



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

To the County Commission  
and  
Officeholders of Scotland County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Scotland County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the year ended December 31, 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 fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Thomas A. Schweich  
State Auditor

July 2013  
Report No. 2013-060

ANNUAL FINANCIAL REPORT

**SCOTLAND COUNTY, MISSOURI**

For the Year Ended December 31, 2012

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## **INTRODUCTORY SECTION**

SCOTLAND COUNTY, MISSOURI  
List of Elected Officials

*County Commission*

Presiding Commissioner – C. E. Harris, Jr.

Western District Commissioner – Paul Campbell

Eastern District Commissioner – Danette Clatt

*Other Elected Officials*

Assessor – Jim Ward

Circuit Clerk – Anita Watkins

Collector – Kathy Becraft

Coroner – Ginny Monroe

County Clerk – Batina Dodge

Prosecuting Attorney – Kimberly Nicoli

Public Administrator – Ellen Aylward

Recorder – Dana Glasscock

Sheriff – Wayne Winn

Treasurer – Kathy Kiddoo

## McBRIDE, LOCK & ASSOCIATES

### INDEPENDENT AUDITORS' REPORT

To the County Commission and  
Officeholders of Scotland County, Missouri

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

We have audited the accompanying financial statements of Scotland 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 practices prescribed or permitted by Missouri Law. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 Scotland 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 this regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Scotland County, Missouri, as of December 31, 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 Scotland 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 3, 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 3, 2013

## **FINANCIAL SECTION**



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

Fund	Cash and Cash Equivalents	Receipts	Disbursements	Cash and Cash Equivalents
	January 1, 2012 (Note 7)			December 31, 2012
General Revenue Fund	\$ 217,669	\$ 807,004	\$ 826,819	\$ 197,854
Special Road and Bridge Fund	135,785	1,122,399	943,574	314,610
Assessment Fund	16,495	95,446	99,944	11,997
FEMA Fund	243,203	4,567	229,083	18,687
Road and Bridge Sales Tax Fund	278	371,829	350,093	22,014
Road Rock Fund	32,105	213,379	195,000	50,484
Off System Fund	4,738	15,387	15,317	4,808
CDBG Fund	-	181,854	181,854	-
Law Enforcement Sales Tax Fund	13,800	116,999	129,243	1,556
Law Enforcement Training Fund	1,338	1,577	2,145	770
Prosecuting Attorney Training Fund	208	274	443	39
User Fee Fund	13,465	2,527	2,756	13,236
Local Emergency Planning Commission Fund	171	6,963	912	6,222
Drug Forfeiture Fund	2,408	36	-	2,444
Recorder Tech Fund	9,057	1,461	8,000	2,518
Prosecuting Attorney Bad Check Fund	2,335	4,035	5,230	1,140
Batterers Intervention Fund	15,424	6,312	14,058	7,678
Divorce Education Fund	140	1,505	1,000	645
Election Service Fund	2,326	13,593	2,727	13,192
Help America Vote Act Fund	26	4,888	4,913	1
Sheriff Civil Service Fund	238	4,366	4,299	305
Sheriff Special Project Fund	2,333	822	745	2,410
Childrens Trust Fund	180	215	-	395
Tax Maintenance Fund	1,686	4,742	4,424	2,004
Prosecuting Attorney Delinquent Tax Fund	747	11	-	758
County of Scotland Improvement Corporation Fund	-	25,460	25,452	8
Total	<u>\$ 716,155</u>	<u>\$ 3,007,651</u>	<u>\$ 3,048,031</u>	<u>\$ 675,775</u>

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

SCOTLAND COUNTY, MISSOURI  
 STATEMENTS 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	\$ 278,236	\$ 320,595
Sales taxes	200,000	210,665
Intergovernmental	116,448	134,742
Charges for services	89,588	111,787
Interest	7,000	6,804
Other	14,589	19,861
Transfers in	2,550	2,550
Total Receipts	<u>\$ 708,411</u>	<u>\$ 807,004</u>
DISBURSEMENTS		
County Commission	\$ 77,738	\$ 123,498
County Clerk	70,648	67,523
Elections	40,000	40,250
Buildings and grounds	68,172	57,317
Employee fringe benefits	80,000	50,463
Treasurer	35,632	34,753
Collector	59,974	61,154
Recorder of Deeds	50,038	53,171
Circuit Clerk	-	-
Court Administration	10,822	11,759
Public Administrator	17,600	19,264
Sheriff	171,749	174,809
Jail	-	-
Prosecuting Attorney	58,348	58,348
Juvenile Officer	-	-
Coroner	9,000	9,000
Other County Government	45,000	45,380
Health and Welfare	5,335	5,827
Transfers out	22,600	14,303
Emergency fund	101,000	-
Total Disbursements	<u>\$ 923,656</u>	<u>\$ 826,819</u>
RECEIPTS OVER (UNDER)		
DISBURSEMENTS	\$ (215,245)	\$ (19,815)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>217,669</u>	<u>217,669</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 2,424</u></u>	<u><u>\$ 197,854</u></u>

