



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Bates County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Bates 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

January 2009
Report No. 2009-14

BATES COUNTY , MISSOURI
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2007 & 2006

BATES COUNTY, MISSOURI

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INTRODUCTORY SECTION

BATES COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Donna Gregory

Associate Commissioner – Randy Pike

Associate Commissioner – Bob Wingate

Other Elected Officials

Assessor – Roger Pruden

Circuit Clerk – Diana Rich

Recorder – Lucille Munday

Coroner – Gary Schowengerdt

County Clerk – Marlene Wainscott

Prosecuting Attorney – Hugh Jenkins

Public Administrator – Sharon Cumpton

Sheriff – Brian Mullenix

Treasurer/ Collector – James Platt

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McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Bates County, Missouri

We have audited the accompanying financial statements of Bates 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 audits 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 discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by 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 Bates 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 above present fairly, in all material respects, the cash balances of the governmental and agency funds of Bates County, Missouri, as of December 31, 2007 and 2006, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we also have issued our report dated July 16, 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 audit.

(Original Signed by Auditor)

McBride, Lock & Associates
July 16, 2008

FINANCIAL SECTION

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

Fund	Cash			Cash			Cash
	January 1, 2006 (restated)	Receipts 2006	Disbursements 2006	December 31, 2006	Receipts 2007	Disbursements 2007	December 31, 2007
General Fund	\$ 138,899	848,606	937,561	49,944	1,002,144	923,989	128,099
Road and Bridge Fund	609,052	1,144,698	1,557,843	195,907	1,183,618	1,279,129	100,396
Assessment Fund	56,414	257,196	251,272	62,338	238,794	275,748	25,384
Law Enforcement Sales Tax Fund	87,844	2,121,666	2,106,560	102,950	2,075,956	2,207,329	(28,423)
Recorder's Users Fee Fund	28,567	12,223	1,230	39,560	11,684	49,313	1,931
Prosecuting Attorney Training Fund	1,016	1,710	3,076	(350)	1,352	340	662
Prosecuting Attorney Bad Check Fund	231	-	-	231	53	-	284
Law Officer Training Fund	6,175	10,006	18,475	(2,294)	8,169	2,356	3,519
Families In Crisis	430	702	737	395	741	722	414
L.E.P.C.	7,997	5,317	2,936	10,378	3,453	6,032	7,799
Sheriff's	11,802	14,588	21,577	4,813	16,826	17,740	3,899
Sheriff's Revolving	3,410	806	-	4,216	4,699	-	8,915
Election Services	22,598	176,467	186,798	12,267	8,188	7,633	12,822
Recorder's Technology	9,572	5,721	-	15,293	5,707	20,000	1,000
Jail Bond	920,294	630,066	419,687	1,130,673	673,265	437,833	1,366,105
Tax Maintenance	32,046	16,140	6,117	42,069	17,887	57,281	2,675
Prosecuting Attorney	3,316	1,055	-	4,371	2,139	-	6,510
Total	\$ 1,939,663	5,246,967	5,513,869	1,672,761	5,254,675	5,285,445	1,641,991

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

BATES COUNTY
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - 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	\$ 443,400	\$ 458,763	\$ 506,600	\$ 493,808
Sales taxes	-	-	-	51,494
Intergovernmental	1,850	40,995	2,050	4,379
Charges for services	271,800	273,520	270,750	291,188
Interest	12,000	12,838	12,000	11,608
Other	41,650	62,490	45,075	19,262
Transfers in	-	-	-	130,405
Total Receipts	<u>\$ 770,700</u>	<u>\$ 848,606</u>	<u>\$ 836,475</u>	<u>\$ 1,002,144</u>
DISBURSEMENTS				
County Commission	\$ 92,605	\$ 92,808	\$ 93,605	\$ 98,419
County Clerk	75,250	70,755	75,650	68,385
Elections	66,250	63,131	25,350	23,097
Buildings and grounds	97,634	282,874	174,734	327,099
Employee fringe benefits	105,000	96,136	102,000	85,748
County Treasurer	64,950	65,349	99,970	92,262
Collector	-	-	-	-
Recorder of Deeds	73,288	68,236	80,580	72,340
Circuit Court	9,200	13,458	18,950	12,365
Associate Circuit Court - Probate	-	-	-	-
Associate Circuit Court	14,550	3,720	-	-
Court administration	19,206	8,051	24,929	4,501
Public Administrator	28,825	28,627	33,350	31,537
Sheriff	-	-	-	-
Jail	-	-	-	-
Prosecuting Attorney	-	-	-	-
Juvenile Officer	-	-	-	-
Coroner	-	-	-	-
Other	98,250	127,416	92,125	106,236
Debt Services	-	-	-	-
Health and welfare	2,000	2,000	2,000	2,000
Transfers out	15,000	15,000	-	-
Emergency fund	24,000	-	24,000	-
Total Disbursements	<u>\$ 786,008</u>	<u>\$ 937,561</u>	<u>\$ 847,243</u>	<u>\$ 923,989</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(15,308)	(88,955)	(10,768)	78,155
CASH, JANUARY 1	<u>138,899</u>	<u>138,899</u>	<u>49,944</u>	<u>49,944</u>
CASH, DECEMBER 31	<u><u>\$ 123,591</u></u>	<u><u>\$ 49,944</u></u>	<u><u>\$ 39,176</u></u>	<u><u>\$ 128,099</u></u>

