



THOMAS A. SCHWEICH
Missouri State Auditor

To the County Commission
and
Officeholders of Knox County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Knox County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Casey-Beard-Boehmer PC, Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

September 2012
Report No. 2012-114

INDEPENDENT AUDITORS' REPORT

KNOX COUNTY, MISSOURI

**FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

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**CASEY-BEARD-BOEHMER PC
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI**

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INDEPENDENT AUDITORS' REPORT

CASEY-BEARD-BOEHMER PC



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August 31, 2012

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of Knox County, Missouri

We have audited the accompanying financial statements of Knox County, Missouri, as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of Knox County, Missouri's management. Our responsibility is to express opinions 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 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 opinions.

As described more fully in Note 1, Knox County, Missouri, prepares its financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effect 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.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Knox County, Missouri, as of December 31, 2011 and 2010, 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 receipts, disbursements, and changes in cash of the funds of Knox County, Missouri, as of December 31, 2011 and 2010, and budgetary results for the years then ended on the basis of accounting described in Note 1.

MEMBER

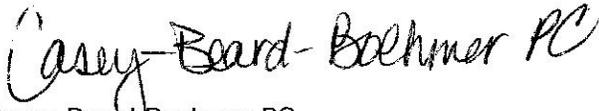
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**KNOX COUNTY, MISSOURI
INDEPENDENT AUDITORS' REPORT (CONTINUED)**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2012 on our consideration of Knox County, Missouri'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.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the Missouri State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Casey-Beard-Boehmer PC
Certified Public Accountants

FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Fund	Cash			Cash			Cash
	January 1, 2010	Receipts	Disbursements	December 31, 2010	Receipts	Disbursements	December 31, 2011
General Revenue	\$ 49,705	709,480	751,457	7,728	809,305	675,312	141,721
Special Road and Bridge	216,241	1,269,737	1,031,163	454,815	1,572,905	1,661,404	366,316
Assessment	36,257	117,485	101,890	51,852	91,897	91,140	52,609
Law Enforcement	6,352	223,843	227,372	2,823	226,137	211,487	17,473
Local Emergency Planning Committee	24	1	-	25	-	-	25
Children's Trust	7,342	945	-	8,287	1,009	-	9,296
Election	1,392	13,623	14,401	614	1,248	1,645	217
Crime	2,789	3,732	2,557	3,964	1,121	1,748	3,337
Prosecuting Attorney Training	944	174	507	611	176	435	352
Help America Vote Act (HAVA)	175	4	-	179	533	-	712
Sever Lake	29,208	17,923	8,356	38,775	18,089	7,529	49,335
Rock Creek Cemetery	208	155	300	63	152	100	115
Sheriff's Fees	4,107	7,452	6,469	5,090	5,620	7,020	3,690
Law Enforcement Training	200	1,385	1,123	462	1,185	1,316	331
Technology	2,903	1,079	2,500	1,482	1,163	-	2,645
User Fees	2,593	1,751	377	3,967	1,930	-	5,897
Collector's Maintenance	16,154	6,730	6,027	16,857	6,280	1,905	21,232
Economic Development	109,248	2,488	10,000	101,736	2,205	-	103,941
Interest and Fines	41,474	29,275	26,243	44,506	28,436	32,533	40,409
Revolving	943	425	-	1,368	585	-	1,953
Restitution	5,828	1,697	282	7,243	2,821	7,200	2,864
Davis Cemetery	719	16	200	535	12	330	217
Totals	\$ 534,806	2,409,400	2,191,224	752,982	2,772,809	2,701,104	824,687

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	General Revenue Fund					
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 199,800	199,797	(3)	\$ 190,958	199,588	8,630
Sales taxes	270,000	290,981	20,981	275,000	278,865	3,865
Intergovernmental	10,429	73,174	62,745	23,476	68,801	45,325
Charges for services	138,950	91,846	(47,104)	150,361	88,130	(62,231)
Interest	2,000	2,120	120	5,000	2,441	(2,559)
Other	53,977	62,796	8,819	64,813	21,567	(43,246)
Transfers in	114,591	88,591	(26,000)	53,168	50,088	(3,080)
Total Receipts	\$ 789,747	809,305	19,558	\$ 762,776	709,480	(53,296)
DISBURSEMENTS						
General County Government-						
County Commission	\$ 75,008	73,235	(1,773)	\$ 77,707	74,578	(3,129)
County Clerk	57,839	57,050	(789)	57,208	57,110	(98)
Elections	5,733	3,482	(2,251)	30,000	17,770	(12,230)
Buildings and grounds	58,780	55,575	(3,205)	84,280	64,918	(19,362)
Employee fringe benefits	133,209	116,303	(16,906)	119,410	116,997	(2,413)
County Treasurer	35,950	35,817	(133)	35,260	34,887	(373)
County Collector	60,451	61,669	1,218	60,451	59,864	(587)
Recorder of Deeds	41,000	39,273	(1,727)	46,460	44,215	(2,245)
Circuit Clerk	15,700	13,101	(2,599)	17,950	10,423	(7,527)
Court Administration	970	614	(356)	806	480	(326)
Public Administrator	23,304	22,752	(552)	23,505	22,625	(880)
Other	49,656	39,108	(10,548)	57,052	53,965	(3,087)
Public Safety-						
Prosecuting Attorney	65,042	66,242	1,200	64,753	63,266	(1,487)
Juvenile Officer	21,900	21,900	-	18,506	18,506	-
County Coroner	12,585	11,033	(1,552)	15,698	12,334	(3,364)
Court Reporter	427	206	(221)	429	263	(166)
Transfers out	53,600	53,700	100	98,000	99,256	1,256
Emergency Fund	22,003	4,252	(17,751)	2,584	-	(2,584)
Total Disbursements	\$ 733,157	675,312	(57,845)	\$ 810,059	751,457	(58,602)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 56,590	133,993	77,403	\$ (47,283)	(41,977)	5,306
CASH, JANUARY 1	7,728	7,728	-	49,705	49,705	-
CASH, DECEMBER 31	\$ 64,318	141,721	77,403	\$ 2,422	7,728	5,306

