of a disaster.

Recommendation:

The County Commission:

A. Restrict access to assessment and property tax data during periods when changes to the data are not statutorily allowed and to only those individuals with statutory authority to change applicable data. If the county allows access and change capabilities which are normally incompatible to statutory duties, the County Commission should ensure change reports are generated and an independent individual, such as the County Clerk, reviews all changes for propriety.

B. Require the County Clerk to establish and maintain an account book with the Ex Officio County Collector. In addition, the County Commission should consider using the account book to verify the Ex Officio County Collector's annual settlements.

C. Develop a formal contingency plan for the county's computer systems.

Status:

A. Implemented.

B. Partially Implemented. The County Clerk is maintaining an account book, but is not using the account book to verify the annual settlement. See MAR finding number 3.

C. Not implemented. See MAR finding number 3.

5. Prosecuting Attorney's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. A log or other record was not maintained to account for all bad check complaints filed with the Prosecuting Attorney and their ultimate disposition.
- C.1. Monies received were not always recorded in a timely manner.
  - 2. Although receipt slips were issued for all monies received, redi-form receipt slips were issued rather than official, pre-numbered receipt slips.
  - 3. More than one receipt slip book was used simultaneously.
- D.1. Cash payments received for repayment of bad checks were not deposited but instead were forwarded to the victim.
  - 2. There were three instances in which cash received for court ordered restitution could not be traced to a deposit slip.
- E. The Prosecuting Attorney's office accumulated partial payments on court ordered restitution until significant amounts were received and then distributed the funds to the victims.
- F. Although a listing of outstanding checks was prepared, bank reconciliations were not prepared.
- G. The Prosecuting Attorney and his employees responsible for handling monies were not bonded.

Recommendation:

The Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented supervisory reviews of the accounting records.
- B. Maintain a log to account for all bad check complaints filed with the Prosecuting Attorney's office.
- C. Issue official pre-numbered receipt slips immediately upon receipt. The numerical sequence of all receipt slips should be accounted for.
- D. Deposit all cash receipts to the official checking account and distribute such monies by issuing a check. In addition, documentation should be obtained when money

orders are turned over directly to the victim. Unidentified shortages should be investigated and appropriate action taken.

- E. Consider distributing restitution payments to victims on a timelier basis.
- F. Prepare bank reconciliations and reconcile to the open items listing. Unidentified differences should be investigated and resolved.
- G. Obtain bond coverage for all employees handling receipts.

Status:

A, D

E, F

&G. Not Implemented. See MAR finding number 8.

B&C. Implemented.

6. Sheriff's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. Gun permits and Sheriff's fees were only deposited once a month.
- C. The Sheriff maintained telephone commission monies outside the county treasury.
- D. The Sheriff did not maintain personal monies of inmates in a bank account or issue receipt slips when the inmate monies were received.
- E. The Sheriff indicated monies received from snack sales to inmates of the county jail are personal funds and would not provide any records related to those monies.

Recommendation:

The Sheriff:

- A. Adequately segregate the accounting duties or, at a minimum, ensure that periodic independent reviews of the accounting records are performed and documented.
- B. Deposit all monies intact daily or when accumulated receipts exceed \$100. In addition, all checks and money orders should be restrictively endorsed immediately upon receipt.
- C. Transfer the balance and turn over all future revenues of telephone commission monies to the County Treasurer.
- D. Ensure pre-numbered receipt slips are issued for all inmate monies received and

deposit all inmate funds into a bank account.

- E. And County Commission discuss the appropriate handling and accountability of soda and snack sale monies.

Status:

A, C

&E. Not implemented. See MAR finding number 7.

- B. Partially implemented. Checks and money orders are restrictively endorsed upon receipt, but monies are not deposited intact or when accumulated receipts exceed \$100. See MAR finding number 7.

- D. Not implemented. The Sheriff collects a small amount of monies for inmates. These monies are maintained in separate lock boxes for each inmate. Although not repeated in the current MAR, our recommendation remains as stated above.

7. General Fixed Assets

Physical inventories were not conducted on an annual basis. County Clerk office personnel indicated a spreadsheet was provided to all officials to document a physical inventory. There was no evidence that the County Clerk followed up with officials who did not perform and return physical inventories.

Recommendation:

The County Commission establish a written policy related to handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for handling of asset disposition, and any other concerns associated with county property.

Status:

Not Implemented. See MAR finding number 4.