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

SCOTLAND 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		FEMA FUND		ROAD AND BRIDGE SALES TAX FUND	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 338,455	\$ 424,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	210,665	210,665
Intergovernmental	421,000	440,082	76,220	82,175	-	1,390	131,052	-
Charges for services	-	-	-	-	-	-	-	-
Interest	4,500	6,040	500	477	4,000	3,177	1,346	1,346
Other	43,025	54,554	800	2,794	-	-	-	-
Transfers in	196,905	196,905	10,000	10,000	-	-	27,000	159,818
Total Receipts	<u>\$ 1,003,885</u>	<u>\$ 1,122,399</u>	<u>\$ 87,520</u>	<u>\$ 95,446</u>	<u>\$ 4,000</u>	<u>\$ 4,567</u>	<u>\$ 370,063</u>	<u>\$ 371,829</u>
DISBURSEMENTS								
Salaries	\$ 328,988	\$ 314,317	\$ 70,696	\$ 70,696	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	73,850	40,632	11,800	5,408	-	-	-	-
Materials and supplies	458,700	485,774	5,000	9,941	108,412	44,195	32,528	32,528
Services and Other	91,000	75,851	15,350	13,899	6,633	3,717	-	-
Capital Outlay	-	-	-	-	-	-	299,925	300,065
Construction	5,000	-	-	-	-	-	-	-
Transfers out	27,000	27,000	-	-	122,912	181,171	17,500	17,500
Total Disbursements	<u>\$ 984,538</u>	<u>\$ 943,574</u>	<u>\$ 102,846</u>	<u>\$ 99,944</u>	<u>\$ 237,957</u>	<u>\$ 229,083</u>	<u>\$ 349,953</u>	<u>\$ 350,093</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 19,347	\$ 178,825	\$ (15,326)	\$ (4,498)	\$ (233,957)	\$ (224,516)	\$ 20,110	\$ 21,736
CASH and CASH EQUIVALENTS, JANUARY 1	<u>135,785</u>	<u>135,785</u>	<u>16,495</u>	<u>16,495</u>	<u>243,203</u>	<u>243,203</u>	<u>278</u>	<u>278</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 155,132</u>	<u>\$ 314,610</u>	<u>\$ 1,169</u>	<u>\$ 11,997</u>	<u>\$ 9,246</u>	<u>\$ 18,687</u>	<u>\$ 20,388</u>	<u>\$ 22,014</u>

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

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

	ROAD ROCK FUND		OFF SYSTEM FUND		CDBG FUND		LAW ENFORCEMENT SALES TAX FUND	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 195,000	\$ 212,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	105,334	105,334
Intergovernmental	-	-	775,259	15,317	782,404	181,854	2,430	2,430
Charges for services	-	-	-	-	-	-	-	-
Interest	1,800	1,090	250	70	-	-	203	203
Other	-	110	-	-	-	-	4,906	4,932
Transfers in	-	-	-	-	-	-	4,100	4,100
Total Receipts	<u>\$ 196,800</u>	<u>\$ 213,379</u>	<u>\$ 775,509</u>	<u>\$ 15,387</u>	<u>\$ 782,404</u>	<u>\$ 181,854</u>	<u>\$ 116,973</u>	<u>\$ 116,999</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	195,000	195,000	-	-	-	-	12,800	18,249
Services and Other	-	-	-	-	-	-	117,929	110,994
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	775,259	15,317	651,352	50,802	-	-
Transfers out	-	-	-	-	131,052	131,052	-	-
Total Disbursements	<u>\$ 195,000</u>	<u>\$ 195,000</u>	<u>\$ 775,259</u>	<u>\$ 15,317</u>	<u>\$ 782,404</u>	<u>\$ 181,854</u>	<u>\$ 130,729</u>	<u>\$ 129,243</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,800	\$ 18,379	\$ 250	\$ 70	\$ -	\$ -	\$ (13,756)	\$ (12,244)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>32,105</u>	<u>32,105</u>	<u>4,738</u>	<u>4,738</u>	<u>-</u>	<u>-</u>	<u>13,800</u>	<u>13,800</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 33,905</u></u>	<u><u>\$ 50,484</u></u>	<u><u>\$ 4,988</u></u>	<u><u>\$ 4,808</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 44</u></u>	<u><u>\$ 1,556</u></u>

