



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of McDonald County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of McDonald County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2015, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, LLC, Certified Public Accountants, is attached.

Nicole R. Galloway, CPA
State Auditor

August 2016
Report No. 2016-050

ANNUAL FINANCIAL REPORT

MCDONALD COUNTY, MISSOURI

For the Years Ended
December 31, 2015 and 2014

MCDONALD COUNTY, MISSOURI

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INTRODUCTORY SECTION

MCDONALD COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Keith Lindquist

Eastern Commissioner – John Bunch

Western Commissioner – David Holloway

Other Elected Officials

Assessor – Laura Pope

Circuit Clerk – Jennifer Mikeska

Collector – Jennifer Weber

Coroner – William B.J. Goodwin III

County Clerk – Kimberly Bell

Prosecuting Attorney – Bill Dobbs

Public Administrator – Donna Underwood

Recorder – Kenny Underwood

Sheriff – Michael Hall

Treasurer – Joye Helm

FINANCIAL SECTION

McBRIDE, LOCK & ASSOCIATES, LLC

INDEPENDENT AUDITORS' REPORT

To the County Commission and
Officeholders of McDonald County, Missouri

Report of Financial Statements

We have audited the accompanying financial statements of McDonald County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as identified 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 an opinion 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 opinion.

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

As described in Note 1, the financial statements are prepared by McDonald 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 McDonald County, Missouri, as of December 31, 2015 and 2014, or changes in financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of each fund of McDonald County, Missouri, as of December 31, 2015 and 2014, and their respective cash receipts and disbursements, and budgetary results for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by Missouri law described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McDonald County, Missouri’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated July 1, 2016, on our consideration of McDonald County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 1, 2016

MCDONALD COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2014 AND 2015

Fund	Cash and Investments January 1, 2014	Receipts 2014	Disbursements 2014	Cash and Investments December 31, 2014	Receipts 2015	Disbursements 2015	Cash and Investments December 31, 2015
General Revenue	\$ 1,089,472	\$ 1,721,191	\$ 1,372,282	\$ 1,438,381	\$ 1,787,999	\$ 1,459,373	\$ 1,767,007
Special Road & Bridge	309,224	2,517,443	2,609,460	217,207	2,560,767	2,693,738	84,236
Assessment	453	308,473	299,486	9,440	255,455	264,064	831
Law Enforcement	256	1,930,855	1,888,638	42,473	1,887,670	1,930,143	-
Health Department	10,468	451,771	458,760	3,479	500,992	500,537	3,934
Law Enforcement Training	94	6,247	5,895	446	4,827	4,548	725
Prosecuting Attorney Training	1,052	897	778	1,171	828	527	1,472
Administrative Handling Service	31,264	16,840	38,385	9,719	14,386	16,832	7,273
Recorder's	16,154	11,168	4,999	22,323	10,917	3,331	29,909
Sheriff Civil	8,407	23,486	23,449	8,444	17,096	17,507	8,033
Senate Bill 665	734	655	178	1,211	324	19	1,516
Extradition and Transportation	40,547	39,957	21,772	58,732	24,322	45,456	37,598
Election Service	499	1,685	-	2,184	1,235	-	3,419
Collector's Tax Maintenance	51,073	32,032	32,294	50,811	33,399	14,663	69,547
Concealed Weapons	20,036	19,127	17,159	22,004	32,417	28,257	26,164
Inmate Security	2,510	7,248	3,270	6,488	6,472	4,954	8,006
Local Emergency Planning	3,199	-	-	3,199	-	-	3,199
Total	<u>\$ 1,585,442</u>	<u>\$ 7,089,075</u>	<u>\$ 6,776,805</u>	<u>\$ 1,897,712</u>	<u>\$ 7,139,106</u>	<u>\$ 6,983,949</u>	<u>\$ 2,052,869</u>

