



THOMAS A. SCHWEICH
Missouri State Auditor

To the County Commission
and
Officeholders of McDonald County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of McDonald 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 McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Thomas A. Schweich". The signature is written in a cursive style with a large, sweeping flourish at the end.

Thomas A. Schweich
State Auditor

June 2012
Report No. 2012-56

ANNUAL FINANCIAL REPORT

MCDONALD COUNTY, MISSOURI

For the Years Ended
December 31, 2011 and 2010

MCDONALD COUNTY, MISSOURI

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

List of Elected Officials	i
---------------------------	---

FINANCIAL SECTION

Independent Auditors' Report	ii
------------------------------	----

BASIC FINANCIAL STATEMENTS:

Statement of Receipts, Disbursements and Changes in Cash – All Governmental Funds – Regulatory Basis	1
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Comparative Statements of Receipts, Disbursements and Changes in Cash – Budget and Actual – All Governmental Funds – Regulatory Basis	2
--	---

Notes to Financial Statements	11
-------------------------------	----

COMPLIANCE SECTION

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	18
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Findings and Recommendations	20
------------------------------	----

Schedule of Prior Year Audit Findings	24
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INTRODUCTORY SECTION

MCDONALD COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Keith Lindquist

Eastern Commissioner – Sam Gaskill

Western Commissioner – Ronald Walker

Other Elected Officials

Assessor – Laura Pope

Circuit Clerk – Jennifer Mikeska

Collector – Brenda Gordon

Coroner – Tracy Dowd

County Clerk – Barbara Williams

Prosecuting Attorney – Jonathan Pierce

Public Administrator – Donna Underwood

Recorder – Kenny Underwood

Sheriff – Robert Evenson

Treasurer – Joye Helm

FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of McDonald County, Missouri

We have audited the accompanying financial statements of McDonald County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, McDonald County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In accordance with *Government Auditing Standards*, we also have issued our report dated May 4, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The

purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

(Original Signed by Auditor)

McBride, Lock & Associates
May 4, 2012

MCDONALD COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2010 AND 2011

Fund	Cash and Cash Equivalents			Cash and Cash Equivalents			Cash and Cash Equivalents		
	January 1, 2010	Receipts 2010	Disbursements 2010	December 31, 2010	Receipts 2011	Disbursements 2011	December 31, 2011		
General Revenue	\$ 770,868	\$ 1,667,775	\$ 1,687,429	\$ 751,214	\$ 1,570,665	\$ 1,487,954	\$ 833,925		
Special Road & Bridge	351,189	1,947,909	1,903,692	395,406	1,890,965	1,950,978	335,393		
Assessment	8,517	296,698	303,525	1,690	258,454	252,806	7,338		
Law Enforcement	36,983	1,776,799	1,704,958	108,824	1,636,463	1,726,359	18,928		
Health Department	10,887	485,951	469,092	27,746	449,279	452,653	24,372		
Law Enforcement Training	3,393	8,789	9,451	2,731	6,296	9,027	-		
Prosecuting Attorney Training	2,454	1,281	-	3,735	916	3,374	1,277		
Prosecuting Attorney Bad Check	4,531	38,944	19,952	23,523	35,257	17,568	41,212		
Recorder's	3,357	6,650	8,219	1,788	6,262	4,000	4,050		
Sheriff Civil	10,885	64,084	67,736	7,233	28,132	35,365	-		
Senate Bill 665	225	300	-	525	434	125	834		
Extradition and Transportation	18,139	15,872	31,885	2,126	5,695	7,778	43		
Election Service	1,090	1,589	2,152	527	1,016	812	731		
Collector's Tax Mainenance	67,197	32,409	36,009	63,597	30,816	37,692	56,721		
Concealed Weapons	15,164	11,130	21,500	4,794	6,834	11,628	-		
Bulletproof Vest Grant	-	-	-	-	10,916	10,916	-		
Inmate Security	-	-	-	-	1,824	-	1,824		
Total	<u>\$ 1,304,879</u>	<u>\$ 6,356,180</u>	<u>\$ 6,265,600</u>	<u>\$ 1,395,459</u>	<u>\$ 5,940,224</u>	<u>\$ 6,009,035</u>	<u>\$ 1,326,648</u>		