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Special Road and Bridge Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 439,000	430,921	(8,079)	\$ 415,790	430,694	14,904
Sales taxes	135,000	145,581	10,581	135,000	139,463	4,463
Intergovernmental	815,501	874,349	58,848	496,049	519,393	23,344
Interest	-	12,936	12,936	10,000	10,676	676
Other	53,000	109,118	56,118	72,734	169,511	96,777
Total Receipts	<u>\$ 1,442,501</u>	<u>1,572,905</u>	<u>130,404</u>	<u>\$ 1,129,573</u>	<u>1,269,737</u>	<u>140,164</u>
DISBURSEMENTS						
Salaries	\$ 272,000	265,538	(6,462)	\$ 260,000	260,418	418
Employee fringe benefits	57,000	44,979	(12,021)	71,000	59,183	(11,817)
Supplies	275,300	235,850	(39,450)	218,800	179,973	(38,827)
Insurance	22,000	21,823	(177)	22,000	21,219	(781)
Materials	497,000	473,724	(23,276)	489,500	398,424	(91,076)
Equipment repairs	70,000	29,942	(40,058)	70,000	55,158	(14,842)
Rentals	16,000	7,630	(8,370)	26,000	4,050	(21,950)
Capital outlay	101,500	97,261	(4,239)	29,000	8,511	(20,489)
Construction	434,351	395,701	(38,650)	63,900	2,962	(60,938)
Other	2,660	1,565	(1,095)	5,660	1,641	(4,019)
Transfers out	87,391	87,391	-	35,868	39,624	3,756
Total Disbursements	<u>\$ 1,835,202</u>	<u>1,661,404</u>	<u>(173,798)</u>	<u>\$ 1,291,728</u>	<u>1,031,163</u>	<u>(260,565)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (392,701)	(88,499)	304,202	\$ (162,155)	238,574	400,729
CASH, JANUARY 1	454,815	454,815	-	216,241	216,241	-
CASH, DECEMBER 31	<u>\$ 62,114</u>	<u>366,316</u>	<u>304,202</u>	<u>\$ 54,086</u>	<u>454,815</u>	<u>400,729</u>

Assessment Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 90,515	78,825	(11,690)	\$ 84,416	89,630	5,214
Charges for services	500	-	(500)	1,000	1,392	392
Interest	1,000	1,550	550	1,000	1,446	446
Other	-	1,522	1,522	1,000	17	(983)
Transfers in	10,000	10,000	-	25,000	25,000	-
Total Receipts	<u>\$ 102,015</u>	<u>91,897</u>	<u>(10,118)</u>	<u>\$ 112,416</u>	<u>117,485</u>	<u>5,069</u>
DISBURSEMENTS						
Assessor	\$ 34,967	34,967	-	\$ 34,967	34,967	-
Salaries	38,945	31,589	(7,356)	33,774	33,774	-
Employee fringe benefits	14,245	5,092	(9,153)	14,245	7,908	(6,337)
Materials and supplies	2,750	2,075	(675)	2,750	1,741	(1,009)
Services and other	23,358	17,417	(5,941)	34,533	23,500	(11,033)
Total Disbursements	<u>\$ 114,265</u>	<u>91,140</u>	<u>(23,125)</u>	<u>\$ 120,269</u>	<u>101,890</u>	<u>(18,379)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (12,250)	757	13,007	\$ (7,853)	15,595	23,448
CASH, JANUARY 1	51,852	51,852	-	36,257	36,257	-
CASH, DECEMBER 31	<u>\$ 39,602</u>	<u>52,609</u>	<u>13,007</u>	<u>\$ 28,404</u>	<u>51,852</u>	<u>23,448</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Law Enforcement Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Sales taxes	\$ 140,000	145,490	5,490	\$ 140,000	139,432	(568)
Intergovernmental	55,000	9,000	(46,000)	45,000	-	(45,000)
Charges for services	8,500	18,655	10,155	20,000	7,512	(12,488)
Interest	500	550	50	1,000	460	(540)
Other	6,100	2,842	(3,258)	10,000	5,939	(4,061)
Transfers in	43,600	49,600	6,000	80,000	70,500	(9,500)
Total Receipts	\$ 253,700	226,137	(27,563)	\$ 296,000	223,843	(72,157)
DISBURSEMENTS						
Salaries	\$ 170,926	175,336	4,410	\$ 187,288	182,986	(4,302)
Office expense	3,870	1,846	(2,024)	3,000	3,340	340
Equipment	57,700	15,430	(42,270)	50,200	2,968	(47,232)
Mileage	500	722	222	9,000	7,350	(1,650)
Other	23,400	18,153	(5,247)	31,750	30,728	(1,022)
Total Disbursements	\$ 256,396	211,487	(44,909)	\$ 281,238	227,372	(53,866)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,696)	14,650	17,346	\$ 14,762	(3,529)	(18,291)
CASH, JANUARY 1	2,823	2,823	-	6,352	6,352	-
CASH, DECEMBER 31	\$ 127	17,473	17,346	\$ 21,114	2,823	(18,291)

