



SUSAN MONTEE, 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, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, 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 cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

December 2008
Report No. 2008-92

MCDONALD COUNTY, MISSOURI

ANNUAL FINANCIAL REPORT

December 31, 2007 and 2006

MCDONALD COUNTY, MISSOURI

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INTRODUCTORY SECTION

MCDONALD COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Larry Jones

Associate Commissioner – Gayle Brock

Associate Commissioner – Sam Gaskill

Other Elected Officials

Assessor – Laura Pope

Circuit Clerk -- Gene Hall

Recorder – Kenny Underwood

Collector – Brenda Gordon

Coroner – Gale Duncan

County Clerk – Barbara Williams

Prosecuting Attorney – Janice Durbin

Public Administrator – Donna Underwood

Sheriff – Don Schlessman

Treasurer – Joye Helm

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission
and
Officeholders of McDonald County, Missouri

We have audited the accompanying financial statements of McDonald County, Missouri, as of and for the years ended December 31, 2007 and 2006 which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of McDonald County, Missouri, as of December 31, 2007 and 2006, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of McDonald County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2007 and 2006, on the basis of accounting discussed in Note 1.

In accordance with Government Auditing Standards, we also have issued our report dated July 25, 2008 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 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 and should be considered in assessing the results of our audits.

(Original signed by Auditor)

McBride, Lock & Associates
July 25, 2008

FINANCIAL SECTION

MCDONALD COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2006 AND 2007

Fund	Cash	Receipts	Disbursements	Cash	Receipts	Disbursements	Cash
	January 1			December 31			December 31
	2006	2006	2006	2006	2007	2007	2007
	(restated)						
General Revenue	\$ 450,897	1,543,716	1,556,236	438,377	1,683,184	1,574,284	547,277
Special Road and Bridge	320,327	2,101,701	1,846,431	575,597	2,363,047	2,848,150	90,494
Assessment	3,710	264,430	263,437	4,703	318,327	322,657	373
Law Enforcement Sales Tax	20,748	1,701,378	1,688,419	33,707	1,827,538	1,859,647	1,598
Law Enforcement Training	4,788	6,145	10,137	796	10,733	11,153	376
Prosecuting Attorney Training	767	1,051	421	1,397	1,178	833	1,742
Recorder's	26,451	11,184	15,059	22,576	11,639	15,158	19,057
Sheriff's Civil Fees	2,989	19,687	20,547	2,129	22,358	23,703	784
Senate Bill 665	6,373	713	1,829	5,257	3,613	8,304	566
Extradition and Transportation	1,357	33,893	23,499	11,751	31,809	29,847	13,713
Election Service	3,036	111,055	105,949	8,142	377	4,474	4,045
Lafayette House	768	1,790	-	2,558	2,167	4,725	-
Collector's Tax Maintenance	23,007	21,690	900	43,797	26,476	12,238	58,035
Concealed Weapon	3,476	3,038	1,615	4,899	6,260	2,265	8,894
Election Service Interest Bearing	14,597	101,758	105,949	10,406	7,370	7,686	10,090
P.A. Bad Check Fund	10,741	46,917	27,078	30,580	39,225	46,786	23,019
Homeland Security	(2,879)	2,879	-	-	-	-	-
Total	\$ 891,153	5,973,025	5,667,506	1,196,672	6,355,301	6,771,910	780,063