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

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

	LAW ENFORCEMENT TRAINING FUND		PROSECUTING ATTORNEY TRAINING FUND		USER FEE FUND		LOCAL EMERGENCY PLANNING COMM FUND	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	500	491	-	-	-	-	2,400	6,963
Charges for services	900	1,086	264	273	2,190	2,327	-	-
Interest	-	-	-	-	238	200	-	-
Other	-	-	1	1	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,400</u>	<u>\$ 1,577</u>	<u>\$ 265</u>	<u>\$ 274</u>	<u>\$ 2,428</u>	<u>\$ 2,527</u>	<u>\$ 2,400</u>	<u>\$ 6,963</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	1,000	50	-	-
Services and Other	1,751	2,145	443	443	12,500	2,706	2,570	912
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,751</u>	<u>\$ 2,145</u>	<u>\$ 443</u>	<u>\$ 443</u>	<u>\$ 13,500</u>	<u>\$ 2,756</u>	<u>\$ 2,570</u>	<u>\$ 912</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (351)	\$ (568)	\$ (178)	\$ (169)	\$ (11,072)	\$ (229)	\$ (170)	\$ 6,051
CASH and CASH EQUIVALENTS, JANUARY 1	<u>1,338</u>	<u>1,338</u>	<u>208</u>	<u>208</u>	<u>13,465</u>	<u>13,465</u>	<u>171</u>	<u>171</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 987</u></u>	<u><u>\$ 770</u></u>	<u><u>\$ 30</u></u>	<u><u>\$ 39</u></u>	<u><u>\$ 2,393</u></u>	<u><u>\$ 13,236</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 6,222</u></u>

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

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

	DRUG FORFEITURE FUND		RECORDER TECH FUND		PROSECUTING ATTORNEY BAD CHECK FUND		BATTERERS INTERVENTION FUND	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,035	457	-	-
Charges for services	-	-	1,234	1,354	3,577	3,578	-	-
Interest	40	36	159	107	-	-	-	-
Other	-	-	-	-	-	-	6,000	6,312
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 40</u>	<u>\$ 36</u>	<u>\$ 1,393</u>	<u>\$ 1,461</u>	<u>\$ 4,612</u>	<u>\$ 4,035</u>	<u>\$ 6,000</u>	<u>\$ 6,312</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 2,520	\$ 2,520	\$ -	\$ -
Employee fringe benefits	-	-	-	-	247	259	-	-
Materials and supplies	-	-	-	-	900	767	-	-
Services and Other	-	-	-	-	1,355	1,684	14,058	14,058
Capital Outlay	-	-	9,000	8,000	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,000</u>	<u>\$ 8,000</u>	<u>\$ 5,022</u>	<u>\$ 5,230</u>	<u>\$ 14,058</u>	<u>\$ 14,058</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 40	\$ 36	\$ (7,607)	\$ (6,539)	\$ (410)	\$ (1,195)	\$ (8,058)	\$ (7,746)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>2,408</u>	<u>2,408</u>	<u>9,057</u>	<u>9,057</u>	<u>2,335</u>	<u>2,335</u>	<u>15,424</u>	<u>15,424</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 2,448</u></u>	<u><u>\$ 2,444</u></u>	<u><u>\$ 1,450</u></u>	<u><u>\$ 2,518</u></u>	<u><u>\$ 1,925</u></u>	<u><u>\$ 1,140</u></u>	<u><u>\$ 7,366</u></u>	<u><u>\$ 7,678</u></u>