Local Emergency Planning Committee Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 1	-	(1)	\$ 1	1	-
Total Receipts	\$ 1	-	(1)	\$ 1	1	-
DISBURSEMENTS						
Other	\$ -	-	-	\$ -	-	-
Total Disbursements	\$ -	-	-	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1	-	(1)	\$ 1	1	-
CASH, JANUARY 1	25	25	-	24	24	-
CASH, DECEMBER 31	\$ 26	25	(1)	\$ 25	25	-

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Children's Trust Fund

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 850	823	(27)	\$ 1,000	767	(233)
Interest	180	186	6	160	178	18
Total Receipts	\$ 1,030	1,009	(21)	\$ 1,160	945	(215)
DISBURSEMENTS						
Other	\$ -	-	-	\$ -	-	-
Total Disbursements	\$ -	-	-	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,030	1,009	(21)	\$ 1,160	945	(215)
CASH, JANUARY 1	8,287	8,287	-	7,342	7,342	-
CASH, DECEMBER 31	\$ 9,317	9,296	(21)	\$ 8,502	8,287	(215)

Election Fund

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 13,150	1,093	(12,057)	\$ 13,500	6,035	(7,465)
Interest	50	19	(31)	115	77	(38)
Transfers in	-	136	136	5,000	7,511	2,511
Total Receipts	\$ 13,200	1,248	(11,952)	\$ 18,615	13,623	(4,992)
DISBURSEMENTS						
Judges	\$ 3,000	-	(3,000)	\$ 3,200	2,818	(382)
Supplies	342	1,366	1,024	800	106	(694)
Mileage	1,000	279	(721)	2,000	2,010	10
Services and other	6,203	-	(6,203)	8,800	6,245	(2,555)
Refund for cost	3,222	-	(3,222)	500	1,382	882
Transfers out	-	-	-	4,000	1,840	(2,160)
Total Disbursements	\$ 13,767	1,645	(12,122)	\$ 19,300	14,401	(4,899)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (567)	(397)	170	\$ (685)	(778)	(93)
CASH, JANUARY 1	614	614	-	1,392	1,392	-
CASH, DECEMBER 31	\$ 47	217	170	\$ 707	614	(93)

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Crime Fund

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 3,700	1,043	(2,657)	\$ 3,500	3,640	140
Interest	95	78	(17)	150	92	(58)
Total Receipts	\$ 3,795	1,121	(2,674)	\$ 3,650	3,732	82
DISBURSEMENTS						
State of Missouri	\$ 500	145	(355)	\$ 600	420	(180)
Training	3,500	692	(2,808)	3,500	1,955	(1,545)
Computer	1,500	911	(589)	800	182	(618)
Total Disbursements	\$ 5,500	1,748	(3,752)	\$ 4,900	2,557	(2,343)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,705)	(627)	1,078	\$ (1,250)	1,175	2,425
CASH, JANUARY 1	3,964	3,964	-	2,789	2,789	-
CASH, DECEMBER 31	\$ 2,259	3,337	1,078	\$ 1,539	3,964	2,425

Prosecuting Attorney Training Fund

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 180	87	(93)	\$ 225	155	(70)
Interest	20	9	(11)	25	19	(6)
Other	-	80	80	-	-	-
Total Receipts	\$ 200	176	(24)	\$ 250	174	(76)
DISBURSEMENTS						
Transcripts	\$ -	-	-	\$ 100	-	(100)
Training	500	435	(65)	300	507	207
Total Disbursements	\$ 500	435	(65)	\$ 400	507	107
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (300)	(259)	41	\$ (150)	(333)	(183)
CASH, JANUARY 1	611	611	-	944	944	-
CASH, DECEMBER 31	\$ 311	352	41	\$ 794	611	(183)

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Help America Vote Act (HAVA) Fund

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 4	8	4	\$ 5	4	(1)
Other	-	525	525	-	-	-
Total Receipts	\$ 4	533	529	\$ 5	4	(1)
DISBURSEMENTS						
Other	\$ -	-	-	\$ -	-	-
Total Disbursements	\$ -	-	-	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 4	533	529	\$ 5	4	(1)
CASH, JANUARY 1	179	179	-	175	175	-
CASH, DECEMBER 31	\$ 183	712	529	\$ 180	179	(1)

Sever Lake Fund

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 17,200	17,211	11	\$ 27,000	17,211	(9,789)
Interest	700	866	166	500	700	200
Other	12	12	-	250	12	(238)
Total Receipts	\$ 17,912	18,089	177	\$ 27,750	17,923	(9,827)
DISBURSEMENTS						
Mowing	\$ 6,500	5,290	(1,210)	\$ 6,800	6,487	(313)
Materials and supplies	4,000	2,239	(1,761)	8,432	1,869	(6,563)
Total Disbursements	\$ 10,500	7,529	(2,971)	\$ 15,232	8,356	(6,876)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 7,412	10,560	3,148	\$ 12,518	9,567	(2,951)
CASH, JANUARY 1	38,775	38,775	-	29,208	29,208	-
CASH, DECEMBER 31	\$ 46,187	49,335	3,148	\$ 41,726	38,775	(2,951)