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
 ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	GENERAL FUND			
	Year Ended December 31,			
	2006		2007	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes - subclass 3	\$ 2,382	1,582	2,382	1,582
Sales taxes	1,200,000	1,131,220	1,200,000	1,251,791
Intergovernmental	63,720	99,812	118,450	111,428
Charges for services	280,000	281,445	320,500	273,370
Interest	12,000	24,484	22,000	30,924
Other	5,000	5,173	3,000	4,274
Transfers in	-	-	-	9,815
Total Receipts	<u>1,563,102</u>	<u>1,543,716</u>	<u>1,666,332</u>	<u>1,683,184</u>
DISBURSEMENTS				
County Commission	91,670	87,980	95,370	95,020
County Clerk	111,336	112,233	118,135	108,375
Elections	121,675	92,931	96,933	71,020
Buildings and grounds	129,935	104,161	133,483	131,700
Employee fringe benefits	74,500	68,956	71,800	66,459
County Treasurer	32,310	31,767	44,800	46,490
Collector	121,556	113,703	120,795	117,334
Recorder of Deeds	80,325	76,787	90,775	89,311
Public Administrator	70,400	70,493	75,400	77,181
Other	411,957	253,515	558,364	268,099
Debt Services	42,400	42,400	40,000	42,400
Health and welfare	-	15,031	-	9,895
Transfers out	520,036	486,279	502,000	451,000
Emergency fund	57,062	-	45,450	-
Total Disbursements	<u>1,865,162</u>	<u>1,556,236</u>	<u>1,993,305</u>	<u>1,574,284</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(302,060)	(12,520)	(326,973)	108,900
CASH, JANUARY 1	-	450,897	-	438,377
CASH, DECEMBER 31	<u>\$ (302,060)</u>	<u>438,377</u>	<u>(326,973)</u>	<u>547,277</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
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 8,000	-	-	-	-	-	-	-
Sales taxes	1,200,000	1,131,011	1,200,000	1,251,877	-	-	-	-
Intergovernmental	796,900	832,880	1,456,000	1,088,057	168,000	187,443	188,210	176,692
Charges for services	-	-	-	-	5,000	-	-	-
Interest	5,000	-	-	22,504	150	434	450	649
Other	-	137,810	-	609	600	6,553	6,500	4,986
Transfers in	126,036	-	-	-	94,000	70,000	122,000	136,000
Total Receipts	<u>2,135,936</u>	<u>2,101,701</u>	<u>2,656,000</u>	<u>2,363,047</u>	<u>267,750</u>	<u>264,430</u>	<u>317,160</u>	<u>318,327</u>
DISBURSEMENTS								
Salaries	596,264	592,415	642,000	699,473	149,033	177,295	182,195	182,617
Employee fringe benefits	141,829	135,922	145,600	133,796	13,300	12,326	13,000	12,585
Materials and Supplies	1,243,000	791,458	1,343,000	1,464,915	19,000	9,509	31,000	15,812
Services and Other	334,200	269,961	311,009	344,345	88,935	64,307	93,910	111,643
Capital Outlay	125,000	56,675	96,500	189,538	-	-	-	-
Construction	-	-	625,000	16,083	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>2,440,293</u>	<u>1,846,431</u>	<u>3,163,109</u>	<u>2,848,150</u>	<u>270,268</u>	<u>263,437</u>	<u>320,105</u>	<u>322,657</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(304,357)	255,270	(507,109)	(485,103)	(2,518)	993	(2,945)	(4,330)
CASH, JANUARY 1	-	320,327	-	575,597	-	3,710	-	4,703
CASH, DECEMBER 31	<u>\$ (304,357)</u>	<u>575,597</u>	<u>(507,109)</u>	<u>90,494</u>	<u>(2,518)</u>	<u>4,703</u>	<u>(2,945)</u>	<u>373</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
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	1,200,000	1,135,850	1,200,000	1,255,458	-	-	-	-
Intergovernmental	167,600	310,258	258,382	175,306	-	6,135	5,000	6,628
Charges for services	70,000	80,907	84,000	91,881	-	-	-	-
Interest	-	153	200	513	-	-	-	-
Other	55,000	44,210	15,000	102,629	8,600	10	-	105
Transfers in	179,000	130,000	222,000	201,751	-	-	-	4,000
Total Receipts	<u>1,671,600</u>	<u>1,701,378</u>	<u>1,779,582</u>	<u>1,827,538</u>	<u>8,600</u>	<u>6,145</u>	<u>5,000</u>	<u>10,733</u>
DISBURSEMENTS								
Salaries	1,012,204	1,086,670	1,100,843	1,106,705	-	-	-	-
Employee fringe benefits	166,000	172,106	189,875	189,185	-	-	-	-
Materials and Supplies	48,300	23,944	59,975	41,570	-	-	-	-
Services and Other	441,006	405,699	449,178	522,187	10,000	10,137	5,000	11,153
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>1,667,510</u>	<u>1,688,419</u>	<u>1,799,871</u>	<u>1,859,647</u>	<u>10,000</u>	<u>10,137</u>	<u>5,000</u>	<u>11,153</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	4,090	12,959	(20,289)	(32,109)	(1,400)	(3,992)	-	(420)
CASH, JANUARY 1	-	20,748	-	33,707	-	4,788	-	796
CASH, DECEMBER 31	<u>\$ 4,090</u>	<u>33,707</u>	<u>(20,289)</u>	<u>1,598</u>	<u>(1,400)</u>	<u>796</u>	<u>-</u>	<u>376</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
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				RECORDER'S FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	400	-	-	-	-	-
Charges for services	-	1,051	800	1,178	29,500	10,042	10,000	10,406
Interest	-	-	-	-	-	1,142	-	1,233
Other	1,000	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>1,000</u>	<u>1,051</u>	<u>1,200</u>	<u>1,178</u>	<u>29,500</u>	<u>11,184</u>	<u>10,000</u>	<u>11,639</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	500	75	500	284	24,500	15,059	-	-
Services and Other	800	346	900	549	-	-	20,000	15,158
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>1,300</u>	<u>421</u>	<u>1,400</u>	<u>833</u>	<u>24,500</u>	<u>15,059</u>	<u>20,000</u>	<u>15,158</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(300)	630	(200)	345	5,000	(3,875)	(10,000)	(3,519)
CASH, JANUARY 1	-	767	-	1,397	-	26,451	-	22,576
CASH, DECEMBER 31	<u>\$ (300)</u>	<u>1,397</u>	<u>(200)</u>	<u>1,742</u>	<u>5,000</u>	<u>22,576</u>	<u>(10,000)</u>	<u>19,057</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
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	SHERIFF'S CIVIL FUND				SB 665 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	19,587	26,500	21,865	-	713	6,000	3,359
Interest	-	-	-	-	-	-	-	-
Other	-	100	-	493	4,000	-	-	254
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	19,687	26,500	22,358	4,000	713	6,000	3,613
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	25,000	20,547	20,000	23,703	1,500	1,069	1,500	914
Services and Other	-	-	6,154	-	1,300	760	4,400	7,390
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	25,000	20,547	26,154	23,703	2,800	1,829	5,900	8,304
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(25,000)	(860)	346	(1,345)	1,200	(1,116)	100	(4,691)
CASH, JANUARY 1	-	2,989	-	2,129	-	6,373	-	5,257
CASH, DECEMBER 31	\$ (25,000)	2,129	346	784	1,200	5,257	100	566