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

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

GENERAL REVENUE FUND				
Year Ended December 31,				
	2010		2011	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 1,597	\$ 1,638	\$ 1,612	\$ 1,582
Sales taxes	1,271,652	1,197,730	1,128,262	1,116,103
Intergovernmental	178,500	136,007	122,482	129,991
Charges for services	283,977	288,988	277,000	296,097
Interest	-	10,744	-	6,192
Other	-	17,668	11,550	20,700
Transfers in	-	15,000	-	-
Total Receipts	<u>\$ 1,735,726</u>	<u>\$ 1,667,775</u>	<u>\$ 1,540,906</u>	<u>\$ 1,570,665</u>
DISBURSEMENTS				
County Commission	\$ 96,140	\$ 105,993	\$ 93,890	\$ 90,780
County Clerk	119,055	113,228	116,105	112,244
Elections	150,500	143,439	100,400	74,726
Buildings and grounds	169,475	191,058	275,950	227,476
Employee fringe benefits	84,009	97,431	87,270	97,177
Treasurer	47,200	46,380	47,200	44,231
Collector	98,862	105,932	112,900	115,524
Recorder of Deeds	87,249	78,505	93,899	88,432
Public Administrator	78,700	78,088	79,450	78,372
Health / Welfare	20,980	20,496	37,800	34,595
Debt service	30,000	30,000	-	-
Other County Government	258,572	257,174	261,455	214,092
Transfers out	692,000	349,505	584,055	283,589
Emergency fund	100,000	70,200	50,000	26,716
Total Disbursements	<u>\$ 2,032,742</u>	<u>\$ 1,687,429</u>	<u>\$ 1,940,374</u>	<u>\$ 1,487,954</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (297,016)	\$ (19,654)	\$ (399,468)	\$ 82,711
CASH and CASH EQUIVALENTS, JANUARY 1	<u>770,868</u>	<u>770,868</u>	<u>751,214</u>	<u>751,214</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 473,852</u>	<u>\$ 751,214</u>	<u>\$ 351,746</u>	<u>\$ 833,925</u>

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

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

	SPECIAL ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,							
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ 54	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,271,573	1,197,730	1,128,262	1,116,100	-	-	-	-
Intergovernmental	716,396	745,086	1,281,721	754,276	196,582	206,483	220,720	213,238
Charges for services	-	-	-	14,020	-	-	-	-
Interest	100	1,708	1,279	1,121	-	-	-	-
Other	771,974	3,385	248,926	5,394	5,000	19,215	14,000	5,216
Transfers in	-	-	-	-	102,000	71,000	75,305	40,000
Total Receipts	<u>\$ 2,760,043</u>	<u>\$ 1,947,909</u>	<u>\$ 2,660,188</u>	<u>\$ 1,890,965</u>	<u>\$ 303,582</u>	<u>\$ 296,698</u>	<u>\$ 310,025</u>	<u>\$ 258,454</u>
DISBURSEMENTS								
Salaries	\$ 684,193	\$ 696,800	\$ 684,193	657,845	\$ 199,585	\$ 198,025	\$ 198,025	\$ 186,987
Employee fringe benefits	124,248	135,983	123,690	121,748	30,801	32,039	31,000	29,126
Materials and supplies	599,000	513,784	597,500	574,421	15,000	15,267	23,000	12,621
Services and Other	448,414	404,378	483,194	399,056	56,618	58,194	49,500	24,072
Capital outlay	55,000	24,390	70,000	65,710	-	-	-	-
Construction	671,924	128,357	834,503	132,198	-	-	-	-
Transfers out	-	-	127,876	-	-	-	-	-
Total Disbursements	<u>\$ 2,582,779</u>	<u>\$ 1,903,692</u>	<u>\$ 2,920,956</u>	<u>\$ 1,950,978</u>	<u>\$ 302,004</u>	<u>\$ 303,525</u>	<u>\$ 301,525</u>	<u>\$ 252,806</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 177,264	\$ 44,217	\$ (260,768)	\$ (60,013)	\$ 1,578	\$ (6,827)	\$ 8,500	\$ 5,648
CASH and CASH EQUIVALENTS, JANUARY 1	<u>351,189</u>	<u>351,189</u>	<u>395,406</u>	<u>395,406</u>	<u>8,517</u>	<u>8,517</u>	<u>1,690</u>	<u>1,690</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 528,453</u>	<u>\$ 395,406</u>	<u>\$ 134,638</u>	<u>\$ 335,393</u>	<u>\$ 10,095</u>	<u>\$ 1,690</u>	<u>\$ 10,190</u>	<u>\$ 7,338</u>