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Rock Creek Cemetery Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 200	152	(48)	\$ 200	155	(45)
Total Receipts	\$ 200	152	(48)	\$ 200	155	(45)
DISBURSEMENTS						
Mowing	\$ 100	100	-	\$ 300	300	-
Total Disbursements	\$ 100	100	-	\$ 300	300	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 100	52	(48)	\$ (100)	(145)	(45)
CASH, JANUARY 1	63	63	-	208	208	-
CASH, DECEMBER 31	\$ 163	115	(48)	\$ 108	63	(45)

Sheriff's Fees Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 169	-	(169)	\$ 4,000	720	(3,280)
Charges for services	5,720	5,498	(222)	10,500	6,612	(3,888)
Interest	150	122	(28)	350	120	(230)
Total Receipts	\$ 6,039	5,620	(419)	\$ 14,850	7,452	(7,398)
DISBURSEMENTS						
Mules	\$ 1,335	-	(1,335)	\$ 870	1,335	465
Equipment	535	360	(175)	600	535	(65)
Training	1,306	2,006	700	500	1,306	806
Dues	3,225	3,150	(75)	3,150	3,225	75
Miscellaneous	68	1,504	1,436	1,000	68	(932)
Transfers out	-	-	-	12,000	-	(12,000)
Total Disbursements	\$ 6,469	7,020	551	\$ 18,120	6,469	(11,651)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (430)	(1,400)	(970)	\$ (3,270)	983	4,253
CASH, JANUARY 1	5,090	5,090	-	4,107	4,107	-
CASH, DECEMBER 31	\$ 4,660	3,690	(970)	\$ 837	5,090	4,253

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Law Enforcement Training Fund

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 350	320	(30)	\$ 1,100	336	(764)
Charges for services	500	500	-	925	500	(425)
Interest	9	7	(2)	15	9	(6)
Other	300	358	58	500	540	40
Total Receipts	\$ 1,159	1,185	26	\$ 2,540	1,385	(1,155)
DISBURSEMENTS						
Training	\$ 1,072	1,316	244	\$ 2,000	1,123	(877)
Total Disbursements	\$ 1,072	1,316	244	\$ 2,000	1,123	(877)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 87	(131)	(218)	\$ 540	262	(278)
CASH, JANUARY 1	462	462	-	200	200	-
CASH, DECEMBER 31	\$ 549	331	(218)	\$ 740	462	(278)

Technology Fund

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,000	1,121	121	\$ 1,000	1,038	38
Interest	10	42	32	10	41	31
Total Receipts	\$ 1,010	1,163	153	\$ 1,010	1,079	69
DISBURSEMENTS						
Computer equipment	\$ 1,000	-	(1,000)	\$ 3,500	2,500	(1,000)
Total Disbursements	\$ 1,000	-	(1,000)	\$ 3,500	2,500	(1,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 10	1,163	1,153	\$ (2,490)	(1,421)	1,069
CASH, JANUARY 1	1,482	1,482	-	2,903	2,903	-
CASH, DECEMBER 31	\$ 1,492	2,645	1,153	\$ 413	1,482	1,069

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

User Fees Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,800	1,828	28	\$ 1,800	1,682	(118)
Interest	10	102	92	10	69	59
Total Receipts	\$ 1,810	1,930	120	\$ 1,810	1,751	(59)
DISBURSEMENTS						
Office equipment	\$ 500	-	(500)	\$ 2,100	377	(1,723)
Total Disbursements	\$ 500	-	(500)	\$ 2,100	377	(1,723)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,310	1,930	620	\$ (290)	1,374	1,664
CASH, JANUARY 1	3,967	3,967	-	2,593	2,593	-
CASH, DECEMBER 31	\$ 5,277	5,897	620	\$ 2,303	3,967	1,664

Collector's Maintenance Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 6,500	5,866	(634)	\$ 6,500	6,370	(130)
Interest	360	414	54	350	360	10
Total Receipts	\$ 6,860	6,280	(580)	\$ 6,850	6,730	(120)
DISBURSEMENTS						
Office expense	\$ 700	479	(221)	\$ 400	660	260
Computer	7,000	-	(7,000)	1,000	450	(550)
Training	2,000	1,366	(634)	2,000	1,517	(483)
Professional services	100	60	(40)	100	100	-
Transfers out	-	-	-	3,300	3,300	-
Total Disbursements	\$ 9,800	1,905	(7,895)	\$ 6,800	6,027	(773)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,940)	4,375	7,315	\$ 50	703	653
CASH, JANUARY 1	16,857	16,857	-	16,154	16,154	-
CASH, DECEMBER 31	\$ 13,917	21,232	7,315	\$ 16,204	16,857	653

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Economic Development Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 2,347	2,205	(142)	\$ 3,000	2,488	(512)
Total Receipts	\$ 2,347	2,205	(142)	\$ 3,000	2,488	(512)
DISBURSEMENTS						
Transfers out	\$ -	-	-	\$ 10,000	10,000	-
Total Disbursements	\$ -	-	-	\$ 10,000	10,000	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2,347	2,205	(142)	\$ (7,000)	(7,512)	(512)
CASH, JANUARY 1	101,736	101,736	-	109,248	109,248	-
CASH, DECEMBER 31	\$ 104,083	103,941	(142)	\$ 102,248	101,736	(512)

