



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Scotland County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Scotland 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 year ended December 31, 2016, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Beard-Boehmer & Associates, PC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

October 2017
Report No. 2017-110

AUDITED FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

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BEARD-BOEHMER & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI

SCOTLAND COUNTY, MISSOURI

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August 23, 2017

INDEPENDENT AUDITORS' REPORT

To the County Commission
and Officeholders of
Scotland County, Missouri

Report on the Financial Statements

We have audited the accompanying special purpose regulatory cash basis financial statements of Scotland County, Missouri, which collectively comprise the statement of revenues, expenditures, and changes in cash—all governmental funds as of December 31, 2016, and the related statements of revenues, expenditures, and changes in cash—budget and actual for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by Missouri Law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

SCOTLAND COUNTY, MISSOURI INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the special purpose financial statements are prepared by Scotland County, Missouri, using accounting practices prescribed or permitted by Missouri Law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Scotland County, Missouri, as of December 31, 2016, and the changes in its financial position.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of each fund of Scotland County, Missouri as of December 31, 2016, their respective cash revenues and expenditures, and budgetary results for the year then ended, on the basis of the financial reporting provisions of Missouri Law as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2017, on our consideration of Scotland 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scotland County, Missouri's internal control over financial reporting and compliance.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the State of Missouri 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.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

Fund	Cash January 1, 2016	Revenues	Expenditures	Cash December 31, 2016
General Revenue	\$ 269,866	962,524	954,406	\$ 277,984
Special Road and Bridge	699,184	1,107,908	974,111	832,981
Assessment	26,937	111,983	107,533	31,387
Federal Emergency Management Assistance (FEMA)	-	179,444	179,444	-
Road and Bridge Sales Tax	114,947	349,124	464,071	-
Road Rock	12,506	261,873	213,106	61,273
Off System	4,960	22,093	22,063	4,990
Community Development Block Grant	-	1,460	1,460	-
Law Enforcement Sales Tax	78,692	145,053	97,542	126,203
Law Enforcement Training	132	1,358	1,346	144
Prosecuting Attorney Training	56	220	276	-
User Fee	9,366	2,086	783	10,669
Local Emergency Planning Committee (LEPC)	6,219	-	-	6,219
Drug Forfeiture	2,519	15	-	2,534
Recorder Tech	1,681	1,185	245	2,621
Prosecuting Attorney Admin Handling Cost	115	3,555	3,595	75
Divorce Education	652	700	700	652
Election Services	9,915	21,020	9,847	21,088
Help America Vote Act (HAVA)	3,339	11	1,860	1,490
Sheriff Civil Service	1,913	2,961	3,615	1,259
Sheriff Special Project	1,498	1,647	2,442	703
Children's Trust	445	185	430	200
Tax Maintenance	1,514	4,992	4,776	1,730
County of Scotland Improvement Corporation	2,228	7,870	7,133	2,965
Sheriff Inmate Security	2,365	2,351	-	4,716
Sheriff's Revolving	4,675	7,529	619	11,585
Totals	\$ <u>1,255,724</u>	<u>3,199,147</u>	<u>3,051,403</u>	\$ <u>1,403,468</u>

Note:

There were no beginning balances and no activity for 2016 for the Batterers Intervention Fund and the Prosecuting Attorney Delinquent Tax Fund and, therefore, these funds are not presented in the financial statements. Also, no budgets were prepared for the funds for 2016.

