



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Shelby County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Shelby 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, 2012, 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, reading "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

July 2013  
Report No. 2013-059

ANNUAL FINANCIAL REPORT

**SHELBY COUNTY, MISSOURI**

For the Year Ended December 31, 2012

# SHELBY COUNTY, MISSOURI

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## **INTRODUCTORY SECTION**

SHELBY COUNTY, MISSOURI  
List of Elected Officials

*County Commission*

Presiding Commissioner – Glenn Eagan

Western District Commissioner – Kerry McCarty

Eastern District Commissioner – Maurice Shuck

*Other Elected Officials*

Assessor – Marge Gander

Circuit Clerk – Rose Shively

Collector – John Chinn

Coroner – Ralph Eagan

County Clerk – Tracy Smith

Prosecuting Attorney – Jordan Force

Public Administrator – Susan Wilt

Recorder – Audrey Buzzard

Sheriff – Dennis Perrigo

Treasurer – Jesse Burton

## McBRIDE, LOCK & ASSOCIATES

### INDEPENDENT AUDITORS' REPORT

To the County Commission and  
Officeholders of Shelby County, Missouri

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Shelby County, Missouri as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles 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 fraud or error.

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinions.

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

As described in Note 1, the financial statements are prepared by Shelby County, Missouri on the basis of the financial reporting provisions 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 Shelby County, Missouri, as of December 31, 2012, or the changes in its financial position for the year then ended.

## **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 Shelby County, Missouri, as of December 31, 2012, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of the financial reporting provisions prescribed or permitted by Missouri Law described in Note 1.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2013, 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* in considering the County's internal control over financial reporting and compliance.

*(Original Signed by McBride, Lock & Associates)*

McBride, Lock & Associates  
Kansas City, Missouri  
May 16, 2013

## **FINANCIAL SECTION**



SHELBY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
- ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

Fund	Cash and Cash Equivalents January 1 (Note 7)	Receipts	Disbursements	Cash and Cash Equivalents December 31
General Revenue	\$ 196,917	\$ 1,139,780	\$ 1,170,250	\$ 166,447
Special Road & Bridge	156,627	1,018,387	1,008,288	166,726
Assessment	41,989	117,679	125,412	34,256
911	164,644	244,050	288,754	119,940
Prosecuting Attorney Training	2,177	585	1,937	825
Prosecuting Attorney Bad Check	10,376	2,406	3,010	9,772
Prosecuting Attorney Tax Collection	1,832	238	9	2,061
Childrens Trust	3,408	293	1,009	2,692
Chemical Emergency Preparedness	6,366	9,983	841	15,508
Hazardous Materials Emergency Preparedness	5,610	14	3,400	2,224
Election Services	2,585	513	1,711	1,387
DARE	1,439	800	14	2,225
Recorders Storage/Preservation	6,185	3,208	2,194	7,199
Recorders Technology	3,646	1,845	2,439	3,052
Sheriff Civil Fees	29,607	10,599	24,504	15,702
Law Enforcement Training	2,541	2,309	2,930	1,920
County Law Enforcement Restitution	19,548	31,068	15,168	35,448
Safe Return Project Grant	438	1	9	430
Inmate Security	3,184	2,300	9	5,475
Collector's Tax Maintenance	19,569	7,349	3,699	23,219
Deputy Sheriff Salary Grant	-	18,168	18,168	-
Total	<u>\$ 678,688</u>	<u>\$ 2,611,575</u>	<u>\$ 2,673,755</u>	<u>\$ 616,508</u>

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

SHELBY COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -  
BUDGET AND ACTUAL - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