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
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	EXTRADITION AND TRANSPORTATION FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	33,893	30,000	31,809	-	109,997	1,000	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	1,058	-	377
Other	15,000	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>15,000</u>	<u>33,893</u>	<u>30,000</u>	<u>31,809</u>	<u>-</u>	<u>111,055</u>	<u>1,000</u>	<u>377</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	108,000	105,949	9,000	2,492
Services and Other	15,000	23,499	15,000	13,096	-	-	-	1,982
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	16,751	-	-	-	-
Total Disbursements	<u>15,000</u>	<u>23,499</u>	<u>15,000</u>	<u>29,847</u>	<u>108,000</u>	<u>105,949</u>	<u>9,000</u>	<u>4,474</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	10,394	15,000	1,962	(108,000)	5,106	(8,000)	(4,097)
CASH, JANUARY 1	-	1,357	-	11,751	-	3,036	-	8,142
CASH, DECEMBER 31	<u>\$ -</u>	<u>11,751</u>	<u>15,000</u>	<u>13,713</u>	<u>(108,000)</u>	<u>8,142</u>	<u>(8,000)</u>	<u>4,045</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
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	LAFAYETTE HOUSE FUND				COLLECTOR'S TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	1,790	-	-	-	21,690	20,740	26,476
Charges for services	-	-	-	2,167	-	-	-	-
Interest	-	-	-	-	600	-	-	-
Other	3,000	-	-	-	19,000	-	2,058	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>3,000</u>	<u>1,790</u>	<u>-</u>	<u>2,167</u>	<u>19,600</u>	<u>21,690</u>	<u>22,798</u>	<u>26,476</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	6,000	273
Services and Other	3,000	-	-	4,725	16,205	900	900	11,965
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>4,725</u>	<u>16,205</u>	<u>900</u>	<u>6,900</u>	<u>12,238</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	1,790	-	(2,558)	3,395	20,790	15,898	14,238
CASH, JANUARY 1	-	768	-	2,558	-	23,007	-	43,797
CASH, DECEMBER 31	<u>\$ -</u>	<u>2,558</u>	<u>-</u>	<u>-</u>	<u>3,395</u>	<u>43,797</u>	<u>15,898</u>	<u>58,035</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
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	CONCEALED WEAPONS FUND			
	Year Ended December 31,			
	2006		2007	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	-	-	-
Sales taxes	-	-	-	-
Intergovernmental	-	3,038	-	6,260
Charges for services	700	-	9,885	-
Interest	-	-	-	-
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	<u>700</u>	<u>3,038</u>	<u>9,885</u>	<u>6,260</u>
DISBURSEMENTS				
Salaries	-	-	-	-
Employee fringe benefits	-	-	-	-
Materials and Supplies	1,300	1,615	2,000	1,795
Services and Other	-	-	1,000	470
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>1,300</u>	<u>1,615</u>	<u>3,000</u>	<u>2,265</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(600)	1,423	6,885	3,995
CASH, JANUARY 1	-	3,476	-	4,899
CASH, DECEMBER 31	<u>\$ (600)</u>	<u>4,899</u>	<u>6,885</u>	<u>8,894</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
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	ELECTION SERVICE INTEREST BEARING FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2006		2007		2006		2007	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	6,993	-	-	-	-
Charges for services	-	-	-	-	30,000	45,567	35,000	37,381
Interest	-	101,758	-	-	400	1,260	500	1,844
Other	-	-	-	-	-	90	-	-
Transfers in	-	-	-	377	-	-	-	-
Total Receipts	-	101,758	-	7,370	30,400	46,917	35,500	39,225
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	2,492	-	-	-	-
Services and Other	-	14,237	10,000	5,194	27,300	27,078	46,900	46,786
Capital Outlay	-	91,712	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	105,949	10,000	7,686	27,300	27,078	46,900	46,786
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	(4,191)	(10,000)	(316)	3,100	19,839	(11,400)	(7,561)
CASH, JANUARY 1	-	14,597	-	10,406	-	10,741	-	30,580
CASH, DECEMBER 31	\$ -	10,406	(10,000)	10,090	3,100	30,580	(11,400)	23,019