Interest and Fines Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 10,000	16,400	6,400	\$ 15,000	15,470	470
Charges for services	-	10,657	10,657	15,000	13,039	(1,961)
Interest	760	1,379	619	800	766	(34)
Total Receipts	\$ 10,760	28,436	17,676	\$ 30,800	29,275	(1,525)
DISBURSEMENTS						
Schools	\$ 31,810	30,776	(1,034)	\$ 30,000	25,648	(4,352)
Bond	1,000	1,757	757	1,000	595	(405)
Total Disbursements	\$ 32,810	32,533	(277)	\$ 31,000	26,243	(4,757)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (22,050)	(4,097)	17,953	\$ (200)	3,032	3,232
CASH, JANUARY 1	44,506	44,506	-	41,474	41,474	-
CASH, DECEMBER 31	\$ 22,456	40,409	17,953	\$ 41,274	44,506	3,232

Revolving Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,400	550	(850)	\$ 300	400	100
Interest	25	35	10	23	25	2
Total Receipts	\$ 1,425	585	(840)	\$ 323	425	102
DISBURSEMENTS						
Equipment	\$ 1,368	-	(1,368)	\$ -	-	-
Total Disbursements	\$ 1,368	-	(1,368)	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 57	585	528	\$ 323	425	102
CASH, JANUARY 1	1,368	1,368	-	943	943	-
CASH, DECEMBER 31	\$ 1,425	1,953	528	\$ 1,266	1,368	102

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

KNOX COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Restitution Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,000	272	(728)	\$ 1,000	1,548	548
Interest	150	46	(104)	126	149	23
Other	-	2,503	2,503	200	-	(200)
Total Receipts	\$ 1,150	2,821	1,671	\$ 1,326	1,697	371
DISBURSEMENTS						
Sheriff car grant match	\$ 6,000	-	(6,000)	\$ -	-	-
Equipment	1,000	-	(1,000)	-	-	-
Narcotic investigation	1,000	-	(1,000)	-	-	-
Other	-	-	-	-	182	182
Transfers out	-	7,200	7,200	-	100	100
Total Disbursements	\$ 8,000	7,200	(800)	\$ -	282	282
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (6,850)	(4,379)	2,471	\$ 1,326	1,415	89
CASH, JANUARY 1	7,243	7,243	-	5,828	5,828	-
CASH, DECEMBER 31	\$ 393	2,864	2,471	\$ 7,154	7,243	89

Davis Cemetery Fund						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 12	12	-	\$ 27	16	(11)
Total Receipts	\$ 12	12	-	\$ 27	16	(11)
DISBURSEMENTS						
Mowing	\$ 200	330	130	\$ 200	200	-
Total Disbursements	\$ 200	330	130	\$ 200	200	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (188)	(318)	(130)	\$ (173)	(184)	(11)
CASH, JANUARY 1	535	535	-	719	719	-
CASH, DECEMBER 31	\$ 347	217	(130)	\$ 546	535	(11)

NOTES TO FINANCIAL STATEMENTS

KNOX COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

As discussed further in Note 1.C., these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which practices 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.

1. A. REPORTING ENTITY

The county's operations include tax assessments and collections, county courts administration, county recorder, public safety, economic development, road and bridge maintenance, social and human services, and cultural and recreation services. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or elected county officials.

The financial statements referred to above include the primary government of Knox County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the county's legal entity.

1. 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.

Fiduciary (Agency) Funds - Certain county officials, particularly the County Collector, Treasurer, Sheriff, and Public Administrator, collect and hold monies in a trustee capacity as an agent for individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are considered custodial in nature and are not reported on the accompanying financial statements.

1. 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.

**KNOX COUNTY, MISSOURI
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

1. D. BUDGETS AND BUDGETARY ACCOUNTING

The county follows these procedures in establishing the budget information:

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 or 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. A public hearing is conducted to obtain public comment on the budget documents. Prior to approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Budgets are prepared and adopted on the cash basis of accounting.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote. Budgeted amounts are as originally adopted, or as amended by the County Commission during the year. The County Commission amended budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue	2011 and 2010
Special Road and Bridge	2011 and 2010
Law Enforcement	2010
Economic Development	2010
Sever Lake	2010

8. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. No funds had a deficit budgeted cash balance for 2011 or 2010.
9. Section 50.740, RSMo prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds for 2011 and 2010.

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Training	2010
Sheriff's Fees	2011
Law Enforcement Training	2011
Restitution	2010
Davis Cemetery	2011

KNOX COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

1. E. USE OF ESTIMATES

The preparation of financial statements in conformity with the cash basis of accounting used by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

1. F. PROPERTY TAXES

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as on January 1. Taxes are levied in September and payable by December 31. Taxes paid after December 31 are delinquent and subject to penalties. The County bills and collects its own property taxes and also taxes for most other local governments in the county.

The assessed valuation of the tangible property for the calendar year 2011 and 2010 for purposes of local taxation was:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 39,528,622	\$ 39,303,686
Personal Property	20,210,395	17,872,112
Railroad and Utilities	<u>10,942,624</u>	<u>10,721,787</u>
Total Assessed Valuation	<u>\$ 70,681,641</u>	<u>\$ 67,897,585</u>

During 2011 and 2010, the County Commission approved a county-wide levy per \$100 of total assessed valuation of tangible property for the calendar year 2011 and 2010 for purposes of local taxation as follows:

	<u>2011</u>	<u>2010</u>
General Revenue Fund	\$.2899	\$.2975
Special Road and Bridge Fund	.6909	.6535

1. G. CASH DEPOSITS AND INVESTMENTS

Cash deposits and investments in money market accounts are stated at cost, which approximates market. Cash balances for the County Treasurer's funds are invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less; however, nonnegotiable certificates of deposit with original maturity of greater than ninety days is considered as cash equivalents. 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.