SCOTLAND COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

General Revenue Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Property taxes	\$ 310,000	348,483	38,483
Sales and use taxes	225,000	278,992	53,992
Intergovernmental	151,317	137,121	(14,196)
Charges for services	97,558	106,729	9,171
Interest	3,000	2,689	(311)
Other	10,124	16,547	6,423
Transfers in	70,000	71,963	1,963
Total Revenues	\$ 866,999	962,524	95,525
EXPENDITURES			
General County Government-			
County Commission	\$ 179,883	162,780	(17,103)
County Clerk	92,116	89,190	(2,926)
Elections	42,830	35,566	(7,264)
Buildings and grounds	76,377	69,952	(6,425)
Employee fringe benefits	74,100	48,492	(25,608)
Treasurer	36,472	36,332	(140)
Collector	64,628	64,341	(287)
Recorder of Deeds	54,123	52,147	(1,976)
Court administration	23,316	21,684	(1,632)
Public Administrator	17,139	17,121	(18)
Other expenditures	96,039	70,825	(25,214)
Public Safety-			
Sheriff	193,845	191,862	(1,983)
Prosecuting Attorney	63,770	64,144	374
County Coroner	9,500	9,500	-
Health and welfare	5,330	8,780	3,450
Transfers out	11,690	11,690	-
Emergency fund	30,000	-	(30,000)
Total Expenditures	\$ 1,071,158	954,406	(116,752)
REVENUES OVER (UNDER) EXPENDITURES	\$ (204,159)	8,118	212,277
CASH, JANUARY 1	269,866	269,866	-
CASH, DECEMBER 31	\$ 65,707	277,984	212,277

SEE NOTES TO THE FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Special Road and Bridge Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Property taxes	\$ 430,000	468,513	38,513
Intergovernmental	422,000	485,478	63,478
Interest	6,000	6,457	457
Road rock sales	60,000	51,728	(8,272)
Other	-	31,185	31,185
Transfers in	-	64,547	64,547
Total Revenues	\$ 918,000	1,107,908	189,908
EXPENDITURES			
Salaries	\$ 370,000	316,456	(53,544)
Employee fringe benefits	70,500	37,267	(33,233)
Supplies	266,500	144,469	(122,031)
Insurance	20,000	17,694	(2,306)
Road and bridge materials	205,000	165,389	(39,611)
Equipment repairs	75,000	66,655	(8,345)
Equipment purchases	107,500	136,066	28,566
Road and bridge construction	34,500	3,150	(31,350)
Other road and bridge construction	35,000	-	(35,000)
Transfers out	300,468	86,965	(213,503)
Total Expenditures	\$ 1,484,468	974,111	(510,357)
REVENUES OVER (UNDER) EXPENDITURES	\$ (566,468)	133,797	700,265
CASH, JANUARY 1	699,184	699,184	-
CASH, DECEMBER 31	\$ 132,716	832,981	700,265

Assessment Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Intergovernmental	\$ 87,500	98,239	10,739
Interest	300	321	21
Other	1,500	3,423	1,923
Transfers in	10,000	10,000	-
Total Revenues	\$ 99,300	111,983	12,683
EXPENDITURES			
Salaries	\$ 79,552	73,058	(6,494)
Employee fringe benefits	7,800	7,016	(784)
Office supplies	2,400	3,319	919
Mileage and training	1,900	1,220	(680)
GIS and computer support	800	353	(447)
Appraisal system	12,588	12,588	-
Equipment purchases	5,998	5,998	-
Office expenditures	4,450	3,981	(469)
Total Expenditures	\$ 115,488	107,533	(7,955)
REVENUES OVER (UNDER) EXPENDITURES	\$ (16,188)	4,450	20,638
CASH, JANUARY 1	26,937	26,937	-
CASH, DECEMBER 31	\$ 10,749	31,387	20,638

SEE NOTES TO THE FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Emergency Management Assistance (FEMA) Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Intergovernmental	\$ 179,381	179,381	-
Interest	63	63	-
Total Revenues	\$ 179,444	179,444	-
EXPENDITURES			
Road and bridge	\$ 62	62	-
Transfers out	179,382	179,382	-
Total Expenditures	\$ 179,444	179,444	-
REVENUES OVER (UNDER) EXPENDITURES	\$ -	-	-
CASH, JANUARY 1	-	-	-
CASH AND INVESTMENTS, DECEMBER 31	\$ -	-	-