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

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

GENERAL REVENUE FUND				
Year Ended December 31,				
	2014		2015	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 3,165	\$ 3,165	\$ -	\$ -
Sales taxes	1,180,363	1,253,836	1,290,000	1,333,212
Intergovernmental	121,210	121,550	104,900	92,415
Charges for services	397,875	312,720	278,200	334,407
Interest	-	1,282	-	1,707
Other	13,319	28,638	13,000	26,258
Transfers in	670,392	-	-	-
Total Receipts	<u>\$ 2,386,324</u>	<u>\$ 1,721,191</u>	<u>\$ 1,686,100</u>	<u>\$ 1,787,999</u>
DISBURSEMENTS				
County Commission	\$ 93,590	\$ 92,803	\$ 97,890	\$ 93,192
County Clerk	131,952	126,712	133,927	121,315
Elections	191,777	152,947	104,777	86,830
Buildings and grounds	212,628	154,998	317,140	271,152
Employee fringe benefits	103,300	86,489	104,957	91,071
Treasurer	46,925	46,232	47,350	45,601
Collector	112,225	109,599	134,925	123,173
Recorder of Deeds	87,800	86,056	87,800	80,239
Public Administrator	75,768	72,429	72,643	73,028
Health / Welfare	13,165	9,887	14,360	12,061
Debt service	-	-	-	-
Other County Government	212,172	199,130	227,423	211,661
Transfers out	355,000	235,000	274,000	250,050
Emergency fund	670,392	-	52,000	-
Total Disbursements	<u>\$ 2,306,694</u>	<u>\$ 1,372,282</u>	<u>\$ 1,669,192</u>	<u>\$ 1,459,373</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ 79,630	\$ 348,909	\$ 16,908	\$ 328,626
CASH and INVESTMENTS, JANUARY 1	<u>1,089,472</u>	<u>1,089,472</u>	<u>1,438,381</u>	<u>1,438,381</u>
CASH and INVESTMENTS, DECEMBER 31	<u><u>\$ 1,169,102</u></u>	<u><u>\$ 1,438,381</u></u>	<u><u>\$ 1,455,289</u></u>	<u><u>\$ 1,767,007</u></u>

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

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

	SPECIAL ROAD & BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,180,363	1,253,830	1,290,000	1,333,207	-	-	-	-
Intergovernmental	1,330,000	1,254,220	1,384,955	1,151,534	195,125	194,666	196,607	198,327
Charges for services	15,000	9,393	19,500	11,642	-	-	-	-
Interest	-	-	-	224	-	-	-	-
Other	-	-	-	4,160	19,000	18,807	19,000	21,128
Transfers in	-	-	80,000	60,000	101,000	95,000	62,000	36,000
Total Receipts	<u>\$ 2,525,363</u>	<u>\$ 2,517,443</u>	<u>\$ 2,774,455</u>	<u>\$ 2,560,767</u>	<u>\$ 315,125</u>	<u>\$ 308,473</u>	<u>\$ 277,607</u>	<u>\$ 255,455</u>
DISBURSEMENTS								
Salaries	\$ 687,141	\$ 632,192	\$ 687,000	\$ 652,752	\$ 177,530	\$ 166,828	\$ 179,500	\$ 178,503
Employee fringe benefits	130,400	112,144	122,950	127,077	30,540	23,041	28,725	28,195
Materials and supplies	687,500	681,729	621,500	624,542	9,000	5,951	9,000	7,078
Services and Other	411,048	381,789	299,800	311,976	98,197	103,666	55,890	50,288
Capital outlay	75,000	79,186	215,000	215,339	-	-	-	-
Construction	663,000	722,420	1,045,394	762,052	-	-	-	-
Transfers out	75,000	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,729,089</u>	<u>\$ 2,609,460</u>	<u>\$ 2,991,644</u>	<u>\$ 2,693,738</u>	<u>\$ 315,267</u>	<u>\$ 299,486</u>	<u>\$ 273,115</u>	<u>\$ 264,064</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (203,726)	\$ (92,017)	\$ (217,189)	\$ (132,971)	\$ (142)	\$ 8,987	\$ 4,492	\$ (8,609)
CASH and INVESTMENTS, JANUARY 1	<u>309,224</u>	<u>309,224</u>	<u>217,207</u>	<u>217,207</u>	<u>453</u>	<u>453</u>	<u>9,440</u>	<u>9,440</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 105,498</u>	<u>\$ 217,207</u>	<u>\$ 18</u>	<u>\$ 84,236</u>	<u>\$ 311</u>	<u>\$ 9,440</u>	<u>\$ 13,932</u>	<u>\$ 831</u>