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

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

	LAW ENFORCEMENT FUND				HEALTH DEPARTMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,232,645	1,197,674	1,162,703	1,116,099	-	-	-	-
Intergovernmental	176,962	227,456	242,155	222,202	403,319	326,733	266,835	332,016
Charges for services	74,000	71,030	65,264	46,062	8,300	37,296	37,700	43,829
Interest	-	-	-	-	-	-	-	-
Other	22,700	51,440	21,800	36,076	9,483	36,922	66,081	28,434
Transfers in	150,000	229,199	148,750	216,024	50,000	85,000	50,000	45,000
Total Receipts	<u>\$ 1,656,307</u>	<u>\$ 1,776,799</u>	<u>\$ 1,640,672</u>	<u>\$ 1,636,463</u>	<u>\$ 471,102</u>	<u>\$ 485,951</u>	<u>\$ 420,616</u>	<u>\$ 449,279</u>
DISBURSEMENTS								
Salaries	\$ 1,007,448	\$ 1,148,513	\$ 1,084,484	\$ 1,128,161	\$ 338,703	\$ 284,016	\$ 320,312	\$ 281,733
Employee fringe benefits	156,623	82,256	149,977	173,615	45,541	43,126	41,780	39,911
Materials and supplies	53,619	47,094	40,342	28,658	20,700	32,881	10,000	41,862
Services and other	462,778	427,095	449,623	354,516	67,611	109,069	75,392	89,147
Capital outlay	-	-	-	35,837	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	5,572	-	-	-	-
Total Disbursements	<u>\$ 1,680,468</u>	<u>\$ 1,704,958</u>	<u>\$ 1,724,426</u>	<u>\$ 1,726,359</u>	<u>\$ 472,555</u>	<u>\$ 469,092</u>	<u>\$ 447,484</u>	<u>\$ 452,653</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (24,161)	\$ 71,841	\$ (83,754)	\$ (89,896)	\$ (1,453)	\$ 16,859	\$ (26,868)	\$ (3,374)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>36,983</u>	<u>36,983</u>	<u>108,824</u>	<u>108,824</u>	<u>10,887</u>	<u>10,887</u>	<u>27,746</u>	<u>27,746</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 12,822</u>	<u>\$ 108,824</u>	<u>\$ 25,070</u>	<u>\$ 18,928</u>	<u>\$ 9,434</u>	<u>\$ 27,746</u>	<u>\$ 878</u>	<u>\$ 24,372</u>

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

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

	LAW ENFORCEMENT TRAINING FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	7,222	4,705	10,000	3,743	1,273	1,281	1,500	916
Charges for services	-	2,799	-	2,003	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	1,285	-	550	-	-	-	-
Total Receipts	<u>\$ 7,222</u>	<u>\$ 8,789</u>	<u>\$ 10,000</u>	<u>\$ 6,296</u>	<u>\$ 1,273</u>	<u>\$ 1,281</u>	<u>\$ 1,500</u>	<u>\$ 916</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	9,451	9,451	10,000	9,027	1,500	-	3,500	3,374
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 9,451</u>	<u>\$ 9,451</u>	<u>\$ 10,000</u>	<u>\$ 9,027</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 3,374</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS								
	\$ (2,229)	\$ (662)	\$ -	\$ (2,731)	\$ (227)	\$ 1,281	\$ (2,000)	\$ (2,458)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>3,393</u>	<u>3,393</u>	<u>2,731</u>	<u>2,731</u>	<u>2,454</u>	<u>2,454</u>	<u>3,735</u>	<u>3,735</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 1,164</u></u>	<u><u>\$ 2,731</u></u>	<u><u>\$ 2,731</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,227</u></u>	<u><u>\$ 3,735</u></u>	<u><u>\$ 1,735</u></u>	<u><u>\$ 1,277</u></u>