Road and Bridge Sales Tax			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Sales taxes	\$ 225,000	278,991	53,991
Interest	1,200	179	(1,021)
Other	-	6,787	6,787
Transfers in	230,468	63,167	(167,301)
Total Revenues	\$ 456,668	349,124	(107,544)
EXPENDITURES			
Engineering and construction projects	\$ 444,224	359,743	(84,481)
Equipment purchases	64,391	44,391	(20,000)
Road rock	20,000	28,606	8,606
Tubes	43,000	31,331	(11,669)
Total Expenditures	\$ 571,615	464,071	(107,544)
REVENUES OVER (UNDER) EXPENDITURES	\$ (114,947)	(114,947)	-
CASH, JANUARY 1	114,947	114,947	-
CASH, DECEMBER 31	\$ -	-	-

Road Rock Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Property taxes	\$ 200,000	194,694	(5,306)
Interest	600	509	(91)
Transfers in	-	66,670	66,670
Total Revenues	\$ 200,600	261,873	61,273
EXPENDITURES			
Road and bridge-road rock	\$ 213,106	213,106	-
Total Expenditures	\$ 213,106	213,106	-
REVENUES OVER (UNDER) EXPENDITURES	\$ (12,506)	48,767	61,273
CASH, JANUARY 1	12,506	12,506	-
CASH, DECEMBER 31	\$ -	61,273	61,273

SEE NOTES TO THE FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Off System Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Intergovernmental	22,063	22,063	-
Interest	\$ 40	30	(10)
Total Revenues	\$ 22,103	22,093	(10)
EXPENDITURES			
Bridge construction	\$ 22,063	22,063	-
Total Expenditures	\$ 22,063	22,063	-
REVENUES OVER (UNDER) EXPENDITURES	\$ 40	30	(10)
CASH, JANUARY 1	4,960	4,960	-
CASH, DECEMBER 31	\$ 5,000	4,990	(10)

Community Development Block Grant Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Intergovernmental	\$ 1,460	1,460	-
Total Revenues	\$ 1,460	1,460	-
EXPENDITURES			
Bridge construction	\$ 1,460	1,460	-
Total Expenditures	\$ 1,460	1,460	-
REVENUES OVER (UNDER) EXPENDITURES	\$ -	-	-
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ -	-	-

Law Enforcement Sales Tax Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Sales taxes	\$ 112,500	139,497	26,997
Intergovernmental	1,376	1,278	(98)
Interest	300	622	322
Other	1,275	1,966	691
Transfers in	-	1,690	1,690
Total Revenues	\$ 115,451	145,053	29,602
EXPENDITURES			
Circuit Clerk	\$ 14,650	6,107	(8,543)
Juvenile Officer	14,800	6,477	(8,323)
Sheriff	92,500	68,934	(23,566)
Prosecuting Attorney	12,650	12,574	(76)
Coroner	5,525	3,450	(2,075)
Total Expenditures	\$ 140,125	97,542	(42,583)
REVENUES OVER (UNDER) EXPENDITURES	\$ (24,674)	47,511	72,185
CASH, JANUARY 1	78,692	78,692	-
CASH, DECEMBER 31	\$ 54,018	126,203	72,185

SEE NOTES TO THE FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Law Enforcement Training Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Intergovernmental	\$ 500	500	-
Charges for services	1,400	858	(542)
Total Revenues	\$ 1,900	1,358	(542)
EXPENDITURES			
Mileage, motel, and meals	\$ 2,000	1,346	(654)
Total Expenditures	\$ 2,000	1,346	(654)
REVENUES OVER (UNDER) EXPENDITURES	\$ (100)	12	112
CASH, JANUARY 1	132	132	-
CASH, DECEMBER 31	\$ 32	144	112

Prosecuting Attorney Training Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Charges for services	\$ 220	220	-
Total Revenues	\$ 220	220	-
EXPENDITURES			
Mileage, motel, and meals	\$ 276	276	-
Total Expenditures	\$ 276	276	-
REVENUES OVER (UNDER) EXPENDITURES	\$ (56)	(56)	-
CASH, JANUARY 1	56	56	-
CASH, DECEMBER 31	\$ -	-	-