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

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

	LAW ENFORCEMENT FUND				HEALTH DEPARTMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,180,363	1,258,068	1,290,000	1,333,207	-	-	-	-
Intergovernmental	423,466	468,054	482,934	299,197	284,322	305,474	291,293	289,781
Charges for services	94,200	92,045	94,116	84,969	45,426	35,531	29,215	39,186
Interest	-	-	-	-	-	-	-	-
Other	7,200	12,688	6,101	55,747	70,447	70,766	126,241	125,025
Transfers in	214,000	100,000	105,000	114,550	40,000	40,000	47,000	47,000
Total Receipts	<u>\$ 1,919,229</u>	<u>\$ 1,930,855</u>	<u>\$ 1,978,151</u>	<u>\$ 1,887,670</u>	<u>\$ 440,195</u>	<u>\$ 451,771</u>	<u>\$ 493,749</u>	<u>\$ 500,992</u>
DISBURSEMENTS								
Salaries	\$ 1,162,550	\$ 1,219,668	\$ 1,301,083	\$ 1,265,236	\$ 335,178	\$ 268,143	\$ 328,404	\$ 276,177
Employee fringe benefits	177,299	165,545	160,400	191,192	51,219	40,073	50,635	49,307
Materials and supplies	110,100	102,500	111,900	100,326	51,126	139,656	104,876	165,718
Services and other	435,981	370,925	393,313	333,045	11,550	10,888	12,910	9,335
Capital outlay	30,000	30,000	42,750	40,344	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,915,930</u>	<u>\$ 1,888,638</u>	<u>\$ 2,009,446</u>	<u>\$ 1,930,143</u>	<u>\$ 449,073</u>	<u>\$ 458,760</u>	<u>\$ 496,825</u>	<u>\$ 500,537</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 3,299	\$ 42,217	\$ (31,295)	\$ (42,473)	\$ (8,878)	\$ (6,989)	\$ (3,076)	\$ 455
CASH and INVESTMENTS, JANUARY 1	<u>256</u>	<u>256</u>	<u>42,473</u>	<u>42,473</u>	<u>10,468</u>	<u>10,468</u>	<u>3,479</u>	<u>3,479</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 3,555</u>	<u>\$ 42,473</u>	<u>\$ 11,178</u>	<u>\$ -</u>	<u>\$ 1,590</u>	<u>\$ 3,479</u>	<u>\$ 403</u>	<u>\$ 3,934</u>

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

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

	LAW ENFORCEMENT TRAINING FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,800	1,706	1,700	1,600	1,000	897	900	828
Charges for services	3,500	4,541	3,400	3,227	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 5,300</u>	<u>\$ 6,247</u>	<u>\$ 5,100</u>	<u>\$ 4,827</u>	<u>\$ 1,000</u>	<u>\$ 897</u>	<u>\$ 900</u>	<u>\$ 828</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	5,000	5,895	5,000	4,548	1,000	778	900	527
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 5,000</u>	<u>\$ 5,895</u>	<u>\$ 5,000</u>	<u>\$ 4,548</u>	<u>\$ 1,000</u>	<u>\$ 778</u>	<u>\$ 900</u>	<u>\$ 527</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 300	\$ 352	\$ 100	\$ 279	\$ -	\$ 119	\$ -	\$ 301
CASH and INVESTMENTS, JANUARY 1	<u>94</u>	<u>94</u>	<u>446</u>	<u>446</u>	<u>1,052</u>	<u>1,052</u>	<u>1,171</u>	<u>1,171</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 394</u>	<u>\$ 446</u>	<u>\$ 546</u>	<u>\$ 725</u>	<u>\$ 1,052</u>	<u>\$ 1,171</u>	<u>\$ 1,171</u>	<u>\$ 1,472</u>

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

MCDONALD COUNTY, MISSOURI

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

	ADMINISTRATIVE HANDLING SERVICE FUND				RECORDER'S FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,800	1,612	1,600	1,664	-	-	-	-
Charges for services	23,000	14,877	16,700	12,715	11,000	11,168	11,000	10,900
Interest	-	-	-	7	-	-	-	17
Other	-	351	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 25,800	\$ 16,840	\$ 18,300	\$ 14,386	\$ 11,000	\$ 11,168	\$ 11,000	\$ 10,917
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	13,000	9,562	10,500	6,096	-	-	-	-
Services and other	25,000	28,823	17,500	10,736	5,000	4,999	5,000	3,331
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 38,000	\$ 38,385	\$ 28,000	\$ 16,832	\$ 5,000	\$ 4,999	\$ 5,000	\$ 3,331
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (12,200)	\$ (21,545)	\$ (9,700)	\$ (2,446)	\$ 6,000	\$ 6,169	\$ 6,000	\$ 7,586
CASH and INVESTMENTS, JANUARY 1	31,264	31,264	9,719	9,719	16,154	16,154	22,323	22,323
CASH and INVESTMENTS, DECEMBER 31	\$ 19,064	\$ 9,719	\$ 19	\$ 7,273	\$ 22,154	\$ 22,323	\$ 28,323	\$ 29,909