		GENERAL REVENUE FUND	
		Budget	Actual
RECEIPTS			
Property taxes	\$	380,000	\$ 401,852
Sales taxes		425,000	385,744
Intergovernmental		227,803	202,991
Charges for services		73,750	80,526
Interest		500	342
Other		48,300	58,325
Transfers in		25,000	10,000
Total Receipts	\$	1,180,353	\$ 1,139,780
DISBURSEMENTS			
County Commission	\$	116,429	\$ 91,338
County Clerk		78,781	75,870
Elections		49,068	49,623
Buildings and grounds		101,262	122,264
Employee fringe benefits		103,240	98,390
Treasurer		44,603	44,892
Collector		72,820	71,794
Recorder of Deeds		56,338	56,348
Circuit Clerk		18,000	11,237
Court administration		7,547	1,809
Public Administrator		24,796	24,226
Sheriff		219,352	211,939
Jail		58,800	55,710
Prosecuting Attorney		80,867	81,518
Juvenile Officer		52,800	26,623
Coroner		15,266	12,390
Other County Government		112,472	98,111
Transfers out		39,249	36,168
Emergency fund		35,410	-
Total Disbursements	\$	1,287,100	\$ 1,170,250
RECEIPTS OVER (UNDER)			
DISBURSEMENTS	\$	(106,747)	\$ (30,470)
CASH and CASH EQUIVALENTS, JANUARY 1		196,917	196,917
CASH and CASH EQUIVALENTS, DECEMBER 31	\$	90,170	\$ 166,447

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

SHELBY COUNTY, MISSOURI  
STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -  
BUDGET AND ACTUAL - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

	SPECIAL ROAD AND BRIDGE FUND		ASSESSMENT FUND		911 FUND	
	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS						
Property taxes	\$ 240,000	\$ 254,591	\$ -	\$ -	\$ -	\$ -
Sales taxes	105,000	96,434	-	-	270,000	241,089
Intergovernmental	1,369,000	599,143	94,376	98,155	-	-
Charges for services	30,000	26,779	-	-	-	-
Interest	500	377	50	86	200	200
Other	45,500	41,063	1,000	1,438	28,300	2,761
Transfers in	-	-	18,000	18,000	-	-
Total Receipts	<u>\$ 1,790,000</u>	<u>\$ 1,018,387</u>	<u>\$ 113,426</u>	<u>\$ 117,679</u>	<u>\$ 298,500</u>	<u>\$ 244,050</u>
DISBURSEMENTS						
Salaries	\$ 234,671	\$ 230,012	\$ 84,144	\$ 84,530	\$ 223,046	\$ 222,900
Employee fringe benefits	45,190	43,643	15,202	15,087	27,647	32,100
Materials and supplies	1,362,500	563,530	3,000	2,813	2,000	2,448
Services and Other	82,750	114,134	25,050	22,982	26,200	22,591
Capital Outlay	55,000	45,374	-	-	13,400	8,715
Construction	6,000	1,595	-	-	-	-
Transfers out	25,000	10,000	-	-	-	-
Total Disbursements	<u>\$ 1,811,111</u>	<u>\$ 1,008,288</u>	<u>\$ 127,396</u>	<u>\$ 125,412</u>	<u>\$ 292,293</u>	<u>\$ 288,754</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (21,111)	\$ 10,099	\$ (13,970)	\$ (7,733)	\$ 6,207	\$ (44,704)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>\$ 156,627</u>	<u>\$ 156,627</u>	<u>\$ 41,989</u>	<u>\$ 41,989</u>	<u>\$ 164,644</u>	<u>\$ 164,644</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 135,516</u></u>	<u><u>\$ 166,726</u></u>	<u><u>\$ 28,019</u></u>	<u><u>\$ 34,256</u></u>	<u><u>\$ 170,851</u></u>	<u><u>\$ 119,940</u></u>

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

SHELBY COUNTY, MISSOURI  
 STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -  
 BUDGET AND ACTUAL - REGULATORY BASIS  
 YEAR ENDED DECEMBER 31, 2012

