



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of McDonald County, Missouri

The Office of the State Auditor, in cooperation with McDonald County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2009, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, JD, CPA
State Auditor

July 2010
Report No. 2010-74

ANNUAL FINANCIAL REPORT

MCDONALD COUNTY, MISSOURI

For the Years Ended
December 31, 2009 and 2008

MCDONALD COUNTY, MISSOURI

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INTRODUCTORY SECTION

MCDONALD COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Larry Jones

Associate Commissioner – Sam Gaskill

Associate Commissioner – Ronnie Walker

Other Elected Officials

Assessor – Laura Pope

Circuit Clerk – Gene Hall

Collector – Brenda Gordon

Coroner – Tracy Dowd

County Clerk – Barbara Williams

Prosecuting Attorney – Janice Durbin

Public Administrator – Donna Underwood

Sheriff – Robert Evenson

Treasurer – Joye Helm

Recorder – Kenny Underwood

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of McDonald County, Missouri

We have audited the accompanying financial statements of McDonald County, Missouri as of and for the years ended December 31, 2009 and 2008, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

As described more fully in Note 1, McDonald County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which practices 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 McDonald County, Missouri, as of December 31, 2009 and 2008, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of McDonald County, Missouri, as of December 31, 2009 and 2008, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 30, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 audits.

(Original signed by Auditor)

McBride, Lock & Associates
April 30, 2010

FINANCIAL SECTION

MCDONALD COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2008 AND 2009

Fund	Cash			Cash			Cash
	January 1, 2008	Receipts 2008	Disbursements 2008	December 31, 2008	Receipts 2009	Disbursements 2009	December 31, 2009
General Revenue	\$ 547,277	\$ 1,790,251	\$ 1,794,234	\$ 543,294	\$ 1,715,437	\$ 1,487,863	\$ 770,868
Special Road and Bridge	90,494	2,190,729	1,998,521	282,702	2,176,628	2,108,141	351,189
Assessment	373	396,061	369,167	27,267	284,972	303,722	8,517
Law Enforcement Sales Tax	1,598	1,918,338	1,916,494	3,442	1,704,913	1,671,372	36,983
Law Enforcement Training	376	10,529	10,276	629	10,166	7,402	3,393
Prosecuting Attorney Training	1,742	1,386	1,948	1,180	1,274	-	2,454
Prosecuting Attorney Bad Check	23,019	48,138	59,117	12,040	31,735	39,244	4,531
Recorder's	19,057	9,587	17,489	11,155	11,843	19,641	3,357
Sheriff Civil Fees	784	19,933	18,371	2,346	73,985	65,446	10,885
Senate Bill 665	566	1,839	1,901	504	511	790	225
Extradition and Transportation	13,713	35,446	37,562	11,597	18,484	11,942	18,139
Election Services	4,045	10,021	11,626	2,440	1,110	2,460	1,090
Collector's Tax Maintenance	58,035	30,547	24,896	63,686	30,867	27,356	67,197
Concealed Weapon	8,894	2,740	3,467	8,167	9,030	2,033	15,164
Election Services Interest Bearing	10,090	576	10,666	-	-	-	-
Health Department	19,229	537,365	534,559	22,035	421,195	432,343	10,887
Total	<u>\$ 799,292</u>	<u>\$ 7,003,486</u>	<u>\$ 6,810,294</u>	<u>\$ 992,484</u>	<u>\$ 6,492,150</u>	<u>\$ 6,179,755</u>	<u>\$ 1,304,879</u>