User Fee Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Charges for services	\$ 1,600	2,025	425
Interest	100	61	(39)
Total Revenues	\$ 1,700	2,086	386
EXPENDITURES			
Recorder of Deeds	\$ 9,000	783	(8,217)
Total Expenditures	\$ 9,000	783	(8,217)
REVENUES OVER (UNDER) EXPENDITURES	\$ (7,300)	1,303	8,603
CASH, JANUARY 1	9,366	9,366	-
CASH, DECEMBER 31	\$ 2,066	10,669	8,603

SEE NOTES TO THE FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Local Emergency Planning Committee (LEPC) Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Intergovernmental	\$ 2,000	-	(2,000)
Total Revenues	\$ 2,000	-	(2,000)
EXPENDITURES			
Meeting expense	\$ 8,200	-	(8,200)
Total Expenditures	\$ 8,200	-	(8,200)
REVENUES OVER (UNDER) EXPENDITURES	\$ (6,200)	-	6,200
CASH, JANUARY 1	6,219	6,219	-
CASH, DECEMBER 31	\$ 19	6,219	6,200

Drug Forfeiture Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Interest	\$ 15	15	-
Total Revenues	\$ 15	15	-
EXPENDITURES			
Equipment	\$ 500	-	(500)
Total Expenditures	\$ 500	-	(500)
REVENUES OVER (UNDER) EXPENDITURES	\$ (485)	15	500
CASH, JANUARY 1	2,519	2,519	-
CASH, DECEMBER 31	\$ 2,034	2,534	500

Recorder Tech Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Charges for services	\$ 940	1,173	233
Interest	15	12	(3)
Total Revenues	\$ 955	1,185	230
EXPENDITURES			
Equipment	\$ 1,200	245	(955)
Technology	1,200	-	(1,200)
Total Expenditures	\$ 2,400	245	(2,155)
REVENUES OVER (UNDER) EXPENDITURES	\$ (1,445)	940	2,385
CASH, JANUARY 1	1,681	1,681	-
CASH, DECEMBER 31	\$ 236	2,621	2,385

SEE NOTES TO THE FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Prosecuting Attorney Admin Handling Cost Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Intergovernmental	\$ 375	375	-
Charges for services	3,175	3,175	-
Other	5	5	-
Total Revenues	\$ 3,555	3,555	-
EXPENDITURES			
Prosecuting Attorney	\$ 3,595	3,595	-
Total Expenditures	\$ 3,595	3,595	-
REVENUES OVER (UNDER) EXPENDITURES	\$ (40)	(40)	-
CASH, JANUARY 1	115	115	-
CASH, DECEMBER 31	\$ 75	75	-

Divorce Education Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Charges for services	\$ 200	700	500
Total Revenues	\$ 200	700	500
EXPENDITURES			
Contract labor	\$ 852	600	(252)
Rent	-	100	100
Total Expenditures	\$ 852	700	(152)
REVENUES OVER (UNDER) EXPENDITURES	\$ (652)	-	652
CASH, JANUARY 1	652	652	-
CASH, DECEMBER 31	\$ -	652	652

SEE NOTES TO THE FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Election Services Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Intergovernmental	\$ 200	515	315
Charges for services	2,000	3,249	1,249
Interest	90	98	8
Other	12,765	17,158	4,393
Total Revenues	\$ 15,055	21,020	5,965
EXPENDITURES			
Elections	\$ 24,709	9,847	(14,862)
Total Expenditures	\$ 24,709	9,847	(14,862)
REVENUES OVER (UNDER) EXPENDITURES	\$ (9,654)	11,173	20,827
CASH, JANUARY 1	9,915	9,915	-
CASH, DECEMBER 31	\$ 261	21,088	20,827

Help America Vote Act (HAVA) Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Intergovernmental	\$ 8,152	-	(8,152)
Interest	35	11	(24)
Total Revenues	\$ 8,187	11	(8,176)
EXPENDITURES			
Elections	\$ 11,452	1,860	(9,592)
Total Expenditures	\$ 11,452	1,860	(9,592)
REVENUES OVER (UNDER) EXPENDITURES	\$ (3,265)	(1,849)	1,416
CASH, JANUARY 1	3,339	3,339	-
CASH, DECEMBER 31	\$ 74	1,490	1,416