	PROSECUTING ATTORNEY TRAINING FUND		PROSECUTING ATTORNEY BAD CHECK FUND		PROSECUTING ATTORNEY TAX COLLECTION FUND	
	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-
Intergovernmental	423	582	2,500	2,393	60	235
Charges for services	-	-	-	-	-	-
Interest	3	3	13	13	5	3
Other	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total Receipts	<u>\$ 426</u>	<u>\$ 585</u>	<u>\$ 2,513</u>	<u>\$ 2,406</u>	<u>\$ 65</u>	<u>\$ 238</u>
DISBURSEMENTS						
Salaries	\$ -	\$ -	\$ 6,000	\$ 2,369	\$ -	\$ -
Employee fringe benefits	-	45	489	223	-	-
Materials and supplies	-	-	-	-	-	-
Services and Other	2,550	1,892	6,100	418	1,000	9
Capital Outlay	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,550</u>	<u>\$ 1,937</u>	<u>\$ 12,589</u>	<u>\$ 3,010</u>	<u>\$ 1,000</u>	<u>\$ 9</u>
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (2,124)	\$ (1,352)	\$ (10,076)	\$ (604)	\$ (935)	\$ 229
CASH and CASH EQUIVALENTS, JANUARY 1	<u>\$ 2,177</u>	<u>\$ 2,177</u>	<u>\$ 10,376</u>	<u>\$ 10,376</u>	<u>\$ 1,832</u>	<u>\$ 1,832</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 53</u>	<u>\$ 825</u>	<u>\$ 300</u>	<u>\$ 9,772</u>	<u>\$ 897</u>	<u>\$ 2,061</u>

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SHELBY COUNTY, MISSOURI  
 STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -  
 BUDGET AND ACTUAL - REGULATORY BASIS  
 YEAR ENDED DECEMBER 31, 2012

	CHILDRENS TRUST FUND		CHEMICAL EMERGENCY PREPAREDNESS FUND		HAZARDOUS MATERIALS EMERGENCY PREPAREDNESS FUND	
	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-
Intergovernmental	250	289	3,000	9,966	1,000	7
Charges for services	-	-	-	-	-	-
Interest	5	4	10	17	10	7
Other	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total Receipts	<u>\$ 255</u>	<u>\$ 293</u>	<u>\$ 3,010</u>	<u>\$ 9,983</u>	<u>\$ 1,010</u>	<u>\$ 14</u>
DISBURSEMENTS						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-
Materials and supplies	-	-	150	81	250	220
Services and Other	1,100	1,009	1,125	760	350	265
Capital Outlay	-	-	-	-	2,800	2,915
Construction	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,100</u>	<u>\$ 1,009</u>	<u>\$ 1,275</u>	<u>\$ 841</u>	<u>\$ 3,400</u>	<u>\$ 3,400</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (845)	\$ (716)	\$ 1,735	\$ 9,142	\$ (2,390)	\$ (3,386)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>\$ 3,408</u>	<u>\$ 3,408</u>	<u>\$ 6,366</u>	<u>\$ 6,366</u>	<u>\$ 5,610</u>	<u>\$ 5,610</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 2,563</u></u>	<u><u>\$ 2,692</u></u>	<u><u>\$ 8,101</u></u>	<u><u>\$ 15,508</u></u>	<u><u>\$ 3,220</u></u>	<u><u>\$ 2,224</u></u>

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

SHELBY COUNTY, MISSOURI  
 STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -  
 BUDGET AND ACTUAL - REGULATORY BASIS  
 YEAR ENDED DECEMBER 31, 2012