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

MCDONALD COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND				
Year Ended December 31,				
	2008		2009	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 1,700	\$ 1,604	\$ 1,500	\$ 1,602
Sales taxes	1,339,500	1,225,649	1,041,802	1,271,652
Intergovernmental	153,895	160,487	130,636	148,915
Charges for services	307,500	375,835	316,320	284,083
Interest	21,000	16,262	13,823	1,440
Other	6,500	10,414	14,900	5,745
Transfers in	-	-	-	2,000
Total Receipts	<u>\$ 1,830,095</u>	<u>\$ 1,790,251</u>	<u>\$ 1,518,981</u>	<u>\$ 1,715,437</u>
DISBURSEMENTS				
County Commission	\$ 103,840	\$ 98,796	\$ 97,340	\$ 100,303
County Clerk	121,000	124,726	116,817	112,561
Elections	177,500	169,416	126,700	125,849
Buildings and grounds	171,805	152,393	134,305	142,335
Employee fringe benefits	87,780	90,858	90,062	87,229
Treasurer	47,600	45,434	45,450	44,948
Collector	115,877	103,488	98,862	100,314
Recorder of Deeds	95,300	87,513	87,249	76,754
Public Administrator	82,050	78,419	78,419	77,575
Other	605,670	290,144	241,929	256,228
Health and Welfare	22,500	21,478	23,000	21,117
Debt Service	42,400	40,000	40,000	40,000
Transfers out	485,000	465,000	455,750	302,650
Emergency fund	54,902	26,569	54,000	es+A1
Total Disbursements	<u>\$ 2,213,224</u>	<u>\$ 1,794,234</u>	<u>\$ 1,689,883</u>	<u>\$ 1,487,863</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (383,129)	\$ (3,983)	\$ (170,902)	\$ 227,574
CASH, JANUARY 1	<u>547,277</u>	<u>547,277</u>	<u>543,294</u>	<u>543,294</u>
CASH, DECEMBER 31	<u>\$ 164,148</u>	<u>\$ 543,294</u>	<u>\$ 372,392</u>	<u>\$ 770,868</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
 COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
 BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2008		2009		2008		2009	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Sales taxes	\$ 1,339,500	1,225,621	1,041,777	1,271,573	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,426,017	961,745	1,346,034	824,276	260,250	310,645	227,586	168,900
Charges for services	-	-	-	78,324	-	-	-	-
Interest	-	2,994	2,000	1,167	700	665	600	-
Other	-	369	-	1,288	5,500	14,751	14,614	13,422
Transfers in	-	-	-	-	131,600	70,000	102,650	102,650
Total Receipts	<u>\$ 2,765,517</u>	<u>\$ 2,190,729</u>	<u>\$ 2,389,811</u>	<u>\$ 2,176,628</u>	<u>\$ 398,050</u>	<u>\$ 396,061</u>	<u>\$ 345,450</u>	<u>\$ 284,972</u>
DISBURSEMENTS								
Salaries	\$ 650,000	\$ 697,657	\$ 650,000	684,193	\$ 218,500	\$ 208,185	\$ 204,850	\$ 201,228
Employee fringe benefits	142,180	157,548	144,021	121,278	15,000	36,626	39,802	29,605
Materials and Supplies	1,048,000	675,428	667,500	570,168	30,000	9,465	5,000	6,639
Services and Other	323,889	335,682	441,102	400,005	123,100	92,273	58,927	44,079
Capital Outlay	-	108,696	4,500	319,016	15,000	22,618	16,000	22,171
Construction	608,917	23,510	585,405	13,481	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,772,986</u>	<u>\$ 1,998,521</u>	<u>\$ 2,492,528</u>	<u>\$ 2,108,141</u>	<u>\$ 401,600</u>	<u>\$ 369,167</u>	<u>\$ 324,579</u>	<u>\$ 303,722</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (7,469)	\$ 192,208	\$ (102,717)	\$ 68,487	\$ (3,550)	\$ 26,894	\$ 20,871	\$ (18,750)
CASH, JANUARY 1	<u>90,494</u>	<u>90,494</u>	<u>282,702</u>	<u>282,702</u>	<u>373</u>	<u>373</u>	<u>27,267</u>	<u>27,267</u>