KNOX COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

1. H. 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.

Transfers between funds of the primary government for the years ended December 31, 2011 and 2010 were as follows:

	Year Ended December 31, 2011	
	Transfers In	Transfers Out
FUNDS:		
General Revenue Fund	\$ 88,591	\$ 53,700
Special Road and Bridge Fund	-	87,391
Assessment Fund	10,000	-
Law Enforcement Fund	49,600	-
Election Fund	136	-
Restitution Fund	-	7,200
Totals	\$ 148,327	\$ 148,291

	Year Ended December 31, 2010	
	Transfers In	Transfers Out
FUNDS:		
General Revenue Fund	\$ 50,088	\$ 99,256
Special Road and Bridge Fund	-	39,624
Assessment Fund	25,000	-
Law Enforcement Fund	70,500	-
Election Fund	7,511	1,840
Collector's Maintenance Fund	-	3,300
Economic Development Fund	-	10,000
Restitution Fund	-	100
Totals	\$ 153,099	\$ 154,120

The difference between transfers in and transfers out were mainly related to transfers recorded that were shown as receipts and disbursements in the appropriate funds.

1. I. PUBLISHED FINANCIAL STATEMENTS

Under Section 50.800 and 50.810, RSMo 2000, 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. For the years ended December 31, 2011 and 2010, the published financial statements included all funds and the required information.

**KNOX COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 2. CASH AND INVESTMENTS

The county has determined through experience that checking accounts and money market accounts are appropriate types of accounts or instruments for its needs. Each fund type's portion of the county's cash and investments is included on the financial statements as "Cash" under each fund's caption. 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, 2011 and 2010, the county had no such investments.

Disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of the disclosures, deposits with financial institutions are demand and time accounts in the county's bank.

Insured and Collateralized Deposits

In accordance with state law, all uninsured deposits in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain state or political subdivision debt obligations, surety bonds, or certain letters of credit. Missouri statutes also require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

At December 31, 2011 and 2010, the total of all county's deposits held at the respective depository bank was adequately covered by Federal Depository Insurance Coverage and with a \$1,000,000 Federal Home Loan Bank Letter of Credit and additional collateral securities held by an independent bank in the county's name or by its agent in the county's name.

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 a written investment policy in accordance with applicable state law.

NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS

County employees can voluntarily elect to participate in a deferred compensation 457 plan as part of their retirement plan. The County does not contribute to this plan on behalf of any employee. For the year ended December 31, 2011, participating employee contributions were \$6,467.

The following information is presented in accordance with the Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employees":

A. County Employees' Retirement System (CERF)

The County Employees' Retirement Fund (CERF) was established by the state of Missouri to provide pension benefits for county officials and employees.

**KNOX COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS (CONTINUED)

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 of 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; circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System; 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 or at the age of fifty-five with reduced benefits. 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). An eligible 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 or a reduced benefit annuity at age fifty-five. 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, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling toll-free 1-877-632-2373.

3) Funding Policy

In accordance with state statutes, the plan is partially funded through various fees collected by counties and remitted to the CERF. A contribution to CERF of 0% (LAGERS member) or 2% (non-LAGERS member) of annual salary is required for eligible employees hired before February 25, 2002. Effective January 1, 2003, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% (LAGERS member) or 6% (non-LAGERS member) in order to participate in CERF. During 2011 and 2010, the county collected and remitted to CERF contributions of \$52,567 and \$50,880 respectively, for the years then ended.

NOTE 4. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County contributed \$2,244 and \$2,244, for the years ended December 31, 2011 and 2010, respectively.

**KNOX COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 5. 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.

NOTE 6. CLAIMS, COMMITMENTS, AND CONTINGENCIES

1) Compensated Absences

Vacation time is accrued for every eligible employee in the county and accrues at the rate of up to two weeks per year. The County provides full time employees and part-time employees who occupy regular budgeted positions with sick time which accrues at two days per calendar month of employment up to ninety days. Upon termination, no payment will be made for unused vacation or sick days.

2) 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.

NOTE 7. RISK MANAGEMENT

The county is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; 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 of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The county purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

NOTE 8. LONG-TERM DEBT

The county had the following debt outstanding at December 31, 2011:

- A. The county entered into a lease-purchase agreement for a road grader through the company's credit agency in April 2011 with the final payment being in April 2014. The interest rate on the lease-purchase is 3.05%.

KNOX COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 8. LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the grader lease-purchase agreement outstanding as of December 31, including interest payments, are as follows:

<u>Year Ended December 31,</u>		<u>Principal</u>		<u>Interest</u>
2012	\$	32,565	\$	3,116
2013		33,573		2,109
2014		34,612		1,071
Totals	\$	<u>100,750</u>	\$	<u>6,296</u>

COMPLIANCE SECTION

CASEY-BEARD-BOEHMER PC



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August 31, 2012

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 Knox County, Missouri

We have audited the financial statements of Knox County, Missouri, as of and for the years ended December 31, 2011 and 2010, which collectively comprise Knox County, Missouri's basic financial statements and have issued our report thereon dated August 31, 2012. 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

Management of Knox County, Missouri, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Knox 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 Knox County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Knox County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 11-01 and 11-02.