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

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

	DIVORCE EDUCATION FUND		ELECTION SERVICE FUND		HELP AMERICA VOTE ACT FUND		SHERIFF CIVIL SERVICE FUND	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	884	925	4,640	4,640	-	-
Charges for services	-	-	-	2,651	-	-	4,500	4,332
Interest	-	-	30	119	31	31	60	34
Other	1,470	1,505	-	9,898	14	14	400	-
Transfers in	-	-	-	-	203	203	-	-
Total Receipts	\$ 1,470	\$ 1,505	\$ 914	\$ 13,593	\$ 4,888	\$ 4,888	\$ 4,960	\$ 4,366
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ 1,000	\$ 832	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	851	795	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and Other	1,200	1,000	1,000	1,100	2,363	2,363	600	328
Capital Outlay	-	-	-	-	-	-	4,500	3,971
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	2,550	2,550	-	-
Total Disbursements	\$ 1,200	\$ 1,000	\$ 2,851	\$ 2,727	\$ 4,913	\$ 4,913	\$ 5,100	\$ 4,299
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 270	\$ 505	\$ (1,937)	\$ 10,866	\$ (25)	\$ (25)	\$ (140)	\$ 67
CASH and CASH EQUIVALENTS, JANUARY 1	140	140	2,326	2,326	26	26	238	238
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 410	\$ 645	\$ 389	\$ 13,192	\$ 1	\$ 1	\$ 98	\$ 305

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

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

	SHERIFF SPECIAL PROJECT FUND		CHILDRENS TRUST FUND		TAX MAINTENANCE FUND		PROSECUTING ATTORNEY DELINQUENT TAX FUND	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	4,125	4,690	-	-
Interest	-	-	-	-	45	52	15	11
Other	600	822	180	215	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 600</u>	<u>\$ 822</u>	<u>\$ 180</u>	<u>\$ 215</u>	<u>\$ 4,170</u>	<u>\$ 4,742</u>	<u>\$ 15</u>	<u>\$ 11</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	2,100	338	-	-
Services and Other	745	745	180	-	1,780	4,086	200	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 745</u>	<u>\$ 745</u>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ 3,880</u>	<u>\$ 4,424</u>	<u>\$ 200</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (145)	\$ 77	\$ -	\$ 215	\$ 290	\$ 318	\$ (185)	\$ 11
CASH and CASH EQUIVALENTS, JANUARY 1	<u>2,333</u>	<u>2,333</u>	<u>180</u>	<u>180</u>	<u>1,686</u>	<u>1,686</u>	<u>747</u>	<u>747</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 2,188</u></u>	<u><u>\$ 2,410</u></u>	<u><u>\$ 180</u></u>	<u><u>\$ 395</u></u>	<u><u>\$ 1,976</u></u>	<u><u>\$ 2,004</u></u>	<u><u>\$ 562</u></u>	<u><u>\$ 758</u></u>

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



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

	COUNTY OF SCOTLAND IMPROVEMENT CORPORATION FUND	
	Budget	Actual
RECEIPTS		
Property taxes	\$ -	\$ -
Sales taxes	-	-
Intergovernmental	7,452	7,452
Charges for services	-	-
Interest	-	8
Loan Proceeds	18,000	18,000
Transfers in	-	-
Total Receipts	<u>\$ 25,452</u>	<u>\$ 25,460</u>
DISBURSEMENTS		
Salaries	\$ -	\$ -
Employee fringe benefits	-	-
Materials and supplies	-	-
Services and Other	-	-
Capital Outlay	25,452	25,452
Construction	-	-
Transfers out	-	-
Total Disbursements	<u>\$ 25,452</u>	<u>\$ 25,452</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 8
CASH and CASH EQUIVALENTS, JANUARY 1	<u>-</u>	<u>-</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ 8</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scotland 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, 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 Scotland 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. Adoption of a formal budget is required by law. The County adopted a formal budget for all reported funds.

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

Fund
Road and Bridge Sales Tax Fund
Law Enforcement Training Fund
Prosecuting Attorney Bad Check Fund
Tax Maintenance Fund

11. Chapter 50.610 and Chapter 50.740, RSMo require that counties prepare budgets that balance proposed expenditures with estimated revenues and other sources of financial resources. Accordingly, counties are not authorized to have deficit fund balances. No funds were budgeted to a deficit fund balance.

- 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:

Real Estate	\$38,134,190
Personal Property	\$ 19,419,152
Railroad and Utilities	\$ 5,971,391

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

General Revenue	\$0.4954
Road & Bridge	\$0.3469
Special Road & Bridge	\$0.3199
Road Rock Tax (assessed per agricultural acre)	\$0.7500

The Road & Bridge levy and the Special Road & Bridge levy is collected and accounted for within the Special Road & Bridge Fund.