Sheriff Civil Service Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Charges for services	\$ 4,000	2,725	(1,275)
Interest	15	11	(4)
Other	-	225	225
Total Revenues	\$ 4,015	2,961	(1,054)
EXPENDITURES			
Sheriff	\$ 5,900	3,615	(2,285)
Total Expenditures	\$ 5,900	3,615	(2,285)
REVENUES OVER (UNDER) EXPENDITURES	\$ (1,885)	(654)	1,231
CASH, JANUARY 1	1,913	1,913	-
CASH, DECEMBER 31	\$ 28	1,259	1,231

SEE NOTES TO THE FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Sheriff Special Project Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Intergovernmental	\$ 888	888	-
Other	759	759	-
Total Revenues	\$ 1,647	1,647	-
EXPENDITURES			
Sheriff	\$ 2,442	2,442	-
Total Expenditures	\$ 2,442	2,442	-
REVENUES OVER (UNDER) EXPENDITURES	\$ (795)	(795)	-
CASH, JANUARY 1	1,498	1,498	-
CASH, DECEMBER 31	\$ 703	703	-

Children's Trust Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Other	\$ 175	185	10
Total Revenues	\$ 175	185	10
EXPENDITURES			
Child shelter	\$ 430	430	-
Total Expenditures	\$ 430	430	-
REVENUES OVER (UNDER) EXPENDITURES	\$ (255)	(245)	10
CASH, JANUARY 1	445	445	-
CASH, DECEMBER 31	\$ 190	200	10

Tax Maintenance Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Charges for services	\$ 3,960	4,975	1,015
Interest	25	17	(8)
Total Revenues	\$ 3,985	4,992	1,007
EXPENDITURES			
Office expense	\$ 1,100	2,568	1,468
Telephone	350	358	8
Postage	25	-	(25)
Computer expense	2,178	1,680	(498)
Payment to Collector	160	100	(60)
Training	-	70	70
Total Expenditures	\$ 3,813	4,776	963
REVENUES OVER (UNDER) EXPENDITURES	\$ 172	216	44
CASH, JANUARY 1	1,514	1,514	-
CASH, DECEMBER 31	\$ 1,686	1,730	44

SEE NOTES TO THE FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

County of Scotland Improvement Corporation			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Interest	\$ 18	17	(1)
Loans and other	7,853	7,853	-
Total Revenues	\$ 7,871	7,870	(1)
EXPENDITURES			
Community facilities loan payments	\$ 7,133	7,133	-
Total Expenditures	\$ 7,133	7,133	-
REVENUES OVER (UNDER) EXPENDITURES	\$ 738	737	(1)
CASH, JANUARY 1	2,228	2,228	-
CASH, DECEMBER 31	\$ 2,966	2,965	(1)

Sheriff Inmate Security Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Charges for services	\$ 1,500	2,330	830
Interest	5	21	16
Total Revenues	\$ 1,505	2,351	846
EXPENDITURES			
Sheriff	\$ 1,100	-	(1,100)
Total Expenditures	\$ 1,100	-	(1,100)
REVENUES OVER (UNDER) EXPENDITURES	\$ 405	2,351	1,946
CASH, JANUARY 1	2,365	2,365	-
CASH, DECEMBER 31	\$ 2,770	4,716	1,946

Sheriff's Revolving Fund			
	Final Budget	Actual	Actual Over (Under) Budget
REVENUES			
Charges for services	\$ 2,000	7,478	5,478
Interest	-	51	51
Total Revenues	\$ 2,000	7,529	5,529
EXPENDITURES			
Jail expenses	\$ 2,500	619	(1,881)
Total Expenditures	\$ 2,500	619	(1,881)
REVENUES OVER (UNDER) EXPENDITURES	\$ (500)	6,910	7,410
CASH, JANUARY 1	4,675	4,675	-
CASH, DECEMBER 31	\$ 4,175	11,585	7,410

SEE NOTES TO THE FINANCIAL STATEMENTS

SCOTLAND COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Scotland County, Missouri is governed by a County Commission with three members under a county form of government. In addition to the three County Commissioners, there are nine elected Officers: Assessor, Recorder of Deeds, County Clerk, Collector, Treasurer, Coroner, Prosecuting Attorney, Public Administrator, and Sheriff.