CASH, DECEMBER 31	<u>\$ 83,025</u>	<u>\$ 282,702</u>	<u>\$ 179,985</u>	<u>\$ 351,189</u>	<u>\$ (3,177)</u>	<u>\$ 27,267</u>	<u>\$ 48,138</u>	<u>\$ 8,517</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX				LAW ENFORCEMENT TRAINING			
	Year Ended December 31,				Year Ended December 31,			
	2008		2009		2008		2009	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Sales taxes	\$ 1,339,500	\$ 1,225,316	\$ 1,041,519	\$ 1,232,646	\$ -	\$ -	\$ -	\$ -
Intergovernmental	156,042	190,255	210,312	211,741	10,000	2,116	1,799	7,308
Charges for services	105,000	94,244	111,000	78,973	-	3,413	2,901	2,808
Interest	-	81	68	-	-	-	-	-
Other	72,000	113,442	48,000	31,553	-	-	-	50
Transfers in	237,000	295,000	270,750	150,000	-	5,000	-	-
Total Receipts	<u>\$ 1,909,542</u>	<u>\$ 1,918,338</u>	<u>\$ 1,681,649</u>	<u>\$ 1,704,913</u>	<u>\$ 10,000</u>	<u>\$ 10,529</u>	<u>\$ 4,700</u>	<u>\$ 10,166</u>
DISBURSEMENTS								
Salaries	\$ 1,012,454	\$ 1,124,961	\$ 992,049	\$ 987,392	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	196,860	210,548	199,039	159,060	-	-	-	-
Materials and Supplies	37,100	43,414	25,176	51,372	-	-	-	-
Services and Other	630,406	409,175	456,989	374,378	10,000	10,276	4,500	7,402
Capital Outlay	31,600	128,396	10,283	99,170	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,908,420</u>	<u>\$ 1,916,494</u>	<u>\$ 1,683,536</u>	<u>\$ 1,671,372</u>	<u>\$ 10,000</u>	<u>\$ 10,276</u>	<u>\$ 4,500</u>	<u>\$ 7,402</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 1,122	\$ 1,844	\$ (1,887)	\$ 33,541	\$ -	\$ 253	\$ 200	\$ 2,764
CASH, JANUARY 1	<u>1,598</u>	<u>1,598</u>	<u>3,442</u>	<u>3,442</u>	<u>376</u>	<u>376</u>	<u>629</u>	<u>629</u>
CASH, DECEMBER 31	<u>\$ 2,720</u>	<u>\$ 3,442</u>	<u>\$ 1,555</u>	<u>\$ 36,983</u>	<u>\$ 376</u>	<u>\$ 629</u>	<u>\$ 829</u>	<u>\$ 3,393</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING				PROSECUTING ATTORNEY BAD CHECK			
	Year Ended December 31,				Year Ended December 31,			
	2008		2009		2008		2009	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,386	1,178	1,274	-	3,632	4,000	3,366
Charges for services	1,200	-	-	-	38,000	43,825	39,000	28,369
Interest	-	-	-	-	1,500	681	7,000	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,200</u>	<u>\$ 1,386</u>	<u>\$ 1,178</u>	<u>\$ 1,274</u>	<u>\$ 39,500</u>	<u>\$ 48,138</u>	<u>\$ 50,000</u>	<u>\$ 31,735</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ 42,873	\$ 37,500	\$ 35,307
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	300	764	-	-	-	-	1,500	80
Services and Other	1,500	1,184	1,500	-	12,500	16,244	11,000	3,857
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,800</u>	<u>\$ 1,948</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 42,500</u>	<u>\$ 59,117</u>	<u>\$ 50,000</u>	<u>\$ 39,244</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (600)</u>	<u>\$ (562)</u>	<u>\$ (322)</u>	<u>\$ 1,274</u>	<u>\$ (3,000)</u>	<u>\$ (10,979)</u>	<u>\$ -</u>	<u>\$ (7,509)</u>
CASH, JANUARY 1	<u>1,742</u>	<u>1,742</u>	<u>1,180</u>	<u>1,180</u>	<u>23,019</u>	<u>23,019</u>	<u>12,040</u>	<u>12,040</u>
CASH, DECEMBER 31	<u><u>\$ 1,142</u></u>	<u><u>\$ 1,180</u></u>	<u><u>\$ 858</u></u>	<u><u>\$ 2,454</u></u>	<u><u>\$ 20,019</u></u>	<u><u>\$ 12,040</u></u>	<u><u>\$ 12,040</u></u>	<u><u>\$ 4,531</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	RECORDER'S				SHERIFF'S CIVIL FEES			
	Year Ended December 31,				Year Ended December 31,			
	2008		2009		2008		2009	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	4,649	-	-	-	36,592