	ELECTION SERVICES FUND		DARE FUND		RECORDERS STORAGE/ PRESERVATION FUND	
	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	900	510	500	800	2,650	3,200
Interest	5	3	-	-	5	8
Other	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total Receipts	<u>\$ 905</u>	<u>\$ 513</u>	<u>\$ 500</u>	<u>\$ 800</u>	<u>\$ 2,655</u>	<u>\$ 3,208</u>
DISBURSEMENTS						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	9
Services and Other	2,450	565	400	14	200	-
Capital Outlay	1,000	1,146	-	-	5,800	2,185
Construction	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,450</u>	<u>\$ 1,711</u>	<u>\$ 400</u>	<u>\$ 14</u>	<u>\$ 6,000</u>	<u>\$ 2,194</u>
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (2,545)	\$ (1,198)	\$ 100	\$ 786	\$ (3,345)	\$ 1,014
CASH and CASH EQUIVALENTS, JANUARY 1	<u>\$ 2,585</u>	<u>\$ 2,585</u>	<u>\$ 1,439</u>	<u>\$ 1,439</u>	<u>\$ 6,185</u>	<u>\$ 6,185</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 40</u>	<u>\$ 1,387</u>	<u>\$ 1,539</u>	<u>\$ 2,225</u>	<u>\$ 2,840</u>	<u>\$ 7,199</u>

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

SHELBY COUNTY, MISSOURI  
 STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -  
 BUDGET AND ACTUAL - REGULATORY BASIS  
 YEAR ENDED DECEMBER 31, 2012

	RECORDERS TECHNOLOGY FUND		SHERIFF CIVIL FEES FUND		LAW ENFORCEMENT TRAINING FUND	
	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	1,475	1,845	13,000	10,581	2,800	2,306
Interest	-	-	50	18	100	3
Other	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total Receipts	<u>\$ 1,475</u>	<u>\$ 1,845</u>	<u>\$ 13,050</u>	<u>\$ 10,599</u>	<u>\$ 2,900</u>	<u>\$ 2,309</u>
DISBURSEMENTS						
Salaries	\$ -	\$ -	\$ 2,000	\$ 2,000	\$ -	\$ -
Employee fringe benefits	-	-	193	193	-	-
Materials and supplies	-	-	-	-	-	-
Services and Other	-	-	3,250	14	3,550	2,930
Capital Outlay	3,600	2,439	21,000	22,297	-	-
Construction	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,600</u>	<u>\$ 2,439</u>	<u>\$ 26,443</u>	<u>\$ 24,504</u>	<u>\$ 3,550</u>	<u>\$ 2,930</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,125)	\$ (594)	\$ (13,393)	\$ (13,905)	\$ (650)	\$ (621)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>\$ 3,646</u>	<u>\$ 3,646</u>	<u>\$ 29,607</u>	<u>\$ 29,607</u>	<u>\$ 2,541</u>	<u>\$ 2,541</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 1,521</u></u>	<u><u>\$ 3,052</u></u>	<u><u>\$ 16,214</u></u>	<u><u>\$ 15,702</u></u>	<u><u>\$ 1,891</u></u>	<u><u>\$ 1,920</u></u>

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

SHELBY COUNTY, MISSOURI  
 STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -  
 BUDGET AND ACTUAL - REGULATORY BASIS  
 YEAR ENDED DECEMBER 31, 2012

	COUNTY LAW ENFORCEMENT RESTITUTION FUND		SAFE RETURN PROJECT GRANT FUND		INMATE SECURITY FUND	
	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-
Intergovernmental	-	-	290	-	-	-
Charges for services	16,980	31,025	-	-	2,460	2,294
Interest	20	43	100	1	10	6
Other	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total Receipts	<u>\$ 17,000</u>	<u>\$ 31,068</u>	<u>\$ 390</u>	<u>\$ 1</u>	<u>\$ 2,470</u>	<u>\$ 2,300</u>
DISBURSEMENTS						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-
Materials and supplies	-	-	600	9	-	9
Services and Other	19,000	15,168	-	-	3,000	-
Capital Outlay	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Disbursements	<u>\$ 19,000</u>	<u>\$ 15,168</u>	<u>\$ 600</u>	<u>\$ 9</u>	<u>\$ 3,000</u>	<u>\$ 9</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,000)	\$ 15,900	\$ (210)	\$ (8)	\$ (530)	\$ 2,291
CASH and CASH EQUIVALENTS, JANUARY 1	<u>\$ 19,548</u>	<u>\$ 19,548</u>	<u>\$ 438</u>	<u>\$ 438</u>	<u>\$ 3,184</u>	<u>\$ 3,184</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 17,548</u>	<u>\$ 35,448</u>	<u>\$ 228</u>	<u>\$ 430</u>	<u>\$ 2,654</u>	<u>\$ 5,475</u>