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
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS

	HOMELAND SECURITY FUND			
	Year Ended December 31,			
	2006		2007	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property Taxes	\$ -	-	-	-
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	2,879	2,636	-	-
Transfers in	-	243	-	-
Total Receipts	<u>2,879</u>	<u>2,879</u>	<u>-</u>	<u>-</u>
DISBURSEMENTS				
Salaries	-	-	-	-
Employee fringe benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	-	-	-	-
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	2,879	2,879	-	-
CASH, JANUARY 1	-	(2,879)	-	-
CASH, DECEMBER 31	<u>\$ 2,879</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

MCDONALD COUNTY, MISSOURI
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
DECEMBER 31, 2006 and 2007

AGENCY FUND	December 31, 2007		December 31, 2006	
	Cash and Cash Equivalents	Due to Others	Cash and Cash Equivalents	Due to Others
County Employees' Retirement Fund	\$ 5	5	8,920	8,920
Criminal Costs	6	6	-	-
Schools	3,830	3,830	4,359	4,359
All Sales Tax	-	-	-	-
Fines	63,539	63,539	24,491	24,491
Overplus Tax Sales	36,338	36,338	13,811	13,811
Unclaimed Fees	8,936	8,936	4,396	4,396
Checking	1,205	1,205	-	-
Collector	12,835,112	12,835,112	6,278,412	6,278,412
Total	\$ 12,948,971	12,948,971	6,334,389	6,334,389

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

MCDONALD COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

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

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

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 only the primary government of McDonald County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

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 following fund types are used by the County:

Governmental Fund Type – Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

Fiduciary Fund Type – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

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 adopts 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. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