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

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

	PROSECUTING ATTORNEY BAD CHECK FUND				RECORDER'S FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	3,523	-	3,687	15,000	-	-	-
Charges for services	25,000	35,421	25,000	27,620	7,000	6,650	6,100	6,262
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	3,950	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 25,000	\$ 38,944	\$ 25,000	\$ 35,257	\$ 22,000	\$ 6,650	\$ 6,100	\$ 6,262
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	10,500	12,074	12,000	6,662	-	-	-	-
Services and other	14,500	7,878	23,000	10,906	15,000	8,219	5,000	4,000
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 25,000	\$ 19,952	\$ 35,000	\$ 17,568	\$ 15,000	\$ 8,219	\$ 5,000	\$ 4,000
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ 18,992	\$ (10,000)	\$ 17,689	\$ 7,000	\$ (1,569)	\$ 1,100	\$ 2,262
CASH and CASH EQUIVALENTS, JANUARY 1	4,531	4,531	23,523	23,523	3,357	3,357	1,788	1,788
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 4,531	\$ 23,523	\$ 13,523	\$ 41,212	\$ 10,357	\$ 1,788	\$ 2,888	\$ 4,050

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

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

	SHERIFF CIVIL FUND				SENATE BILL 665 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	36,700	19,325	-	-	-	-	-	-
Charges for services	37,150	37,585	50,000	28,132	500	300	500	434
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	7,174	-	-	-	-	-	-
Total Receipts	<u>\$ 73,850</u>	<u>\$ 64,084</u>	<u>\$ 50,000</u>	<u>\$ 28,132</u>	<u>\$ 500</u>	<u>\$ 300</u>	<u>\$ 500</u>	<u>\$ 434</u>
DISBURSEMENTS								
Salaries	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	5,000	4,884	-	1,384	-	-	500	125
Capital outlay	45,000	43,699	50,000	19,213	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	19,153	-	14,768	-	-	-	-
Total Disbursements	<u>\$ 50,000</u>	<u>\$ 67,736</u>	<u>\$ 50,000</u>	<u>\$ 35,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 125</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 23,850	\$ (3,652)	\$ -	\$ (7,233)	\$ 500	\$ 300	\$ -	\$ 309
CASH and CASH EQUIVALENTS, JANUARY 1	<u>10,885</u>	<u>10,885</u>	<u>7,233</u>	<u>7,233</u>	<u>225</u>	<u>225</u>	<u>525</u>	<u>525</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 34,735</u></u>	<u><u>\$ 7,233</u></u>	<u><u>\$ 7,233</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 725</u></u>	<u><u>\$ 525</u></u>	<u><u>\$ 525</u></u>	<u><u>\$ 834</u></u>

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

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

	EXTRADITION AND TRANSPORTATION FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	18,000	7,413	15,000	5,427	12,500	1,589	3,000	1,016
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	8,459	-	268	-	-	-	-
Total Receipts	<u>\$ 18,000</u>	<u>\$ 15,872</u>	<u>\$ 15,000</u>	<u>\$ 5,695</u>	<u>\$ 12,500</u>	<u>\$ 1,589</u>	<u>\$ 3,000</u>	<u>\$ 1,016</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	6,500	-	-	-
Services and other	10,000	5,926	15,000	7,778	5,500	2,152	3,000	812
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	25,959	-	-	-	-	-	-
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 31,885</u>	<u>\$ 15,000</u>	<u>\$ 7,778</u>	<u>\$ 12,000</u>	<u>\$ 2,152</u>	<u>\$ 3,000</u>	<u>\$ 812</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 8,000	\$ (16,013)	\$ -	\$ (2,083)	\$ 500	\$ (563)	\$ -	\$ 204
CASH and CASH EQUIVALENTS, JANUARY 1	<u>18,139</u>	<u>18,139</u>	<u>2,126</u>	<u>2,126</u>	<u>1,090</u>	<u>1,090</u>	<u>527</u>	<u>527</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 26,139</u></u>	<u><u>\$ 2,126</u></u>	<u><u>\$ 2,126</u></u>	<u><u>\$ 43</u></u>	<u><u>\$ 1,590</u></u>	<u><u>\$ 527</u></u>	<u><u>\$ 527</u></u>	<u><u>\$ 731</u></u>