MEMBER
•
American
Institute of
Certified
Public
Accountants
•
Missouri
Society of
Certified
Public
Accountants
•

**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* (CONTINUED)**

A *significant deficiency* is a deficiency, or a 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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies as items 11-03 through 11-05.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knox 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 11-06 and 11-07.

Knox County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Knox County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the Missouri State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Casey-Beard-Boehmer PC
Certified Public Accountants

**KNOX COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

11-01 Bank Reconciliations Performed by County Treasurer

Condition: The County Treasurer's bank reconciliations for December 2011 and 2010 indicated differences between the bank account and the cash balances in various funds. The bank reconciliation for December 31, 2011 showed an outstanding difference of \$28,646 due to a Community Block Development Grant automatically deposited in the bank account on December 27, 2011, but not recorded in the Special Road and Bridge Fund until January 2012. The bank reconciliation for December 31, 2010 showed an outstanding difference of \$11,496 due to a reimbursement from the State of Missouri automatically deposited on December 9, 2010, but not recorded in the Assessment Fund until January 2011. These differences were created from automatic deposits made by the state in the county's bank account but the Treasurer not knowing what the amounts are for until January of the following year. An adjustment was made to increase the respective funds' receipts and corresponding cash balances on the financial statements because the deposits were considered constructive receipts of the county when deposited.

Criteria: Strong internal controls over financial statements require that monthly bank reconciliations be accurately performed to ensure the bank accounts properly reconcile to the County's fund balances.

Cause: The County Treasurer should identify all deposits prior to completing the monthly bank reconciliation.

Effect: The receipts and cash balances of various county funds were not accurately stated for the 2011 and 2010 budgets and led to a material misstatement in the county's financial statements for 2011.

Recommendation:

The County Treasurer should properly prepare monthly bank reconciliations to ensure all deposits have been properly reflected in the respective funds to ensure that there are no outstanding differences between the bank reconciliations and the county fund balances.

Response: The County Treasurer responded as follows:

The State of Missouri does not notify the Treasurer's office at the time of direct deposits. I was not aware of the deposits until I received my bank statements in January of both years, at which time I issued receipts. In the future I will receipt direct deposits from the State before closing my end of the year books.

11-02 Payroll Reports Not Accurately or Timely Prepared

Condition: Quarterly and year-end payroll reports were not prepared timely or accurately for the years ended December 31, 2011 and 2010. The 2010 quarterly reports overstated federal wages on all four quarters and do not correspond to the year-end reports filed in 2010 with a difference of \$60,680 in Federal wages. The first quarter payroll report for 2011 was not filed until 2012, causing the County to be subject to interest and penalties. The remaining 2011 quarterly reports were filed timely, but incorrectly. The County subsequently amended the second, third and fourth quarterly reports. The amended

**KNOX COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

quarterly reports understated Federal wages by \$43,465 and Medicare wages by \$2,144. The County is working on preparation of amended payroll reports.

Criteria: Federal regulations require accurate and timely payments of payroll reports and payroll taxes.

Cause: The County Commission and County Clerk did not file accurate payroll or timely payroll reports.

Effect: The payroll reports were not prepared accurately and one was untimely causing the County penalties and interest on the taxes.

Recommendation:

The County Commission and County Clerk should ensure payroll reports are prepared accurately and timely filed.

Response: The County Clerk responded as follows:

This problem has been addressed and 2012 reports are being prepared more carefully and in a timely manner.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

11-03 Inadequate Controls Over County Purchases and Payments

Condition: We noted the following issues with the county's purchasing and payment process:

- A. The County Commission does not follow state statute requirements to bid contracts and purchases over \$6,000. The County purchased a used truck with a cost over \$6,000 without soliciting bids as required under Section 50.660 RSMo.
- B. Invoices are not always cancelled after payment by having it stamped as being paid or initialed. A test of thirty invoices noted that twenty invoices (67%) were not properly cancelled or stamped paid after payment was made.
- C. Our audit test of purchases revealed several invoices that could not be located, including the purchase of a truck for \$20,150 that did not have a corresponding invoice.

Criteria: Strong internal control procedures require that all invoices are properly cancelled and retained after a warrant has been written and that a payment should not be authorized without a corresponding invoice. Section 50.660 RSMo requires that contracts and purchases over \$6,000 are subject to a bidding process including advertising the proposed letting in a newspaper in the county.

Cause: The County thought their process of reviewing and approving expenditures was sufficient.

Effect: The County may not be getting the best price for their large purchases, which may result in a loss of county assets. Invoices that are not cancelled upon payment are more likely to be paid more than once resulting in a loss of county assets. Disbursements without invoices are more likely to result in inaccurate payments.

**KNOX COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Recommendation:

- A. Bids should be solicited and documented for purchases and contracts over \$6,000. Advertisements for bids should be placed in a local paper.
- B. All invoices should be cancelled after payment by stamping as being paid or initialed.
- C. Payments should not be made without adequate documentation and this documentation should be properly retained for future county inquiries and for audit purposes.