Charges for services	12,000	9,092	7,728	7,194	25,000	19,933	25,000	37,133
Interest	-	495	380	-	-	-	-	-
Other	-	-	-	-	-	-	-	260
Transfers in	-	-	5,000	-	-	-	-	-
Total Receipts	<u>\$ 12,000</u>	<u>\$ 9,587</u>	<u>\$ 13,108</u>	<u>\$ 11,843</u>	<u>\$ 25,000</u>	<u>\$ 19,933</u>	<u>\$ 25,000</u>	<u>\$ 73,985</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	4,326	7,919	-	3,735
Services and other	20,000	17,489	10,000	19,641	-	-	25,000	185
Capital outlay	-	-	-	-	20,674	10,452	-	61,526
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 20,000</u>	<u>\$ 17,489</u>	<u>\$ 10,000</u>	<u>\$ 19,641</u>	<u>\$ 25,000</u>	<u>\$ 18,371</u>	<u>\$ 25,000</u>	<u>\$ 65,446</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (8,000)	\$ (7,902)	\$ 3,108	\$ (7,798)	\$ -	\$ 1,562	\$ -	\$ 8,539
CASH, JANUARY 1	<u>19,057</u>	<u>19,057</u>	<u>11,155</u>	<u>11,155</u>	<u>784</u>	<u>784</u>	<u>2,346</u>	<u>2,346</u>
CASH, DECEMBER 31	<u>\$ 11,057</u>	<u>\$ 11,155</u>	<u>\$ 14,263</u>	<u>\$ 3,357</u>	<u>\$ 784</u>	<u>\$ 2,346</u>	<u>\$ 2,346</u>	<u>\$ 10,885</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	SENATE BILL 665				EXTRADITION & TRANSPORTATION			
	Year Ended December 31,				Year Ended December 31,			
	2008		2009		2008		2009	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	20,000	35,446	30,129	18,484
Charges for services	3,500	1,839	1,563	511	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,500</u>	<u>\$ 1,839</u>	<u>\$ 1,563</u>	<u>\$ 511</u>	<u>\$ 20,000</u>	<u>\$ 35,446</u>	<u>\$ 30,129</u>	<u>\$ 18,484</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	600	649	-	-	-	-	-	-
Services and Other	1,000	1,252	1,500	790	15,000	32,562	10,000	11,942
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	5,000	-	-
Total Disbursements	<u>\$ 1,600</u>	<u>\$ 1,901</u>	<u>\$ 1,500</u>	<u>\$ 790</u>	<u>\$ 15,000</u>	<u>\$ 37,562</u>	<u>\$ 10,000</u>	<u>\$ 11,942</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,900	\$ (62)	\$ 63	\$ (279)	\$ 5,000	\$ (2,116)	\$ 20,129	\$ 6,542
CASH, JANUARY 1	<u>566</u>	<u>566</u>	<u>504</u>	<u>504</u>	<u>13,713</u>	<u>13,713</u>	<u>11,597</u>	<u>11,597</u>
CASH, DECEMBER 31	<u>\$ 2,466</u>	<u>\$ 504</u>	<u>\$ 567</u>	<u>\$ 225</u>	<u>\$ 18,713</u>	<u>\$ 11,597</u>	<u>\$ 31,726</u>	<u>\$ 18,139</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	ELECTION SERVICES				COLLECTOR'S TAX MAINTENANCE			
	Year Ended December 31,				Year Ended December 31,			
	2008		2009		2008		2009	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	14,000	9,376	13,000	1,110	22,065	26,069	22,158	28,367
Charges for services	-	-	-	-	-	-	-	-
Interest	-	645	500	-	-	1,615	1,373	-
Other	-	-	-	-	-	2,863	-	2,500
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 14,000</u>	<u>\$ 10,021</u>	<u>\$ 13,500</u>	<u>\$ 1,110</u>	<u>\$ 22,065</u>	<u>\$ 30,547</u>	<u>\$ 23,531</u>	<u>\$ 30,867</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	4,130	500	-	-	-	5,000	4,328
Services and Other	10,600	865	1,500	2,020	6,000	7,340	4,000	1,834
Capital Outlay	-	6,631	13,000	440	25,000	17,556	36,000	17,194
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	2,000
Total Disbursements	<u>\$ 10,600</u>	<u>\$ 11,626</u>	<u>\$ 15,000</u>	<u>\$ 2,460</u>	<u>\$ 31,000</u>	<u>\$ 24,896</u>	<u>\$ 45,000</u>	<u>\$ 27,356</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3,400	\$ (1,605)	\$ (1,500)	\$ (1,350)	\$ (8,935)	\$ 5,651	\$ (21,469)	\$ 3,511