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



SHELBY COUNTY, MISSOURI  
 STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -  
 BUDGET AND ACTUAL - REGULATORY BASIS  
 YEAR ENDED DECEMBER 31, 2012

	COLLECTOR'S TAX MAINTENANCE FUND		DEPUTY SHERIFF SALARY GRANT FUND	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	8,000	7,317	-	-
Interest	35	32	-	-
Other	-	-	-	-
Transfers in	-	-	21,249	18,168
Total Receipts	<u>\$ 8,035</u>	<u>\$ 7,349</u>	<u>\$ 21,249</u>	<u>\$ 18,168</u>
DISBURSEMENTS				
Salaries	\$ 3,500	\$ 2,782	\$ 17,827	\$ 16,609
Employee fringe benefits	265	213	1,592	1,559
Materials and supplies	7,000	584	-	-
Services and Other	2,500	120	1,830	-
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>\$ 13,265</u>	<u>\$ 3,699</u>	<u>\$ 21,249</u>	<u>\$ 18,168</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (5,230)	\$ 3,650	\$ -	\$ -
CASH and CASH EQUIVALENTS, JANUARY 1	<u>\$ 19,569</u>	<u>\$ 19,569</u>	<u>\$ -</u>	<u>\$ -</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 14,339</u></u>	<u><u>\$ 23,219</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

SHELBY COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shelby 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, Coroner, County Clerk, Recorder, Prosecuting Attorney, Public Administrator, Treasurer and Sheriff.

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 Shelby County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered 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. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets. The County did not have any funds which had actual expenditures exceed budgeted amounts.

- E. 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 of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for calendar year 2012 were:

	<u>General Revenue</u>	<u>Special Road &amp; Bridge</u>
Real Estate	\$ 58,431,658	\$ 41,471,245
Personal Property	29,173,816	22,276,736
Railroad and Utilities	9,313,212	7,790,791

For calendar year 2012, the County Commission approved tax levies per \$100 of assessed valuation of tangible taxable property as follows:

General Revenue	\$0.3300
Special Road & Bridge	\$0.3500

- F. 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. Details of these cash balances are presented in Note 2.

- G. 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 one year. 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, 2012, the carrying amount of the County's deposits was \$616,508, and the bank balances were \$1,152,693. Of the bank balances, \$250,000 for December 31, 2012 was covered by federal depository insurance and the remainder was 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, 2012, 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 General Revenue and Road & Bridge funds. These amounts, all of which were secured by pledged collateral amounted to \$2,821,037.

## 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 eleven 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 fifty-five. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 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 2012, the County collected and remitted to CERF employee contributions of approximately \$72,961.

## 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 60 days of sick leave to accrue at seven or eight hours per month depending upon their normal day. Upon termination, an employee will not be compensated for accumulated sick leave. Vacation time is accrued for every full time employee, and accrues at the rate of five days per year up to twenty days per year depending on the length of employment. Employees must use vacation leave in the year in which it is earned. Upon termination, an employee will be compensated for accumulated vacation time.

## 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 2012. 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. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2012, to exclude the POST and Circuit Clerk Sound Recording funds. The effect of the aforementioned change in reporting entity is to decrease cash balances of the governmental funds as previously reported at December 31, 2011 by the amount representing cash balances of the excluded funds.

## 8. LONG TERM DEBT

The County had the following debt outstanding at December 31, 2012:

- A. \$93,170 for the capital lease of a John Deere motor grader. The lease is paid in annual installments of \$33,324 due on January 21 each year through 2016, with interest at 3.55%. The County made the January 21, 2013 payment in December 2012. The schedule of remaining payments is below:

<u>Payment Date</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Payment</u>
January 21, 2014	\$ 29,962	\$ 3,362	\$ 33,324
January 21, 2015	31,043	2,281	33,324
January 21, 2016	32,164	1,160	33,324

- B. \$1,545 for the operating lease and maintenance agreement for a copier in the Sheriff's office. The agreement is for 36 months with monthly payments of \$77 through September 2014.