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

MCDONALD COUNTY, MISSOURI

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

	SHERIFF CIVIL FUND				SENATE BILL 665 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	8,865	-	-	-	-	-	-
Charges for services	50,000	14,580	42,000	14,595	2,000	655	600	324
Interest	-	-	-	1	-	-	-	-
Other	-	41	-	2,500	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 50,000	\$ 23,486	\$ 42,000	\$ 17,096	\$ 2,000	\$ 655	\$ 600	\$ 324
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	25,000	20,401	30,000	17,442	-	-	-	-
Services and other	25,000	3,048	20,000	65	1,000	178	1,000	19
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	4,320	-	-	-	-	-	-	-
Total Disbursements	\$ 54,320	\$ 23,449	\$ 50,000	\$ 17,507	\$ 1,000	\$ 178	\$ 1,000	\$ 19
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (4,320)	\$ 37	\$ (8,000)	\$ (411)	\$ 1,000	\$ 477	\$ (400)	\$ 305
CASH and INVESTMENTS, JANUARY 1	8,407	8,407	8,444	8,444	734	734	1,211	1,211
CASH and INVESTMENTS, DECEMBER 31	\$ 4,087	\$ 8,444	\$ 444	\$ 8,033	\$ 1,734	\$ 1,211	\$ 811	\$ 1,516

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

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

	EXTRADITION AND TRANSPORTATION FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	35,000	39,957	30,000	24,322	5,000	1,685	600	1,235
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 35,000</u>	<u>\$ 39,957</u>	<u>\$ 30,000</u>	<u>\$ 24,322</u>	<u>\$ 5,000</u>	<u>\$ 1,685</u>	<u>\$ 600</u>	<u>\$ 1,235</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	10,000	6,772	10,000	850	5,000	-	600	-
Capital outlay	15,000	15,000	50,000	37,106	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	7,500	-	-	-	-
Total Disbursements	<u>\$ 25,000</u>	<u>\$ 21,772</u>	<u>\$ 60,000</u>	<u>\$ 45,456</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 10,000	\$ 18,185	\$ (30,000)	\$ (21,134)	\$ -	\$ 1,685	\$ -	\$ 1,235
CASH and INVESTMENTS, JANUARY 1	<u>40,547</u>	<u>40,547</u>	<u>58,732</u>	<u>58,732</u>	<u>499</u>	<u>499</u>	<u>2,184</u>	<u>2,184</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 50,547</u>	<u>\$ 58,732</u>	<u>\$ 28,732</u>	<u>\$ 37,598</u>	<u>\$ 499</u>	<u>\$ 2,184</u>	<u>\$ 2,184</u>	<u>\$ 3,419</u>

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

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

	COLLECTOR'S TAX MAINTENANCE FUND				CONCEALED WEAPONS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	25,000	31,612	30,000	33,352	20,000	19,127	19,000	32,417
Interest	-	-	-	47	-	-	-	-
Other	-	420	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 25,000</u>	<u>\$ 32,032</u>	<u>\$ 30,000</u>	<u>\$ 33,399</u>	<u>\$ 20,000</u>	<u>\$ 19,127</u>	<u>\$ 19,000</u>	<u>\$ 32,417</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	29,800	12,409	25,000	2,929	13,060	13,478	23,300	24,392
Services and other	23,200	19,885	10,800	11,734	3,681	3,681	3,700	3,865
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 53,000</u>	<u>\$ 32,294</u>	<u>\$ 35,800</u>	<u>\$ 14,663</u>	<u>\$ 16,741</u>	<u>\$ 17,159</u>	<u>\$ 27,000</u>	<u>\$ 28,257</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (28,000)	\$ (262)	\$ (5,800)	\$ 18,736	\$ 3,259	\$ 1,968	\$ (8,000)	\$ 4,160
CASH and INVESTMENTS, JANUARY 1	<u>51,073</u>	<u>51,073</u>	<u>50,811</u>	<u>50,811</u>	<u>20,036</u>	<u>20,036</u>	<u>22,004</u>	<u>22,004</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 23,073</u>	<u>\$ 50,811</u>	<u>\$ 45,011</u>	<u>\$ 69,547</u>	<u>\$ 23,295</u>	<u>\$ 22,004</u>	<u>\$ 14,004</u>	<u>\$ 26,164</u>