8. Budgets are prepared and adopted on the cash basis of accounting.
9. Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the following funds:
 - a. Election Services Interest Bearing
 - b. Lafayette House
10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgetary authority. Actual expenditures exceeded budgeted amounts for the following funds.
 - a. Assessment
 - b. Law Enforcement Sales Tax
 - c. Law Enforcement Training
 - d. Senate Bill 665
 - e. Extradition and Transportation
 - f. Lafayette House
 - g. Collector's Tax Maintenance
 - h. Concealed Weapon
 - i. Election Service Interest Bearing
11. 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 valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	<u>2007</u>	<u>2006</u>
Real Estate	\$ 129,490,360	121,490,360
Personal Property	239,411,421	74,983,214
Railroad and Utilities	17,207,166	16,325,508

During 2007 and 2006 the County did not have a tax levy used specifically for the purpose of County taxation.

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents 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.

F. Interfund Transactions

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the financial statements.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund activity has been eliminated for governmental activities in the government-wide financial statements.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Cash" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$13,729,034 and \$7,531,061 the bank balance was \$12,396,886 and \$5,791,681, respectively. Of the bank balance \$230,871 and \$215,469 for December 31, 2007 and December 31, 2006 respectively were covered by federal depository insurance and \$12,166,015 and \$5,576,212, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT FUND - CERF

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

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer of employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement

System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

B. 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 at age sixty (for sheriff's department personnel); all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

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

C. Funding Policy

Pursuant to State Statutes, CERF is partially funded from a portion of delinquent property tax penalties and other penalties and fees. Further, a contribution to CERF of 4% to 6% of gross compensation, depending on LAGERS participation, is required for all participants hired on or after February 2002. A contribution of 0% to 4% of compensation, depending on LAGERS participation, is required of employees hired before February 2002. A lesser contribution requirement applies to employees who participate in LAGERS. The source of funding of these contributions is determined by each county. During 2007 and 2006, the County collected and remitted to CERF employee contributions of approximately for \$199,208 and \$97,187, respectively, for the years then ended, equal to the required contributions.

4. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County is indebted to contribute \$2,244 and \$2,244, respectively, for the years ended December 31, 2007 and 2006.

5. POST EMPLOYMENT BENEFITS

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

6. CLAIMS COMMITMENT AND CONTENGENCIES

A. Compensated Absences

The County provides full time employees with up to 60 days of sick time -- to accrue at $\frac{3}{4}$ of a day per complete calendar month of employment for the first 5 years of service up to 30 days, 1 day per month for 5 to 10 years service up to 30 days, 1.25 per month up to 60 days for employees with over 10 years service. Upon termination, the employee is not compensated for accrued sick time. Vacation time is accrued for every full time employee, and accrues at the same rate schedule as sick time, Vacation time is capped at 10 days for employees with 1-5 years of continuous service and 15 days for employees with more than 10 years of service. Any unused accrued vacation time is paid to the employee upon termination.

B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies. The County's expenditure of federal awards did not exceed \$500,000 in either 2006 or 2007 and accordingly, the County is not required to obtain a single audit in accordance with Office of Management and Budget Circular A-133.

7. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and 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.

8. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2006, to include certain fiduciary agency funds in the basic financial statements and to exclude certain funds pertaining to the Circuit Court. The effect of this change is to report a statement of assets and liabilities arising from cash transactions for all agency funds, including agency funds not previously reported. These agency funds consist of assets held by County officeholders as an agent of individuals, private organizations and other governmental units. Because agency funds do not report results of operations, the aforementioned change in reporting entity does not affect changes in cash balances of governmental funds as previously reported.

McBRIDE, LOCK & ASSOCIATES

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

To the County Commission and Officeholders of McDonald County, Missouri

We have audited the accompanying financial statements of McDonald County, Missouri as of and for the years ended December 31, 2007 and 2006, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 25, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered McDonald County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the McDonald County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the McDonald County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the McDonald County, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the McDonald County, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the McDonald County, Missouri's internal control. We consider the deficiencies described in the schedule of findings and recommendations as items 1 through 8 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the McDonald County, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described as item 1 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDonald County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* that is identified as item 9.