CASH, JANUARY 1	<u>4,045</u>	<u>4,045</u>	<u>2,440</u>	<u>2,440</u>	<u>58,035</u>	<u>58,035</u>	<u>63,686</u>	<u>63,686</u>
CASH, DECEMBER 31	<u>\$ 7,445</u>	<u>\$ 2,440</u>	<u>\$ 940</u>	<u>\$ 1,090</u>	<u>\$ 49,100</u>	<u>\$ 63,686</u>	<u>\$ 42,217</u>	<u>\$ 67,197</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CONCEALED WEAPONS				ELECTION SERVICES INTEREST BEARING			
	Year Ended December 31,				Year Ended December 31,			
	2008		2009		2008		2009	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,000	2,740	2,329	-	-	-	-	-
Charges for services	-	-	-	9,030	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	576	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,000</u>	<u>\$ 2,740</u>	<u>\$ 2,329</u>	<u>\$ 9,030</u>	<u>\$ -</u>	<u>\$ 576</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	865	-	-
Services and Other	1,500	2,395	1,500	1,365	-	-	-	-
Capital Outlay	500	1,072	500	668	-	9,801	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,000</u>	<u>\$ 3,467</u>	<u>\$ 2,000</u>	<u>\$ 2,033</u>	<u>\$ -</u>	<u>\$ 10,666</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ -</u>	<u>\$ (727)</u>	<u>\$ 329</u>	<u>\$ 6,997</u>	<u>\$ -</u>	<u>\$ (10,090)</u>	<u>\$ -</u>	<u>\$ -</u>
CASH, JANUARY 1	<u>8,894</u>	<u>8,894</u>	<u>8,167</u>	<u>8,167</u>	<u>10,090</u>	<u>10,090</u>	<u>-</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 8,894</u></u>	<u><u>\$ 8,167</u></u>	<u><u>\$ 8,496</u></u>	<u><u>\$ 15,164</u></u>	<u><u>\$ 10,090</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	HEALTH DEPARTMENT FUND			
	Year Ended December 31,			
	2008		2009	
	Budget	Actual	Budget	Actual
RECEIPTS				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	297,589	281,342	265,278	282,140
Charges for services	45,500	120,837	13,732	54,883
Interest	-	-	-	-
Other	117,172	35,186	20,263	34,172
Transfers in	168,000	100,000	100,000	50,000
Total Receipts	<u>\$ 628,261</u>	<u>\$ 537,365</u>	<u>\$ 399,273</u>	<u>\$ 421,195</u>
DISBURSEMENTS				
Salaries	\$ 325,948	\$ 298,187	\$ 255,862	\$ 276,695
Employee fringe benefits	56,219	47,084	45,185	47,720
Materials and Supplies	3,800	2,356	3,500	16,033
Services and Other	275,267	186,932	93,400	91,895
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>\$ 661,234</u>	<u>\$ 534,559</u>	<u>\$ 397,947</u>	<u>\$ 432,343</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (32,973)	\$ 2,806	\$ 1,326	\$ (11,148)
CASH, JANUARY 1	<u>19,229</u>	<u>19,229</u>	<u>22,035</u>	<u>22,035</u>
CASH, DECEMBER 31	<u>\$ (13,744)</u>	<u>\$ 22,035</u>	<u>\$ 23,361</u>	<u>\$ 10,887</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McDonald County, Missouri (“County”) is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, Treasurer and Collector.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County’s operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of McDonald County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered by the Missouri State Auditor’s Office to comprise the County’s legal entity. The McDonald County, Missouri 911 Board’s financial statements are audited separately by other accountants. Copies of the audited financial statements can be obtained by contacting the McDonald County E-911 Center at 1957 Mountain Ridge Drive in Pineville, Missouri 64856.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County’s funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County’s expendable financial resources are accounted for through governmental funds.