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

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

	COLLECTOR'S TAX MAINTENANCE FUND				CONCEALED WEAPONS FUND			
	Year Ended December 31,							
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	28,368	30,966	12,000	30,535	-	11,130	10,000	6,834
Interest	-	1,443	-	281	-	-	-	-
Other	2,500	-	50,000	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 30,868</u>	<u>\$ 32,409</u>	<u>\$ 62,000</u>	<u>\$ 30,816</u>	<u>\$ -</u>	<u>\$ 11,130</u>	<u>\$ 10,000</u>	<u>\$ 6,834</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	5,000	4,635	5,000	2,721	-	-	5,000	4,650
Services and other	14,000	3,624	5,600	3,165	2,000	-	5,000	3,761
Capital outlay	28,000	12,750	40,000	31,806	12,000	14,000	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	15,000	-	-	-	7,500	-	3,217
Total Disbursements	<u>\$ 47,000</u>	<u>\$ 36,009</u>	<u>\$ 50,600</u>	<u>\$ 37,692</u>	<u>\$ 14,000</u>	<u>\$ 21,500</u>	<u>\$ 10,000</u>	<u>\$ 11,628</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (16,132)	\$ (3,600)	\$ 11,400	\$ (6,876)	\$ (14,000)	\$ (10,370)	\$ -	\$ (4,794)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>67,197</u>	<u>67,197</u>	<u>63,597</u>	<u>63,597</u>	<u>15,164</u>	<u>15,164</u>	<u>4,794</u>	<u>4,794</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 51,065</u></u>	<u><u>\$ 63,597</u></u>	<u><u>\$ 74,997</u></u>	<u><u>\$ 56,721</u></u>	<u><u>\$ 1,164</u></u>	<u><u>\$ 4,794</u></u>	<u><u>\$ 4,794</u></u>	<u><u>\$ -</u></u>

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

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

	BULLETPROOF VEST GRANT FUND				INMATE SECURITY FUND			
	Year Ended December 31,							
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	5,612	-	-	-	-
Charges for services	-	-	-	-	-	-	-	1,824
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	5,304	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,824</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	10,916	-	-	-	-
Services and other	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,824
CASH and CASH EQUIVALENTS, JANUARY 1								
	-	-	-	-	-	-	-	-
CASH and CASH EQUIVALENTS, DECEMBER 31								
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,824</u>

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

MCDONALD COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

As discussed further in Note 1, 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 Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

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

The financial statements referred to above include the primary government of McDonald County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered by the Missouri State Auditor’s Office to comprise the County’s legal entity.

Certain elected County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

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

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs

from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

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

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

Fund	2011	2010
Bulletproof Vest Grant	X	N/A
Inmate Security	X	N/A

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2011</u>	<u>2010</u>
Assessment	N/A	X
Law Enforcement	X	X
Sheriff Civil Fees	N/A	X
Extradition and Transportation	N/A	X
Concealed Weapon	X	X
Health Department	X	N/A

Also, because a budget was not adopted for the Bulletproof Vest Grant fund as noted in Note 1.D.9, expenditures in that fund exceeded budgetary authority to the extent that a budget was not adopted. The Inmate Security Fund had no expenditures during the year.

E. Cash Deposits and Investments

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

F. Interfund Activity

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

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

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption. Cash and cash equivalents include both deposits and short-term investments. Investments are considered short-term when original maturities are less than three

months. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions, and short-term U.S. Treasury bills.

Deposits - Missouri statutes 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 carrying amounts of the County's deposits were \$1,326,648 and \$1,395,459, respectively, and the bank balances were \$1,421,867 and \$1,517,377, respectively. Of the bank balances, \$250,000 and \$500,000 for December 31, 2011 and December 31, 2010, respectively, were covered by federal depository insurance, \$752,052 and \$777,314, respectively, were covered by the FDIC Dodd-Frank Deposit Insurance Provision, and the remainder were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2011 and 2010, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County, including the County Library, Crowder College, and Goodman Fire District. Tax collections on deposit amounted to \$5,806,392 and \$6,918,956 at December 31, 2011 and 2010, respectively. The County Collector's deposits were covered by the FDIC Dodd-Frank Deposit Insurance Provision in the amounts of \$5,806,392 and \$6,918,956, respectively.

3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. County Employees' Retirement Fund (CERF)

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

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, 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. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

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

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

3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF employee contributions of approximately \$174,526 and \$182,763, respectively, for the years then ended.