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

MCDONALD COUNTY, MISSOURI

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

	INMATE SECURITY FUND				LOCAL EMERGENCY PLANNING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2014		2015		2014		2015	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,700	5,521	4,000	4,840	-	-	-	-
Charges for services	1,650	1,727	1,500	1,632	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,350</u>	<u>\$ 7,248</u>	<u>\$ 5,500</u>	<u>\$ 6,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	3,500	3,270	5,000	4,954	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,500</u>	<u>\$ 3,270</u>	<u>\$ 5,000</u>	<u>\$ 4,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 850	\$ 3,978	\$ 500	\$ 1,518	\$ -	\$ -	\$ -	\$ -
CASH and INVESTMENTS, JANUARY 1	<u>2,510</u>	<u>2,510</u>	<u>6,488</u>	<u>6,488</u>	<u>3,199</u>	<u>3,199</u>	<u>3,199</u>	<u>3,199</u>
CASH and INVESTMENTS, DECEMBER 31	<u>\$ 3,360</u>	<u>\$ 6,488</u>	<u>\$ 6,988</u>	<u>\$ 8,006</u>	<u>\$ 3,199</u>	<u>\$ 3,199</u>	<u>\$ 3,199</u>	<u>\$ 3,199</u>

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

MCDONALD COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

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

The financial statements referred to above include the primary government of McDonald County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered 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. 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. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2015</u>	<u>2014</u>
Health Department	X	X
Concealed Weapons	X	X
Law Enforcement Training	N/A	X
Administrative Handling Service	N/A	X

E. Cash and Investments

Cash 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. The cash and investment balances are detailed in Note 2.

F. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Investments" caption. Cash includes both deposits and short-term investments. Investments are considered short-term when original maturities are less than three months. Investments consist of certificates of deposit with maturities greater than 90 days.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2015 and 2014, the carrying amounts of the County's deposits were \$2,052,869 and \$1,897,712, respectively, and the bank balances were \$2,296,814 and \$2,065,391, respectively. Of the bank balances, \$250,000 for both December 31, 2015 and December 31, 2014, were covered by federal depository insurance. The remainder of the balances at December 31, 2015 and December 31, 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2015 and 2014, the County Collector held, in addition to the cash and investments listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. Tax collections on deposit amounted to \$6,907,997 and \$3,963,394 at December 31, 2015 and 2014, respectively. Of the bank balances, \$250,000 for

both December 31, 2015 and December 31, 2014, were covered by federal depository insurance. The remainder of the balances at December 31, 2015 and December 31, 2014 were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

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 2015 and 2014, the County collected and remitted to CERF employee contributions of approximately \$189,782 and \$182,799, respectively, for the years then ended.

B. 401 (A) PENSION PLAN

Participation in the plan is mandatory for all employees who have worked over 1,000 hours in a calendar year. The County does not contribute to the plan. Plan participants contribute .7% of earnings to the plan.

C. DEFERRED 457 PENSION PLAN

Participation in the plan is voluntary for all full-time employees. Part-time employees are not eligible to participate in the plan. Plan participants can elect to contribute any whole percentage or dollar amount of their earnings to the plan. Fifty cents on the dollar is matched by CERF on the first 6% of an employee's contribution. The County does not contribute to the plan.

4. POST EMPLOYMENT BENEFITS

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

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

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

B. Federal and State Assisted Programs

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

6. RISK MANAGEMENT

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

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

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

7. LONG TERM DEBT

As of December 31, 2015, the County had no long term debt outstanding.

8. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through July 1, 2016, 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, LLC

**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 McDonald 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 McDonald County, Missouri as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise McDonald County, Missouri's basic financial statements and have issued our report thereon dated July 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McDonald 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 McDonald County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of McDonald 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 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 weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency as item 1.

Compliance and Other Matters

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

McDonald County, Missouri's Response to Findings

McDonald County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. McDonald County, Missouri's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 1, 2016

McBRIDE, LOCK & ASSOCIATES, LLC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the County Commission and
Officeholders of McDonald County, Missouri

Report on Compliance for Each Major Federal Program

We have audited McDonald County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of McDonald County, Missouri's major federal programs for the years ended December 31, 2015 and 2014. McDonald County, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of McDonald County, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McDonald County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of McDonald County, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, McDonald County, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2015 and 2014.