- 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 \$675,775, and the bank balances totaled \$807,698. Of the bank balances, \$253,389 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 \$2,762,945.

## 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 \$36,138.

#### 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. Litigation

The County was involved in litigation as of the audit report date. On February 6, 2013, a judgment was rendered against the County in the amount of \$178,566 plus interest and court costs. On March 5, 2013, interest at the rate of 5.13% per annum was assigned to the judgment amount pursuant to Section 408.040.2 RSMo. The County is currently appealing the above court decision. As of the audit report date, the outcome of the appellate court case is indeterminable.

##### B. Compensated Absences

The County provides employees with annual leave. Each employee is entitled to five days annual leave after their first whole year of employment, ten days annual leave after two years of employment, and fifteen days annual leave after five years of employment. Annual leave must be used by December 31st of the year in which it was earned or that time is accrued. Annual leave accrual shall commence with the employee's date of employment with Scotland County. Employees may accrue vacation leave to a maximum of 240 hours, except personnel who are FLSA-exempt, may accrue vacation leave to a maximum of 360 hours. In the event an employee becomes ill during a scheduled vacation, sick leave shall not be granted. As vacation is granted for a period of recreation, no employee shall be permitted to waive such leave for the purpose of receiving double pay. Upon termination of employment, any employee who has accumulated vacation time shall be paid for unused time at the final regular rate received by such employee. This terminates all prior service with the County.

Sick time is accrued at 8 hours for each full month employed. A maximum of two-hundred forty hours of sick leave may be accumulated after adding the prior sick leave and current sick leave.

An employee must work one-hundred twenty hours in a given month to earn eight hours of current sick leave for that month. An employee may accrue sick leave with pay to a maximum of two-hundred forty hours. When an employee ends service with Scotland County, they will be paid for any unused prior sick leave based on the individual's pay rate as of the last date of employment. This terminates all prior service with the County. After ten years of full-time service, the employees shall receive compensation for twenty-five percent of sick time accrued. After fifteen years of full-time service, the employees shall receive compensation for forty percent of sick time accrued, valued at the average of their last three annual salaries. After twenty years of service, the employees shall receive compensation for fifty percent of sick time accrued, valued at the average of their last three annual salaries.

### C. 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 (OMB) 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 Law Library Fund and include the Tax Maintenance Fund. The effect of the aforementioned change in reporting entity will affect cash balances of the governmental funds as previously reported at December 31, 2011 by the amount representing cash balances of these respective funds.



## 8. LONG TERM DEBT AND CONTRACTUAL OBLIGATIONS

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

- A. \$77,625 for the capital lease of a Caterpillar excavator. The lease is paid in annual installments of \$13,898 inclusive of interest at 3.55% due on April 13<sup>th</sup> each year through 2016. A final payment of \$32,310 due on April 13, 2017. This is paid from the Special Road and Bridge Fund.
- B. \$16,530 for a long term contractual obligation with Mapping Solutions for a GIS system for the Assessor's office. No interest is assessed. Phase 1 of 3 was completed within this fiscal period. Phase 2 of 3 was completed in fiscal year 2013. Phase 3 of 3 is scheduled to be completed in fiscal year 2014. Future payments are anticipated to be \$8,425 for fiscal year 2013 and \$8,105 for fiscal year 2014. This is paid from the Assessment Fund.
- C. \$47,024 for a contractual obligation with Henry M. Adkins and Son, Inc. for election equipment. Financing options are available at 3% of the unpaid balance per annum for up to four years from the purchase date or through February 24, 2016. This is paid from the General Revenue Fund.
- D. \$18,000 for a promissory note with the USDA for a truck. The note is paid in annual installments of \$3,379 inclusive of interest at 3.5% per annum due on September 19<sup>th</sup> each year through 2018. This is paid from the General Revenue Fund.
- E. \$20,000 for a promissory note with the USDA for radio equipment. The note is paid in annual installments of \$3,754 inclusive of interest at 3.5% per annum due on December 28<sup>th</sup> each year through 2018. This is paid from the General Revenue Fund.

## 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 3, 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 Scotland County, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Scotland County, Missouri as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Scotland County, Missouri's basic financial statements and have issued our report thereon dated May 3, 2013.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, identified as items 1 and 2 in the accompanying schedule of findings and recommendations, that we consider to be a significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Scotland County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 3 and 4.