STATISTICAL SECTION

History, Organization, and  
Statistical Information

GRUNDY COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1841, the county of Grundy was named after Felix Grundy, a U.S. Senator from Tennessee. Grundy County is a township-organized, third-class county and is part of the Third Judicial Circuit. The county seat is Trenton.

Grundy 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 148 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain approximately 504 miles of county roads.

The county's population was 11,959 in 1980 and 10,432 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	\$	57.8	57.3	57.7	56.5	40.9	24.6
Personal property		29.5	30.2	24.3	28.0	10.8	9.1
Railroad and utilities		10.8	10.5	11.2	10.5	5.7	6.4
Total	\$	98.1	98.0	93.2	95.0	57.4	40.1

\* First year of statewide reassessment.

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

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

		Year Ended December 31,			
		2006	2005	2004	2003
General Revenue Fund	\$	.1470	.1270	.2071	.1371
Health Center Fund		.3000	.3000	.2982	.2857
Senate Bill 40 Board Fund		.1000	.1000	.0994	.0952

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

	Year Ended February 28 (29),			
	2007	2006	2005	2004
State of Missouri	\$ 30,332	29,632	28,959	29,092
General Revenue Fund	144,550	126,270	188,864	127,560
Special Road and Bridge Fund	182,750	129,964	134,669	130,429
Township Road and Bridge Fund	294,331	328,544	306,940	287,806
Assessment Fund	89,481	87,039	84,689	65,379
Health Center Fund	295,158	287,581	279,566	271,417
Senate Bill 40 Board Fund	97,885	95,400	92,696	89,990
School districts	4,633,410	4,470,133	4,389,540	3,831,433
Library district	197,667	192,602	188,308	181,849
Fire protection district	128,649	121,997	117,650	112,107
North Central Missouri College	291,214	287,702	272,837	263,550
Nursing Home	151,574	147,540	144,550	139,543
Townships	107,746	103,811	105,615	118,717
Township Road Bond	45	220	1,926	9,154
Special Road District	9,055	9,832	7,488	8,813
Trenton Park	73,107	70,414	61,998	0
Cities	448,011	447,722	434,064	545,397
County Clerk	277	283	253	582
County Employees' Retirement	27,737	25,155	24,070	21,827
Commissions and fees:				
Township Collectors	55,096	54,214	52,821	50,888
General Revenue Fund	64,475	60,313	64,857	58,520
Total	\$ 7,322,550	7,076,368	6,982,360	6,344,053

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				%
	2007	2006	2005	2004	
Real estate	94.4	94.0	93.8	92.9	
Personal property	95.0	92.0	97.5	93.6	
Railroad and utilities	100.0	93.1	100.0	100.0	

Grundy 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	%
General/ambulance	.0050	None	None	
Law Enforcement	.0050	None	None	

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

Officeholder	2007	2006	2005	2004	2003
County-Paid Officials:	\$				
Kenny Roberts, Presiding Commissioner		25,760	25,760	24,440	24,440
Gene Wyant, 1st Dist. Associate Commissioner		23,760	23,760	22,440	22,440
H.L. (Bud) Cox, 2nd Dist. Associate Commissioner		23,760	23,760	22,440	22,440
Kristi Urich, County Clerk		36,000	36,000	34,000	34,000
Chris Raynes, Prosecuting Attorney			1,792	41,000	41,000
Jason Spillman, Prosecuting Attorney		43,000	41,208		
Greg Coon, Sheriff				39,000	39,000
Rodney Herring, Sheriff (1)		40,000	43,449		
Tom Eads, County Coroner		10,000	10,000	9,500	9,500
Joyce Tuttle, Public Administrator		36,000	36,000	20,000	20,000
Colleen Kidd, Treasurer and Ex Officio County Collector, year ended March 31,	36,000	36,000	34,500	34,000	
Andrea Steinhoff, County Assessor (2), year ended August 31,			36,021	34,765	34,900
Don Stotts, County Assessor (3), year ended August 31,		36,688			
State-Paid Officials:					
Beatrice Shaw, Circuit Clerk and Ex Officio Recorder of Deeds		49,470	48,500	47,850	47,300
Steve Hudson, Associate Circuit Judge		96,000	96,000	96,000	96,000

(1) Includes \$3,449 for payment of vacation and Compensatory time earned prior to being elected Sheriff.

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

(3) Includes \$688 compensation from the state.