Report on Internal Control over Compliance

Management of McDonald County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered McDonald County, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McDonald County, Missouri's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-1 to be a significant deficiency.

McDonald County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. McDonald County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

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

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 1, 2016

MCDONALD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2014	2015
U.S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	ERS04513160	167,638	155,152
10.559	Summer Food Service Program for Children	n/a	540	540
Department of Natural Resources -				
10.923	Emergency Watershed Protection Program	68-6424-15-260	-	52,294
		68-6424-15-261	-	122,400
		68-6424-15-259	-	96,253
		68-6424-15-258	-	39,386
		Total	-	310,333
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.575	Crime Victim Assistance	n/a	23,000	22,263
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through State Highway and Transportation Commission:				
20.205	Highway Planning and Construction:			
	Powell Bridge Construction	BRO-B060(7)	279,935	-
	Oscar Talley Bridge	BRO-B060(8)	-	44,002
ELECTION ASSISTANCE COMMISSION				
Passed through the Office of Secretary of State -				
90.401	Help America Vote Act Requirements Payments	n/a	2,310	-
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state Department of Health and Senior Services -				
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance:	n/a	-	13,862
	CORE Participation Agreement	AOC10380326	54,145	61,577
93.994	Maternal and Child Health Services - Block Grants to the States	n/a	25,195	25,224
U. S. DEPARTMENT OF HOMELAND SECURITY				
Passed through State Department of Public Safety:				
97.036	Disaster Grants - Public Assistance (Presidentially-declared Disasters)	FEMA-4144-DR-MO	159,314	-
97.042	Emergency Management Performance Grants	n/a	22,757	24,674
Total Expenditures of Federal Awards			<u>\$ 734,834</u>	<u>\$ 657,627</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

MCDONALD COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2015 and 2014.

MCDONALD COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported
- Noncompliance material to financial statements noted? X Yes No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified not considered to be material weaknesses? X Yes None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unmodified

Any audit findings disclosed that are required to be Reported in accordance with section 510(A) of Circular A-133? X Yes No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.923	Emergency Watershed Protection Program

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: Yes X No

SECTION II – FINANCIAL STATEMENTS FINDINGS

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

1. Accounting for Investments
2. Budgetary Compliance

Summary Schedule of Prior Audit Findings:

1. Accounting for Transfers
2. Budgetary Compliance
3. Variances Between Budgets
4. Collector's Office Internal Controls
5. Collector's Bank Reconciliations

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-1: Incorrect Schedule of Expenditures of Federal Awards (SEFA)

Federal Grantor: U.S. Department of Transportation

Pass-through Grantor: Highway and Transportation Commission

Federal CFDA Number: 20.205

Program Title: Highway Planning and Construction

Pass-through Entity Identifying Number: BRO-B060(7), BRO-B060(8)

Award Years: 2014 and 2015

Questioned Costs: None

Federal Grantor: U.S. Department of Agriculture

Pass-through Grantor: Missouri Department of Health and Senior Services

Federal CFDA Number: 10.557

Program Title: Special Supplemental Nutrition Program for Women, Infants, and Children

Pass-through Entity Identifying Number: ERS04513160

Award Years: 2014 and 2015

Questioned Costs: None

Federal Grantor: U.S. Department of Agriculture

Pass-through Grantor: Missouri Department of Natural Resources

Federal CFDA Number: 10.923

Program Title: Emergency Watershed Protection Program

Pass-through Entity Identifying Number: 68-6424-15-258/259/260/261

Award Years: 2015

Questioned Costs: None

Federal Grantor: U.S. Department of Homeland Security
Pass-through Grantor: Missouri Department of Public Safety
Federal CFDA Number: 97.036
Program Title: Disaster Grants – Public Assistance (Presidentially-declared Disasters)
Pass-through Entity Identifying Number: FEMA-4144-DR-MO
Award Years: 2014
Questioned Costs: None

Condition: The County Clerk did not prepare an accurate Schedule of Expenditures of Federal Awards (SEFA) for the years ending December 31, 2014 and 2015. The 2015 and 2014 SEFA reported expenditures of \$9,308 and \$329,344, respectively, under Highway Planning and Construction, however, based on supporting documentation, expenditures were \$44,002 and \$279,935, respectively. In addition, amounts of WIC grant funds expended by the Health Department were incorrectly reported. The 2015 and 2014 SEFA reported expenditures of \$165,143 and \$161,148, respectively, however, based on supporting documentation, expenditures were \$155,152 and \$167,638, respectively. Furthermore, based on supporting documentation, \$310,333 of expenditures of Conservation Services funds from the Department of Natural Resources were not reported on the 2015 SEFA, and \$159,314 of FEMA Disaster Grants funds expended by the County were not reported on the 2014 SEFA.