As discussed further in Note 1.C., these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Governmental 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 property tax assessments and collections, state/county courts administration, recording of instruments, public safety, emergency planning, road and bridge construction and maintenance, health and welfare services, and election services. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The County Collector has control over the Tax Maintenance Fund.

The financial statements referred to above include the primary government of Scotland County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the County's legal entity. This does not include the Scotland County Health Center and Home Health Agency since this entity is considered a separate legal entity not under the control of the County and is not considered a component unit of the County. The County also does not have a Senate Bill 40 Board or a 911 Board.

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, and expenditures. 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 Collector, Treasurer, Public Administrator, and Sheriff may collect and hold monies in a trustee capacity as an agent of 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 custodial in nature, and are not reported on the accompanying financial statements.

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.

SCOTLAND COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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. Budgets are adopted on the cash basis of accounting.
2. 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 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.
3. State law requires 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 2016.
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. The approved budget for the County is to be submitted to the County budget officer (County Clerk) and filed with the State Auditor's Office by January 31.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to the budget hearings, the budgets (as amended and approved) are adopted by the County Commission. The County Commission amended budgets for various funds in December 2016.
7. Adoption of a formal budget is required by state statute. The County budgeted for all funds during the year ended December 31, 2016.
8. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets. The Collector Tax Maintenance Fund had expenditures in excess of the approved budget for 2016.

E. SALES TAX AND USE TAX RATES

The County has the following sales tax and use tax rates:

General sales tax	1/2%	\$ 0.00500
Law enforcement sales tax	1/4%	0.00250
Capital improvement sales tax	1/2%	<u>0.00500</u>
Total sales tax rate		\$ <u>0.01250</u>
Use tax rate	1.25%	\$ <u>0.01250</u>

SCOTLAND COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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, including the cities.

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

Real Estate	\$	42,747,320
Personal Property		23,032,725
Railroad and Utilities		8,136,624
Total Assessed Valuation	\$	<u>73,916,669</u>

The countywide levy per \$100 of the assessed valuation of tangible property for the calendar year for purposes of local taxation was:

General Revenue	\$	0.4944
Road and Bridge		0.3462
Special Road and Bridge	1	0.3124
Road Rock (per ag acre)	2	0.7500

1 This is an additional voter approved tax levy for road and bridge purposes voted on every four years. The voters of the county approved the tax again in April 2016 and will need to be voted upon again in four years. This tax levy goes in the Special Road and Bridge Fund along with the regular Road and Bridge tax levy.

2 Per Section 231.444, RSMo, the County has levied a tax levy on all agricultural and horticulture land at \$0.75 per acre.

G. CASH DEPOSITS AND INVESTMENTS

Cash deposits 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 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. The County invests in three Super Now accounts that are considered 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.

SCOTLAND COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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 year ended December 31, 2016, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Revenue	\$ 71,963	\$ 11,690
Special Road and Bridge	64,547	86,965
Assessment	10,000	-
FEMA	-	179,382
Road and Bridge Sales Tax	63,167	-
Road Rock	66,670	-
Law Enforcement Sales Tax	1,690	-
Total	<u>\$ 278,037</u>	<u>\$ 278,037</u>

I. PUBLISHED FINANCIAL STATEMENTS

Under Sections 50.800 and 50.810, 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 revenues, expenditures, and beginning and ending balances for each fund. For the year ended December 31, 2016, the published financial statements included all funds and the required information.

NOTE 2. CASH AND INVESTMENTS

Section 110.270 RSMo based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950 RSMo requires political subdivisions with existing 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 purchases 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 adopted such a policy.

The County has determined through experience that checking accounts, savings accounts, negotiable order withdrawal (NOW) or Super Now accounts and money market accounts are appropriate types of accounts or instruments for its needs. 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 included on the financial statements as "Cash" under each fund's caption.