C. 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.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. Budgeted expenditures of the Assessment Fund exceeded budgeted revenues plus anticipated beginning fund balances by \$3,177 for fiscal year 2008. Budgeted expenditures of the Health Department exceed budgeted revenues plus anticipated beginning fund balance by \$13,744 for fiscal year 2008.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

Fund	2009	2008
Law Enforcement Sales Tax	N/A	✓
Law Enforcement Training	✓	✓
Prosecuting Attorney Training	N/A	✓
Prosecuting Attorney Bad Check	N/A	✓
Recorder's	✓	N/A
Sheriff's Civil	✓	N/A
Senate Bill 665	N/A	✓
Extradition and Transportation	✓	✓
Election Services	N/A	✓
Concealed Weapons	✓	✓
Election Services Interest	N/A	✓
Health Department	✓	N/A

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balances. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

F. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2009 and 2008, the carrying amounts of the County's deposits were \$1,304,879 and \$992,484, respectively, and the bank balances were \$1,555,975 and \$1,237,976, respectively. Of the bank balances, \$596,262 and \$324,552 for December 31, 2009 and December 31, 2008, respectively, were covered by federal depository insurance and the remainder were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2009 and 2008, the County Collector held, in addition to the cash balances listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. These amounts, all of which were secured by pledged collateral, amounted to \$6,148,874 and \$3,735,879 at December 31, 2009 and 2008, respectively.

3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the state of Missouri to provide pension benefits for County officials and employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2009 and 2008, the County collected and remitted to CERF employee contributions of approximately \$175,013 and \$182,261, respectively, for the years then ended.

4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

5. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Compensated Absences

The County provides full time employees with thirty to sixty days of sick time, depending of length of employment, to accrue at three-fourths day per complete calendar month of employment. Upon termination accumulated sick leave will not be reimbursed. Vacation time is accrued for every full time employee, and accrues at the rate of zero days per year up to fifteen days per year depending on length of employment. Employees with less than ten years of employment may carry over ten days and employees with at least ten years of employment may carry over fifteen vacation days from one year to the next. Any days accrued in excess of these are to be forfeited at the end of the year.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the

potential refund of grant monies.

The County's expenditure for federal awards did not exceed \$500,000 in either 2009 or 2008 and, accordingly, the County is not required to obtain a single audit in accordance with Office of Management and Budget Circular A-133.

6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

7. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2008, to include the Health Department and to exclude certain funds held by County officeholders, including the Collector, Sheriff, and Treasurer for the benefit of other taxing districts and third parties. The effect of the aforementioned change in reporting entity on the cash balances of the governmental funds as previously reported at December 31, 2007 is to increase cash balances by the amount representing cash balances of the Health Department and decrease cash balances by the amount representing cash balances of the aforementioned County officeholder funds.

8. LONG TERM DEBT

The County had the following debt outstanding at December 31, 2009:

- A. \$205,364 for a capital lease of two International 7500 trucks. The lease is scheduled to be paid in five annual payments of \$51,341 including interest at 3.90% annually. The final payment is scheduled for 2013. Payments are made using available monies in the Special Road and Bridge Fund.

- B. \$27,520 for a capital lease of a Caterpillar motor grader. The lease was scheduled to be paid in four annual payments of \$27,522 including interest at 5.80% annually. The final payment is scheduled for 2010. Payments are made using available monies in the Special Road and Bridge Fund.
- C. \$149,177 for a capital lease of a John Deere Track hoe. The lease is scheduled to be paid in five annual payments of \$29,835 including interest at 3.95% annually. The final payment is scheduled for 2014. Payments are made using available monies in the Special Road and Bridge Fund.
- D. \$71,674 for a capital lease of seven Chevrolet Blazers. The lease was scheduled to be paid in four annual payments of \$35,387 including interest at 5.37% annually. The final payment is scheduled for 2011. Payments are made using available monies in the Law Enforcement Sales Tax Fund.
- E. \$30,000 for reimbursement of a traffic light. The reimbursement was scheduled to be paid in four annual payments of \$40,000 with a final payment of \$30,000 scheduled for 2010. Payments are made using available monies in the General Revenue Fund.
- F. \$16,927 for a capital lease of a Geographic Information System. The lease was scheduled to be paid in five annual payments of \$16,927 including interest at 5.80% annually. The final payment is scheduled for 2010. Payments are made using available monies in the Assessment Fund.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

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 McDonald County, Missouri

We have audited the accompanying financial statements of McDonald County, Missouri as of and for the years ended December 31, 2009 and 2008, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated April 30, 2010. We conducted our audits 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 audits, we considered McDonald County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McDonald County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of McDonald County, Missouri's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and recommendations as items 1 through 7 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDonald County, Missouri's financial statements are free of material misstatement, we performed tests of its 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 8.