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

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

## **Purpose of this Report**

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

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

McBride, Lock & Associates  
Kansas City, Missouri  
May 3, 2013

## **FINDINGS AND RECOMMENDATIONS**

SCOTLAND COUNTY, MISSOURI  
FINDINGS AND RECOMMENDATIONS

**MATERIAL WEAKNESSES IN INTERNAL CONTROL**

None

**SIGNIFICANT INTERNAL CONTROL DEFICIENCIES**

**1. Sheriff's Office – Segregation of Duties**

Condition: The Office Manager for the Sheriff's Office performs the majority of the cash handling, recording, and reconciliation functions. This individual receives funds, prepares deposits, takes deposits to the bank, prepares checks, mails checks, and reconciles the bank account. The Office Manager is also an authorized signer on the bank account.

It was noted that to alleviate segregation of duties concerns, the Sheriff documents his review of the bank reconciliation and that a copy of the bank statement is sent to the County Treasurer and County Clerk.

Recommendation: We recommend the receipting and depositing function be segregated to provide for improved controls.

County's Response: The audit recommendation is being taken into consideration.

Auditor's Evaluation: We continue to recommend that the segregation of duties issue be addressed.

**2. Unauthorized Signer on County Bank Accounts**

Condition: Upon review of signature cards, it was noted that a former commissioner is still an authorized signer on the County bank accounts.

Recommendation: We recommend that steps be taken to immediately remove this individual as an authorized signer on the County bank accounts.

County's Response: This issue was resolved on May 9, 2013 when depository bids were opened and a new agreement accepted.

Auditor's Evaluation: The stated corrective action appears appropriate.

## **ITEMS OF NONCOMPLIANCE**

### **3. BUDGETARY COMPLIANCE**

Condition: We noted that actual expenditures exceeded budgeted expenditures for the following funds in 2012 by more than an inconsequential amount:

<u>Fund</u>
Road and Bridge Sales Tax Fund
Law Enforcement Training Fund
Prosecuting Attorney Bad Check Fund
Tax Maintenance Fund

Recommendation: We recommend the County Commission and County Clerk ensure compliance with State Statutes and the Missouri Constitution by 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's Response: The County will implement the audit recommendation.

Auditor's Evaluation: The stated corrective action appears appropriate.

## **OTHER MATTERS**

In planning and performing our audit of the financial statements of Scotland County, Missouri (the County) as of and for the year ended December 31, 2012, 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.

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 3, 2013. (A separate report dated May 3, 2013 contains our report on significant deficiencies in the County's internal control). This document does not affect our report dated May 3, 2013.

#### **4. Sheriff's Office – Inmate Funds**

Condition: During the internal control discussion with the Office Manager in the Sheriff's Office, it was noted that inmate money on account for commissary purchases is maintained as cash and stored in an unlocked file cabinet drawer behind the dispatcher's desk. These funds represent an immaterial amount (around \$100 to \$150 in total) in comparison to the County's operation.

Recommendation: We recommend that these funds be stored in a locked box or locked file cabinet drawer to ensure the physical security of these funds.

County's Response: The County will implement the audit recommendation.

Auditor's Evaluation: The stated corrective action appears appropriate.



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

1. *Condition:* For the year ended December 31, 2011, the County budgeted a negative fund balance for the Law Enforcement Sales Tax Fund and the FEMA Fund.

*Status:* Resolved.

2. *Condition:* For the year ended December 31, 2010, the County incurred a negative fund balance for the Special Road and Bridge Fund.

*Status:* Resolved.

3. *Condition:* For the year ended December 31, 2011, actual expenses exceeded budgeted expenses for the Assessment Fund and the Law Library Fund.

*Status:* Partially resolved. For the current fiscal year, actual expenses did not exceed budgeted expenses for the above mentioned funds. However, there were other funds in which actual expenses did exceed budgeted expenses. See item 3 in the Schedule of Findings and Recommendations.

4. *Condition:* For the year ended December 31, 2010, actual expenses exceeded budgeted expenses for the Special Road and Bridge Fund, FEMA Fund, Off System Fund, and the Local Emergency Planning Commission Fund.

*Status:* Partially resolved. For the current fiscal year, actual expenses did not exceed budgeted expenses for the above mentioned funds. However, there were other funds in which actual expenses did exceed budgeted expenses. See item 3 in the Schedule of Findings and Recommendations.