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, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks and savings institutions.

SCOTLAND COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Deposits

Missouri statutes require all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. All bank balances at the depository bank at December 31, 2016, were covered by federal depository insurance and additional collateral securities held at the County's safekeeping bank agent in the County's name or by its agent in the County's name.

NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLAN

County Employees' Retirement Fund

The County Employees' Retirement Fund (CERF) was established pursuant to SB 579, effective August 28, 1994, by the state of Missouri to provide a retirement benefit to eligible county 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 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 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 eleven persons.

2) Pension Benefits

CERF first paid benefits beginning January 1, 1997. At that time a member could not retire until age 62. Beginning January 1, 2000, employees could retire with full benefits at age 62 or reduced benefits at age 55. 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. As of December 31, 2016, the County had 35 employees enrolled in CERF.

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 Retirement Fund is partially funded through various fees collected and remitted to CERF. Depending on the hire date and LAGERS status, contribution rates can be 0%, 2%, 4%, or 6%. A county can choose to pay up to 4% for its employees.

SCOTLAND COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLAN (CONTINUED)

A contribution to CERF of 2% of annual salary is required for eligible employees hired before February 25, 2002, and a contribution of 6% of annual salary is required of employees hired after February 25, 2002, effective January 1, 2003, in order to participate in CERF. During 2016, the County collected and remitted to CERF \$67,843.

NOTE 4. PROSECUTING ATTORNEY RETIREMENT

In accordance with Section 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 Attorneys' Retirement System Fund. Once remitted, the state of Missouri is responsible for administration of this plan. The County contributed \$2,618 for the year ended December 31, 2016.

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. COMMITMENTS AND CONTINGENCIES

1) Compensated Absences

Full-time employees shall earn eight hours of sick leave with pay credit monthly in which a minimum of 120 hours have been worked. Introductory employees are not eligible for sick leave pay until six months of employment have been completed, although sick leave accrues from the first month of employment. Full-time employees are eligible to receive sick leave pay only after they have successfully completed the introductory period. Sick leave is not paid upon termination of employment.

Each full-time regular employee shall accrue vacation leave credit at annual rates as follows: 0 hours during introductory period; 40 hours during year 2; 80 hours during years 3-5; 120 hours after year 5. Employees may accrue vacation leave to a maximum of 240 hours, except personnel who are FLSA exempt may accrue vacation leave to a maximum of 360 hours. It is the general policy not to reimburse individuals for accrual of vacation time beyond their eligible amounts. Any employee with benefits leaving the County service due to resignation, death or termination shall be compensated for vacation credit unused to the date of termination.

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 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.

3) Litigation

At December 31, 2016, the County is not involved in any litigation.

SCOTLAND COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

4) Long-term Debt

In August 2011, the County entered into a capital lease for a Caterpillar excavator. The lease is to be paid in annual installments of \$13,898 inclusive of interest at 3.55% due on April 13th each year through 2016. A final payment of \$32,310 is due on April 13, 2017. This lease is paid through the Special Road and Bridge Sales Tax Fund. On March 1, 2016, the County paid the remaining buyout amount of \$44,391 that includes interest and a processing fee. There is nothing remaining at December 31, 2016, on this lease.

In September 2012, the County entered into a promissory note for \$18,000 with the USDA for a truck. The note is paid in annual installments of \$3,379 inclusive of interest at 3.5% per year due on September 19 each year through September 2018. This is paid from the General Revenue Fund.

In December 2012, the County entered into a promissory note for \$20,000 for radio equipment. The note is paid in annual installments of \$3,754 inclusive of interest at 3.5% per year due on December 28 each year through December 2018. This is paid from the General Revenue Fund. The loan amount was dropped by the County to \$17,600.

In July 2014, the County entered into a tax anticipation note with a local bank for \$153,901. The note requires the County to pay 3% per year. The amount on the note to be paid annually on February 15 is \$38,475 along with interest. The first payment was due December 31, 2014, with the remaining amount amortized over 5 years. This is paid from the General Revenue Fund.