## 9. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2012 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 16, 2013, 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**

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

To the County Commission and  
Officeholders of Shelby 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 financial statements of Shelby County, Missouri as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Shelby County, Missouri's basic financial statements and have issued our report thereon dated May 16, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shelby 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Shelby 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 County'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shelby 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted two matters that we reported to management of Shelby County, Missouri, in the accompanying schedule of findings and recommendations section as item 1 and 2.

## **Shelby County, Missouri's Response to Findings**

Shelby County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. Shelby 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.

*(Original Signed by McBride, Lock & Associates)*

McBride, Lock & Associates  
Kansas City, Missouri  
May 16, 2013

## **FINDINGS AND RECOMMENDATIONS**

SHELBY COUNTY, MISSOURI  
FINDINGS AND RECOMMENDATIONS

**MATERIAL WEAKNESSES IN INTERNAL CONTROL**

None

**SIGNIFICANT INTERNAL CONTROL DEFICIENCIES**

None

**ITEMS OF NONCOMPLIANCE**

None

**OTHER MATTERS**

**1. Outstanding Checks**

Condition: The December 31, 2012 bank reconciliation for the Treasurer's main checking account listed as outstanding five checks totaling \$61 that had been outstanding for more than six months, three of which were over one year old. The December 31, 2012 bank reconciliation for the Collector's main checking account included one check that was over a year old, and the December 31, 2012 reconciliation for the Collector's old checking account listed as still outstanding four stale checks totaling \$33, one of which had been outstanding for five years and the other three had been outstanding for over two years.

Recommendation: We recommend that stale checks be investigated and removed from bank reconciliations in order to facilitate that accuracy of the bank balances being reported. New checks should be issued if necessary and the old check should be stopped or the funds should be turned over to the state unclaimed fees fund.

County Treasurer's Response: The outstanding checks in the Treasurer's main checking account will be investigated and the disposition of same will be resolved.

County Collector's Response: The one check over one year old in the amount of \$0.63 (refunded amount) has been stopped and the funds will be distributed as "miscellaneous" to the County. The old account showing four outstanding/stale checks totaling \$33 (for refunded amounts) has been closed, and the remaining funds will be distributed as "miscellaneous."

Auditor's Evaluation: The responses are appropriate to correct the concern.

**2. Accounting for Transfers**

Condition: The transfers in and transfers out reported on the County's 2013 budget did not equal for the year ended December 31, 2012. The General Revenue fund recorded \$18,168 of transfers out to the Deputy Sheriff Salary Grant Fund to transfer grant money received by the General Revenue Fund for the deputy Sheriff's salary. However, the Deputy Sheriff Salary Grant Fund

recorded the receipts as intergovernmental revenue instead of as a transfer in from the General Revenue Fund.

The financial statements presented in the report have been revised to balance transfers in and transfers out between funds.

Recommendation: We recommend that the County Clerk ensure that transactions between funds are recorded as transfers in and out and that they are in balance at all times.

County's Response: We will review the Deputy Salary Fund and plan to describe the funds as a transfer rather than as an intergovernmental revenue.

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

SHELBY 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 Shelby County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2011 and 2010.

1. *Condition:* During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to the financial statements.

*Status:* Resolved.

2. *Condition:* Documentation of the County's internal controls has not been implemented.

*Status:* Resolved.

3. *Condition:* During our audit, we noted there is no formal fraud risk assessment in place.

*Status:* Resolved.

4. *Condition:* Lack of segregation of duties within the office of the Recorder and Collector. The Recorder and Collector are allowed to write, approve, sign and reconcile expenditures to the bank statement.

*Status:* Resolved.