4. POST EMPLOYMENT BENEFITS

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

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

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

B. Federal and State Assisted Programs

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

The County’s expenditures for federal awards did not exceed \$500,000 in either 2011 or 2010, therefore, the County is not required to obtain a Single Audit in accordance with Office of Management and Budget Circular A-133.

6. RISK MANAGEMENT

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

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

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

7. LONG TERM DEBT

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

A. \$102,682 for a capital lease of two International 7500 trucks. The lease is scheduled to be paid in five annual payments of \$51,341 including interest at 3.9% annually. Payments are made using available monies in the Special Road & Bridge fund. The schedule of remaining payments and interest is as follows:

<u>Payment Date</u>	<u>Principal Due</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Total Due</u>
July 15, 2012	\$ 47,559	3.9%	\$ 3,782	\$ 51,341
July 15, 2013	49,414	3.9%	1,927	51,341

B. \$89,505 for a capital lease of a John Deere trackhoe. The lease is scheduled to be paid in five annual payments of \$29,835 including interest at 3.95% annually. Payments are made using available monies in the Special Road & Bridge fund. The schedule of remaining payments and interest is listed below:

<u>Payment Date</u>	<u>Principal Due</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Total Due</u>
January 20, 2012	\$ 29,553	3.95%	\$ 282	\$ 29,835
January 20, 2013	29,643	3.95%	192	29,835
January 20, 2014	29,737	3.95%	98	29,835

8. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 4, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and
Officeholders of McDonald County, Missouri

We have audited the accompanying financial statements of McDonald County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated May 4, 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 McDonald County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered McDonald County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McDonald County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of McDonald County, Missouri's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and recommendations as item 1, that we consider to be a significant deficiency in internal control over financial reporting.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDonald County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 2.

We noted certain other matters that we reported to management of McDonald County, Missouri in the findings and recommendations section as items 3 through 5.

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

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

(Original Signed by Auditor)

McBride, Lock & Associates
May 4, 2012

FINDINGS AND RECOMMENDATIONS

MCDONALD COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Accounting for Transfers

Condition: The financial statements of the County as presented in the annual budget document present transfers between funds. However, the transfers reported in both 2010 and 2011 did not balance, in that transfers to other funds were not in agreement with transfers from other funds. In 2010, the County recorded as transfers the purchase of Certificates of Deposit (CDs) by the General Revenue and Special Road & Bridge funds. In 2011, the County recorded as transfers in to the General Revenue and Special Road & Bridge funds the maturing CDs and the interest earned. Transfers should only be recorded for transactions between County funds and must balance at all times during the year. Recording the purchase and maturity of investments as transfers is not in compliance with generally accepted accounting principles or with accounting principles prescribed or permitted by Missouri Law.

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

County Response: Recommendation will be implemented.

Auditor's Evaluation: The response is appropriate to correct the concern.

ITEMS OF NONCOMPLIANCE

2. Budgetary Compliance

Condition: We noted two issues with the County's budgeting process during 2011 and 2010, as follows:

- a) Adoption of a formal budget is required by law. However, the County did not adopt formal budgets for the Bulletproof Vest Grant and Inmate Security funds which were created during 2011.
- b) Actual expenditures exceeded budgeted expenditures for the following funds in 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assessment	N/A	X
Law Enforcement Sales Tax	X	X
Health Department	X	N/A
Sheriff Civil Fees	N/A	X
Extradition and Transportation	N/A	X
Concealed Weapon	X	X

State statutes prohibit the County from approving expenditures in excess of the budgeted amount for any County fund. This requirement ensures that expenditures are subject to public scrutiny as provided by their inclusion in a budget adopted or amended at a public meeting.

Recommendation: We recommend the County ensure compliance with State Statutes by adopting a formal budget for all funds and refraining from approving expenditures in excess of budgeted amounts. In the event that the originally adopted budget is inadequate to finance current year unforeseen expenditures, budgetary amendments should be discussed in a public meeting and formally adopted by the County Commission.

County Response: Recommendation will be implemented.

Auditor's Evaluation: The response is appropriate to correct the concern.

OTHER MATTERS

In planning and performing our audit of the financial statements of McDonald County, Missouri (the County) as of and for the years ended December 31, 2011 and 2010, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated May 4, 2012. (A separate report dated May 4, 2012 contains our report on significant deficiencies in the County's internal control.) This document does not affect our report dated May 4, 2012.