In February 2016, the Assessor entered into several five year agreements regarding software installation on mapping projects. The agreements run from October 18 to October 18 of the following year with the last or fifth year running from October 18, 2020, to October 18, 2021, with the final payment due October 2020. Each annual payment is for \$12,588. This is paid from the Assessment Fund.

A table of principal and interest on all remaining debt is as follows:

	Truck	Radios	Tax Notes	Mapping	Principal	Interest	Total
2017	\$ 3,155	3,618	38,475	12,588	57,836	3,822	\$ 61,658
2018	3,249	255	38,475	12,588	54,567	2,448	57,015
2019	-	-	38,475	12,588	51,063	1,154	52,217
2020	-	-	-	12,588	12,588	-	12,588
Totals	\$ <u>6,404</u>	<u>3,873</u>	<u>115,425</u>	<u>50,352</u>	<u>176,054</u>	<u>7,424</u>	\$ <u>183,478</u>

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.

SCOTLAND COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 7. RISK MANAGEMENT (CONTINUED)

The County is a member participant in a public entity risk pool (MoPERM), which is a corporate and political body created pursuant to Section 537.700 RSMo. 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 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 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. RELATED PARTY TRANSACTION

The County has a written lease agreement with the Prosecuting Attorney on the rental of a building she owns and uses as the office of the Prosecuting Attorney. The lease agreement provides for a monthly payment of \$450 and is a month to month agreement.

NOTE 9. SUBSEQUENT EVENT

In April 2017, the citizens of Scotland County voted on and approved an extension of the half-cent sales tax for capital improvements to county roads and bridges. The extension of this sales tax will expire on December 31, 2021.

COMPLIANCE SECTION

August 23, 2017

**INDEPENDENT AUDITORS' 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
Scotland County, Missouri

We have audited, in accordance with the 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, the regulatory basis financial statements of the county funds of Scotland County, Missouri, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Scotland County, Missouri's basic financial statements, and have issued our report thereon dated August 23, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Scotland County, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scotland County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Scotland County, Missouri's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2016-001 that we consider to be a significant deficiency.

**SCOTLAND COUNTY, MISSOURI
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)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scotland County, Missouri's financial statements are free from 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2016-001.

Scotland County, Missouri's Response to Finding

Scotland County, Missouri's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Scotland County, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the State of Missouri 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.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

**SCOTLAND COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINANCIAL STATEMENT FINDING

This section includes the audit finding that *Government Auditing Standards* require to be reported for an audit of financial statements.

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTER

2016-001 Budgetary Procedure Not in Compliance With State Law

Condition: Expenditures were approved by the County Collector for payment that exceeded the approved budget for the Collector's Tax Maintenance Fund by the amount of \$963.

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

Cause: When amending the county budgets during 2016, the County Commission and County Collector did not review the budget document for the Tax Maintenance Fund to ensure the budget was properly amended.

Effect: The County Commission and the County Collector did not follow state law on properly amending budgets to ensure expenditures did not exceed the budgeted amounts.

Recommendation:

The County Commission and County Collector should not approve expenditures in excess of budgeted amounts. The County Commission and County Collector should properly amend the budgets in a public meeting when unforeseen circumstances arise that necessitate increased expenditures in any fund.

Auditee's Response:

The County Collector responded that measures have been put in place to monitor expenditures in excess of budgeted amounts. The County Collector and County Commission will properly amend the budgets in a public meeting when unforeseen circumstances arise that necessitate increased expenditures in this fund.

The County Commission responded that it and the County Collector will review this fund prior to the end of the fiscal year and properly amend the budget in a public meeting when unforeseen circumstances arise.

**SCOTLAND 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 Scotland County, Missouri, on the applicable findings in the prior audit report issued for the year ended December 31, 2015, by another independent audit firm.

The two financial statement findings presented in the prior audit report related to individual fee officeholders and did not relate to the financial statements and, therefore, no follow-up on these findings are presented. There were also no findings presented related to federal awards for the year ended December 31, 2015.