Response: The County Commission responded as follows:

- A. The County Commission will ensure that proper bidding procedures will be followed on purchases of \$6,000 or more.*
- B. The County Clerk has implemented this procedure. All invoices are now being cancelled after payment, by stamping them as paid.*
- C. This has been implemented.*

11-04 Budgetary Controls Not in Compliance With State Law

Condition: We noted the following issues with the county’s budgeting process during our audit:

- A. The County Commission minutes did not record approval of budget amendments for any county funds for the year ended December 31, 2010.
- B. The County Commission and other county officials did not exercise adequate budgetary control over five funds during the audit period. Expenditures were approved for payment that exceeded the approved budget for the following funds as shown below:

<u>Fund</u>	<u>Year</u>	<u>Amount</u>
Prosecuting Attorney Training	2010	\$ 107
Sheriff’s Fees	2011	551
Law Enforcement Training	2011	244
Restitution	2010	282
Davis Cemetery	2011	130

Criteria: Section 50.540 RSMo, requires that the budget be revised prior to authorizing expenditures in excess of the budget.

Cause: County officials did not consider the importance of preparing proper amended budgets.

Effect: The County Commission and the County Clerk did not follow state law and budgetary guidelines on the preparation of budget documents.

Recommendation:

- A. The County Commission and County Clerk should ensure amended budgets are prepared and formally approved and filed with the state as required by state law.
- B. The County Commission should not approve expenditures in excess of budgeted amounts. The County Commission should properly amend the budgets in a public meeting when unforeseen circumstances arise that necessitate increased expenditures in any fund.

**KNOX COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Response:

- A. *The County Commission and Clerk have implemented this.*
- B. *The County Commission will take necessary steps to implement this.*

11-05 Accounting for Transfers

Condition: The financial statements of the County as represented in the annual budget document do not present the proper amount of transfers between the various county funds. Total budgeted transfers in do not agree with total budgeted transfers out for the years ended December 31, 2011 and 2010. In addition, actual amounts for transfers in are not properly reconciled to actual amounts transferred out each year. Several transfers were erroneously recorded within receipts or disbursements of the corresponding funds instead of as actual transfers. Reclassification of transfers recorded as Other Revenues were made to correct the County's financial statements as presented.

Criteria: Strong internal controls over financial statements require that transfers are properly reported and are in balance.

Cause: The County Commission and County Clerk did not report actual or budgeted transfers properly.

Effect: The transfers between funds are not in balance on the budget documents filed with the state.

Recommendation:

The County Commission and County Clerk should ensure both budgeted and actual transfers to and from other funds are in agreement and that other types of transactions that are not operating transfers are not presented in the "Transfers" account category.

Response:

This will be watched more carefully and be implemented.

ITEMS OF NONCOMPLIANCE AND OTHER MATTERS

11-06 County Commission Minutes Not in Compliance With Sunshine Law

Condition: We noted the following noncompliance issues with the County Commission meeting minutes:

- A. The Commission meeting minutes did not always include the date, time, place, members present and members absent, and a record of votes taken and attributed to each member.
- B. The original approved meeting minutes could not be located for 2011. An electronic version of the meeting minutes was provided for audit purposes for review; however, no minutes could be located for February 14, 2011 and April 8, 2011 when a closed session meeting was also held.

**KNOX COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

- C. The Commission meeting minutes did not state the specific subsection of the Sunshine Law when voting to go into a closed meeting. The minutes only indicated that the closed meeting was held to discuss personnel matters. The County Commission went into closed session in February 2011, April 2011, July 2011, August 2011, October 2011, and December 2011.

Criteria: RSMo, Chapter 610 (commonly referred to as the Missouri Sunshine Law) and Section 610.020.7, RSMo, require the meeting minutes to include the place where the meeting was held, the members that are absent and present, record of votes attributed to each member, and that official minutes be retained of the board minutes. Section 610.022.2, RSMo requires that the specific subsection of the Sunshine Law allowing the closure of the meeting be cited in the minutes.

Cause: The County was unaware of the criteria requirements for the County Commission minutes and did not ensure all official commission minutes were properly retained.

Effect: The County did not fully comply with the Sunshine Law.

Recommendation:

- A. We recommend the County Commission meeting minutes include the date and time of the meeting, members present and absent, a record of votes taken attributed to each member.
- B. We recommend the County retain all official signed meeting minutes.
- C. We recommend the County Commission minutes include the applicable subsection of the Sunshine Law for holding a closed meeting; and, that there is a full vote of the Commission when holding a closed meeting and such vote is documented in the minutes.

Response:

- A. *This has been implemented.*
- B. *The County does retain meeting minutes for each meeting; however, the minutes in question have not been located after the previous audit was performed.*
- C. *This has been implemented.*

11-07 Lease- Purchase Debt Not Included on Budget Document

Condition: The lease-purchase agreement entered into by the County in 2011 was not properly included on the 2012 budget document in the outstanding debt section. This section reports the beginning principal balance, principal payments made, and the outstanding balance at the end of each year.

Criteria: The Missouri State Auditor's Office budgetary guidelines require long-term debt including lease-purchase agreements and certificates of participation be reported in the budget document.

Cause: The County Commission and County Clerk did not consider the importance of reporting the long-term debt on the budget document.

**KNOX COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Effect: The County Commission and the County Clerk did not follow budgetary guidelines on the preparation of budget documents.

Recommendation:

The County Commission and County Clerk ensure all lease-purchase agreements are presented accurately on the budget document each year as necessary until fully paid off.

Response:

This will be implemented on future budgets.

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

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

Because Knox County, Missouri, did not obtain an audit of its financial statements for the two years ended December 31, 2009, this section does not report the status of any prior audit findings.