3. Variances Between Budgets

Condition: As part of the audit, we compared the beginning and ending balances of funds as presented in the approved budgets. We noted instances in which the beginning fund balances of the General Revenue and Special Road & Bridge fund reported on the County's budgets did not agree with the ending fund balances of the same funds reported on the previous year's budgets. For example, the 2010 budget reported the cash balance of the General Revenue fund at December 31, 2009 as \$470,869, while the 2011 budget reported the beginning balance at January 1, 2010 as \$770,869, a variance of \$300,000. The variance was due to General Revenue

CD's being included in the cash balance on the 2011 budget but excluded on the 2010 budget. The variance in the Special Road & Bridge cash balance at December 31, 2009 on the 2010 and 2011 budgets was caused by the same issue.

We also noted instances in which the approved expenditure budget for some funds did not agree with the approved amount of expenditures per the previous year's budget. These differences were not always a result of budgeted amendments being adopted.

Recommendation: We recommend that the County Clerk ensure that beginning fund balances and budgeted expenditures reported on the County's budgets agree with the ending fund balances and approved expenditures reported on the previous year's budget.

County Response: Recommendation will be implemented.

Auditor's Evaluation: The response is appropriate to correct the concern.

4. Collector's Office Internal Controls

Condition: The blank check stock of the Collector's bank account and the Collector's signature stamp are not adequately safeguarded. The signature stamp sits on a shelf inside the Collector's vault, and the blank checks are kept in an unlocked file cabinet inside the vault. All employees of the Collector's office have access to the vault. Without proper safeguards in place, an employee with access to both the blank checks and the Collector's signature stamp could perpetrate an unauthorized expenditure of funds from the Collector's account. While the Collector might be able to detect such an expenditure with an after-the-fact review of the bank statements, there are no controls in place to prevent the expenditure from occurring.

Recommendation: We recommend that the Collector safeguard her signature stamp in a separate location from the blank check stock, such as a locked file cabinet that only she has access to, in order to prevent unauthorized disbursements of funds from the Collector's account.

County's Response: Recommendation will be implemented.

Auditor's Evaluation: The response is appropriate to correct the concern.

5. Collector's Bank Reconciliation

Condition: The Collector's bank reconciliations for the months ending December 31, 2010 and 2011 listed outstanding checks that were more than a year old. The reconciliation for December 31, 2010 listed one check outstanding that had been listed outstanding as far back as the December 31, 2008 bank reconciliation. The reconciliation for December 31, 2011 listed two checks as outstanding that were also listed as outstanding on the December 31, 2010 bank reconciliation.

Recommendation: We recommend that the Collector identify checks that have been outstanding for a significant amount of time and resolve them by either contacting the payor or remitting the monies to the State Treasurer's Escheats Fund in a timely manner. This will facilitate the bank reconciliation process.

County's Response: Recommendation will be implemented.

Auditor's Evaluation: The response is appropriate to correct the concern.

MCDONALD COUNTY, MISSOURI
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by McDonald County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009 and 2008.

1. The beginning balances of some funds did not match the ending balances of the fund in the previous year's budget. There were also variances between numbers reported in the approved budgets and the Treasurer's Settlements.

Status – Not resolved. See finding No. 3.

2. Disbursements were approved and checks signed during a Commission meeting in which all three Commissioners were absent.

Status – Resolved.

3. The Collector's signature stamp and blank check stock were not appropriately safeguarded against improper use.

Status – Not resolved. See finding No. 4.

4. Signature stamps and blank check stock in the County Clerk's office were not properly safeguarded. Also, checks were cleared without the required three signatures of the Presiding Commissioner, County Clerk, and Treasurer.

Status – Resolved.

5. The Collector's bank reconciliations included checks that were more than three years old.

Status – Not resolved. See finding No. 5.

6. The County does not have a procedure to monitor budget to actual revenues.

Status - Resolved.

7. The County did not appropriately record transfers between funds, including recording transactions related to certificates of deposit as transfers.

Status – Not resolved. See finding No. 1.

8. The County approved expenditures in excess of budgeted amounts for several funds during both 2009 and 2008.

Status – Not resolved. See finding No. 2.