McDonald County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit McDonald County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Original signed by Auditor)

McBride, Lock & Associates
April 30, 2010

FINDINGS AND RECOMMENDATIONS

MCDONALD COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Variances Between Budgets and Treasurer's Settlements

Condition: As part of the audit, we compare the beginning and ending balances of the funds' financial statements as presented in the approved budgets to those reported in the respective Treasurer's Settlements. We also test fund balance agreement between reported numbers on the 2008 and 2009 budgets.

Numerous funds had immaterial variances between fund balances, reported revenues and expenditures for various funds when comparing budgets to the respective Treasurer's Settlements. In addition, ending fund balances as reported in the budgets for many funds did not agree to beginning balances for the following year.

The County Clerk was unable to determine the causes of some of the variances.

Recommendation: We recommend that the County Treasurer and Clerk establish procedures to ensure that the County's financial statements as published in the budget, the Treasurer's Settlement, and the reconciled bank account ending balances are in agreement with each other and also in agreement with the next year's beginning balances.

County's Response: Recommendations have been implemented.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

2. Executing Checks Without Commission Approval

Condition: When reviewing minutes of the County Commission meetings, it was noted that on April 9, 2008, all three commissioners were absent due to regional training. On that same day, the Treasurer and County approved bills and signed checks in the amount of \$119,622.

Section 50.166, RSMo, requires county disbursements to be approved by the County Commission. To comply with state law and ensure disbursements are valid and proper, invoices should only be approved during a session of the County Commission attended by two or more commissioners.

Recommendation: We recommend that invoices only be approved during a session of the County Commission attended by two or more commissioners.

County's Response: Commission had reviewed and approved prior to their absence.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

3. Internal Control – Collector

Condition: In the Collector's office blank check stock is stored in an unlocked file cabinet drawer just inside the vault. Additionally, a signature stamp for the Collector was stored in the open on a shelf just inside the vault. The accessibility of both blank check stock and the Collector's signature stamp could allow improper payments to be executed and not detected on a timely basis.

Recommendation: We recommend that adequate controls be implemented to secure and segregate possession of the blank check stock and the Collector's signature stamp.

County's Response: Recommendations have been implemented.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

4. Lack of Controls Over Signature Stamps for Check Authorization

Condition: In the County Clerk's office blank check stock is stored in an open box in the corner of the vault. Also, the County has a signature stamp for each elected official (Presiding Commissioner, Treasurer, County Clerk) who is required to sign a check subsequent to approval by the Commission. The Deputy County Clerk has access to all three stamps. In addition, it was noted that several checks cleared the bank with only two signatures and one check cleared with no signature. Furthermore, we were informed by a representative of the U.S. Bank in Pineville, Missouri that the bank's policy regarding check signatures is that, as long as there is one authorized signature on the check, the bank will clear that check without recourse.

Recommendation: We recommend the signature stamps not be in the possession of one person at any time. We also suggest the County implement procedures to ensure that checks are signed by all three elected officials before distribution. Furthermore, particularly in light of the U.S. Bank policy, the County's elected officials need to ensure security over blank check stock and signature stamps.

County's Response: Recommendations have been implemented.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

5. Collector's Bank Reconciliations

Condition: In reviewing the Collector's bank reconciliations, it was noted that a reconciling difference was being carried along from month to month. The Collector attributed this difference to credit card fees from prior periods. Additionally, outside checks dating back to the prior collector (more than three years ago) are still included on the bank reconciliation.

Recommendation: We recommend the collector take the appropriate measures to eliminate these reconciling differences and old outstanding checks from the bank reconciliation.