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

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

(Original signed by Auditor)

McBride, Lock & Associates

July 25, 2008

MCDONALD COUNTY, MISSOURI
Findings and Recommendations

MATERIAL WEAKNESSES IN INTERNAL CONTROL

1. Verification of Treasurer's Settlement

Condition: One of the duties mandated of the County Clerk is to balance with the Treasurer on a monthly basis. We noted that the balancing process in place does not include the Clerk viewing the Treasurer's bank statement. Instead, the Clerk uses receipt and check copies, both of which are provided by the Treasurer, to balance to the Treasurer's records. The Clerk has no way of determining whether all receipts and checks were provided because the Clerk does not actually see the bank statement. Therefore, if the Treasurer failed to write a receipt or wrote a receipt in the wrong amount from another receipt book not given to the Clerk, or if the Treasurer wrote an improper check with a later check number sequence, the Clerk's review would not detect the irregularity.

Recommendation: We recommend the County Clerk agree the receipt copies and check copies directly to the Treasurer's bank statement, and maintain a balance which can be agreed to the Treasurer's reconciled bank statement. These procedures will require minimal additional time and will provide an effective balancing between the Treasurer and Clerk.

County's Response: Recommendations will be implemented.

SIGNIFICANT INTERNAL CONTROL DEFICIENCIES

2. Lack of Controls Over Signature Stamps for Check Authorization

Condition: We were advised the County has a signature stamp for each elected official who is required to sign a check approved by the Commission for a disbursement (Presiding Commissioner, Treasurer, County Clerk). At times a single individual can have access to all three stamps. In addition it was noted that several checks cleared the bank with only two signatures and one check cleared with no signatures. Furthermore, the Treasurer maintains another series of checks on the same account for which she is the only authorized signer and she also has access to the blank check stock.

Recommendation: We recommend the signature stamps not be in the possession of one person at any time. We suggest the county implement a procedure which ensures that checks have been signed by all three elected officials before distribution. We also suggest a person other than the Treasurer secure the blank check stock requiring only the Treasurer's signature. Further, it is our understanding from banking officials that the signatures authorized on a signature card are applicable to all checks on the related bank account. Therefore, the County should consider establishing a separate bank account for the Treasurer's use in distributing funds to taxing districts.

County's Response: Checks are kept in the vault in the County Clerks office. A lockbox will be purchased and used for the signature stamps.

3. Investments Records

Condition: The Treasure unable to identify and verify which Certificates of Deposit were owned, renewed or cashed in during the audit period of calendar years 2006 and 2007.

Recommendation: We recommend the Treasurer maintain a ledger of all investments and income thereon. The ledger should be supported with the underlying documentation pertaining to the security.

County's Response: The Treasurer is of the understanding that the records were available but not in the form recommended and will follow the recommendations made.

4. Transfers Between Funds

Condition: Our review of transfers between funds revealed that the amounts do not always balance. A transfer may occur because one fund is subsidized by another fund, or because the County wishes to accumulate monies for a future project. It is essential that amounts reported and budgeted as "Transfers Out" be offset by a corresponding amount reported as "Transfers In". Balancing of these transactions allows for monitoring of budgetary authorization and fair presentation of fund activity.

Recommendation: We recommend that transfers be monitored and reconciled monthly to provide assurance that all transfers balance and are properly approved.

County's Response: Recommendations will be followed with monthly monitoring.

5. Documentation in Personnel Files

Condition: Personnel files should contain W-4, payroll authorization, salary figures, job titles, and employment forms. Out of the four employees we tested, all four employees did not have documentation authorizing their current authorized salary. Furthermore, two employees did not have job titles listed in their personnel files. This documentation provides a reference for any questions or concerns that may arise. The County Clerk is responsible for placing current payroll authorization forms in the personnel file.

Recommendation: We recommend that the County Clerk's Office properly place the payroll authorization forms in the personnel file in order to provide assurance for accurate salaries for each employee. We further recommend that all employees have job titles placed in the personnel files. This helps the employee know what is expected of them from their employer and helps the employer evaluate the employee.

County's Response: We are following recommendations.

6. Timesheet Authorization

Condition: Timesheets should be properly authorized by having both the employee sign the timesheet and the supervisor sign the timesheet. This procedure decreases the chance of error on the timesheet, such as too many hours logged or misuse of vacation and sick

pay. Of the four employees tested, there was one employee whose timesheets were not all properly signed by the employee and the supervisor.