Cause: The County did not maintain adequate documentation to support the amounts reported in the SEFA for all programs. Also, we discovered federal programs carried out by the County's Emergency Management department that the County Clerk was not aware were being funded by federal money and did not include on the SEFA.

Effect: The SEFA presented for audit did not accurately reflect the County's actual expenditures of federal awards for both the years ended December 31, 2015 and 2014.

Criteria: OMB Circular A-133, section .300(b) requires auditees to "Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs." Section .310(d) requires auditees to "Prepare appropriate financial statements, including the schedule of expenditures of Federal awards...."

Recommendation: We recommend that the County Clerk implement procedures to ensure that the federal expenditures incurred during the year are properly reported on the Schedule of Expenditures of Federal Awards.

Corrective Action Plan: Based on the finding and recommendation, McDonald County will make all necessary changes to rectify this issue

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

SECTION IV – FOLLOW-UP ON PRIOR YEAR’S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-1. Incorrect Schedule of Expenditures of Federal Awards (SEFA)

The County Clerk did not prepare an accurate SEFA for the years ending December 31, 2012 and 2013. The 2012 SEFA reported expenditures of \$5,836 under Highway Planning and Construction, which could not be supported by reimbursable expenditures of grant funds. In addition, amounts of WIC grant funds expended by the Health Department were incorrectly reported in both 2012 and 2013. The SEFA indicated expenditures for both years as \$167,157, however, based on supporting documentation, expenditures were \$159,719 and \$160,154 for 2012 and 2013, respectively.

Status: Repeated. See Finding 2015-1.

FINDINGS AND RECOMMENDATIONS

MCDONALD COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

None

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

1. Accounting for Investments

Condition: The County did not correctly account for activity related to money market accounts and certificates of deposit during the audit period. In 2015 and 2014, the County recorded as expenditures in the General Revenue fund \$350,000 and \$150,000, respectively, that were moved out of the Treasurer's main checking account into a money market fund. This had the effect of overstating expenditures and understating the balance of the General Revenue fund at both December 31, 2015 and 2014. Also, the County did not record the interest earned on General Revenue fund money market accounts and certificates of deposit as revenue in either 2015 or 2014.

Recommendation: We recommend that the County ensure that transactions between bank and investment accounts are recorded properly to ensure that fund balances include money in all accounts held by the County.

County Response: Based on the finding and recommendation, McDonald County will make all necessary changes to rectify this issue.

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

ITEMS OF NONCOMPLIANCE

2. Budgetary Compliance

Condition: Actual expenditures exceeded budgeted expenditures for the following funds in 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Health Department	X	X
Concealed Weapons	X	X
Law Enforcement Training	N/A	X
Administrative Handling Service	N/A	X

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

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

County Response: The Health Department receives the majority of its revenue from grants throughout the year. Many of the grants are necessary for the Health Department to provide the services required. Different grants become available throughout the budget year but has the requirement of being spent that fiscal year. The Health Department supervisor notifies the Commission when these grants become available and the Commission grants approval to spend the incoming money. Concealed Weapons permits have increased in McDonald County over the past couple years. With the rising number of CCW requests and permits issued, the Concealed Weapons expenditures are difficult to precisely budget. Per your recommendation, in the event the originally adopted budget is not adequate to finance the current year's unforeseen expenditures, a budgetary amendment will be initiated.

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

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

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by McDonald County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2013 and 2012.

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

Status – Partially resolved. See finding No. 1

2. The County approved expenditures in excess of budgeted amounts for several funds during both 2012 and 2013.

Status – Not resolved. See finding No. 2.

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

Status – Resolved.

4. The Collector's signature stamp and blank check stock in the County Clerk's office were not properly safeguarded against improper use.

Status – Resolved.

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

Status – Resolved.