County's Response: Recommendations have been implemented.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

6. Budgeted Revenues Not Monitored

Condition: We noted that the County does not monitor actual revenues against budgeted revenues. While the County does monitor actual expenditures against budgeted expenditures and even prepares monthly reports for that purpose, no such monthly reports are prepared for comparing actual revenues to the budget. Revenue monitoring procedures are key in allowing the County to detect the misappropriation of revenues and to ensure that expenditures do not exceed available funds.

Recommendation: We recommend that the County begin to monitor actual revenues against budgeted revenues in the same manner in which it monitors expenditures, that is, with prepared reports to the County Commission on a monthly basis.

County's Response: Recommendation is being implemented.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

7. Accounting for Transfers

Condition: The financial statements of the County as presented in the annual budget document present transfers between funds. However, we noted that, when cash deposits were used to purchase certificates of deposit for the General Revenue and Special Road and Bridge funds, these transactions were mislabeled as transfers. Additionally, transfers from the Collector's Tax Maintenance and the Extradition & Transportation funds to the General Revenue and Law Enforcement Training funds, respectively, were not recorded in the receiving funds. Furthermore, several items that were labeled as transfers were actually voided checks, interest earned from a closed money market account, or had no explanation.

Recommendation: In order to ensure that transfers are properly reported and are in balance (transfers to other funds equal transfers from other funds), we recommend the transfers be clearly identified as transfers and presented in the budget within the Transfer category. The County Clerk should ensure that budgeted transfers to and from other funds are in agreement. Other types of transactions should not be presented in the "Transfers" account category.

County Response: Recommendations are being implemented.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

ITEMS OF NONCOMPLIANCE

8. Budgetary Controls

Condition: The County Commission did not exercise adequate budgetary control over several County funds during 2008 and 2009. There were 12 different funds for which expenditures were approved for payment causing the approved budgetary authority to be exceeded. These funds were:

- Law Enforcement Sales Tax – 2008
- Law Enforcement Training – 2009 and 2008
- Prosecuting Attorney Training - 2008
- Prosecuting Attorney Bad Check – 2008
- Recorder – 2009
- Sheriff's Civil - 2009
- Senate Bill 665 – 2008
- Extradition & Transportation – 2009 and 2008
- Election Services – 2008
- Concealed Weapons – 2009 and 2008
- Election Services Interest Bearing – 2008
- Health Department – 2009

RSMo 50.740 prohibits incurring expenditures in excess of the approved budgets.

State law also requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. Budgeted expenditures of the Assessment Fund and Health Department exceeded budgeted revenues plus anticipated beginning fund balances by \$3,177 and \$13,744 respectively for fiscal year 2008.

Recommendation: We recommend the County Commission establish controls to ensure that expenditures are not approved in excess of the approved budget, and that budgetary authority is not granted which, if exercised, would result in deficit spending for any fund. We also recommend the Commission amend the budget when it becomes apparent that budgeted amounts are unrealistic in relation to the spending plan. These actions will increase the meaningfulness of the budget monitoring control and ensure that authorizations to spend are approved in a public forum.

County's Response: Recommendations are being implemented.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

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

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by McDonald County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2007 and 2006.

1. The County Clerk does not verify the Treasurer's Settlements to the bank statements.

Status – Resolved

2. Signature stamps (3) for the elected officials required to sign checks approved by the County Commission are sometimes accessible to a single individual.

Status – Not resolved. See finding No. 4.

3. The Treasurer was unable to identify and verify which certificates of deposit were owned renewed or cashed in during the audit period.

Status – Resolved

4. Review of transfer between funds revealed that amounts do not always balance.

Status – Not resolved. See finding No. 7.

5. Personnel files did not have documentation authorizing current salaries or job titles.

Status – Resolved

6. One employee's timesheet tested was not properly signed by the employee or the supervisor.

Status- Resolved

7. The Collector does not reconcile the Collector's ledger to the actual bank statement. Also, fees collected for bad checks from the Prosecuting Attorney's office are not included in the reconciliation process, recorded, or deposited. Instead, they are used for petty cash in the Collector's office.

Status – Resolved

8. There is not a reconciliation process for funds held within the Prosecuting Attorney's Bad Check Fund bank account.

Status – Resolved

9. Actual disbursements exceeded budgeted amounts for several funds.

Status – Not resolved. See finding No. 8.