Recommendation: The timesheets should be properly authorized by both the employee and the supervisor in order to decrease the likelihood of error or irregularity occurring and remaining undetected, and to document responsibility for the monitoring of labor hours.

County's Response: The office that had this problem has been notified and will follow recommendations.

7. Collector Reconciliations

Condition: The Collector prepares a reconciliation each month that consists of comparing collections to disbursements assuring they balance to zero, however this process does not include verifying these totals with the actual bank statement. In addition the Collector sometimes receives funds from the Prosecuting Attorney's office which represent fees associated with the collection of bad checks. These funds are not included in the reconciliation process. While the dollar amount of these funds is small, they are not recorded and deposited. They are kept unsecure and used as a petty cash fund for the Collector's office.

Recommendation: We recommend the Collector's reconciliation process include comparing collections and disbursements to deposits and cleared checks noted on actual bank statements. We understand that the first \$100 of bad check charges is to be used to fund a second cash drawer in the Collector's Office. We recommend that amounts in excess of \$100 and all fees turned over by the Prosecuting Attorney's office in the future be deposited and recorded, and included in the monthly reconciliation, in a manner similar to that used for recording monies from duplicate tax receipt charges.

County's Response: The Collector will balance to the bank statement in the future. Bad check fees over \$100 will be deposited and recorded as recommended.

8. Prosecuting Attorney's Bad Check Fund Reconciliation

Condition: There is not a reconciliation process for funds held within the Prosecuting Attorney's Bad Check Fund bank account. Thus errors, whether inadvertent, intentional or bank-initiated, could occur and remain undetected.

Recommendation: We recommend the Prosecuting Attorney's Bad Check Fund bank account be reconciled and the reconciliation be performed or reviewed in detail by someone who does not have check signing authority.

County's Response: Recommendation has been implemented.

ITEMS OF NONCOMPLIANCE

9. Budgetary Practices

Condition: Actual disbursements exceeded budgeted amounts for several funds as follows:

Fund	Year Ended December 31,	
	2007	2006
Assessment	\$ 2,551	N/A
Law Enforcement Sales Tax	59,776	20,909
Law Enforcement Training	6,153	137
SB 665	2,404	N/A
Extradition and Transportation	14,846	8,499
Lafayette House	2,167	N/A
Collector's Tax Maintenance	5,388	N/A
Concealed Weapons	N/A	315
Election Service Interest Bearing	N/A	105,949

In addition, two funds (Homeland Security and Election Services Interest) had activity that was not properly reported in the appropriate budget. Furthermore, there were inconsistencies and omissions in actual amounts as stated in the financial statements from one year to the next in several funds, including the 911 Fund, Prosecuting Attorney's Bad Check Fund, Election Services Fund, Election Services Interest Fund and Lafayette Fund.

Strict compliance with county budget law is required by county officials. Such compliance helps ensure that county funds are effectively and appropriately managed. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved. The County Commissioners indicated that budget to actual reports are monitored and reviewed.

Recommendation: We recommend the County Commission amend the budget, while providing appropriate opportunity for public input, when it becomes evident that disbursements will exceed original budgeted amounts.

County's Response: The County Commission will amend the budget as recommended when needed.

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, (County) on the applicable findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.

Condition: The County did not prepare budgets for various county funds. The County's published financial statements did not include the financial activity of several County funds.

Current Status: Certain deficiencies in the budget process existed in 2006 and 2007. See finding No. 9.

Condition: Time sheets or other records of actual time worked and leave records of the Sheriff's Office employees are not filed with the County Clerk. An employee of the Sheriff's department was supervised by her spouse.

Current Status: Certain deficiencies in the payroll process existed in 2006 and 2007. See finding No. 6.

Condition: The County Treasurer does not prepare formal bank reconciliations. The County Treasurer does not properly reconcile her records with the County Clerk and the County Commission does not review the Treasurer's semi-annual settlements. County records are not always maintained at the county courthouse.

Current Status: Deficiencies in the Treasurer and County Clerk's reconciliation process existed in 2006 and 2007. See finding No. 1.