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

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - 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	\$ 47,000	49,928	50,000	-	-	-	-	-
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,789,050	1,021,996	1,485,800	1,139,286	187,670	233,703	205,060	220,920
Charges for services	-	-	-	-	1,750	2,069	2,100	1,596
Interest	20,000	31,249	31,000	9,609	2,600	4,894	4,900	6,622
Other	41,675	41,525	41,000	34,723	16,545	1,530	1,550	9,656
Transfers in	-	-	-	-	-	15,000	-	-
Total Receipts	<u>1,897,725</u>	<u>1,144,698</u>	<u>1,607,800</u>	<u>1,183,618</u>	<u>208,565</u>	<u>257,196</u>	<u>213,610</u>	<u>238,794</u>
DISBURSEMENTS								
Salaries	253,960	236,811	246,774	250,510	114,750	114,505	124,750	124,149
Employee fringe benefits	79,000	90,781	84,750	75,099	49,530	44,018	47,450	36,596
Materials and Supplies	238,100	106,143	151,100	97,218	14,400	5,374	11,200	12,326
Services and Other	362,100	417,005	122,976	188,515	81,126	87,375	50,200	42,677
Capital Outlay	-	-	-	-	-	-	-	-
Construction	780,000	707,103	900,000	667,787	-	-	-	-
Transfers out	288,000	-	288,000	-	-	-	-	60,000
Total Disbursements	<u>2,001,160</u>	<u>1,557,843</u>	<u>1,793,600</u>	<u>1,279,129</u>	<u>259,806</u>	<u>251,272</u>	<u>233,600</u>	<u>275,748</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(103,435)	(413,145)	(185,800)	(95,511)	(51,241)	5,924	(19,990)	(36,954)
CASH, JANUARY 1	<u>609,052</u>	<u>609,052</u>	<u>195,907</u>	<u>195,907</u>	<u>56,414</u>	<u>56,414</u>	<u>62,338</u>	<u>62,338</u>
CASH, DECEMBER 31	<u>\$ 505,617</u>	<u>195,907</u>	<u>10,107</u>	<u>100,396</u>	<u>5,173</u>	<u>62,338</u>	<u>42,348</u>	<u>25,384</u>

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

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				RECORDER'S USERS FEE FUND			
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2006	2007	2006	2007	2006	2007	2006	2007
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	-	-	-	-	-	-	-
Sales taxes	641,000	666,245	655,000	678,684	-	-	-	-
Intergovernmental	122,300	142,904	135,000	82,060	-	-	-	-
Charges for services	1,155,700	1,300,147	1,300,540	1,289,616	11,600	10,288	9,000	9,826
Interest	150	4,742	4,800	5,293	900	1,935	-	1,858
Other	10,650	7,628	9,800	20,303	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>1,929,800</u>	<u>2,121,666</u>	<u>2,105,140</u>	<u>2,075,956</u>	<u>12,500</u>	<u>12,223</u>	<u>9,000</u>	<u>11,684</u>
DISBURSEMENTS								
Salaries	886,122	947,406	994,648	1,114,845	-	-	-	-
Employee fringe benefits	319,000	376,632	351,000	311,348	-	-	-	-
Materials and Supplies	318,958	251,266	250,137	238,339	500	130	2,000	-
Services and Other	373,964	531,256	537,956	542,797	10,200	1,100	16,000	9,313
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	40,000
Total Disbursements	<u>1,898,044</u>	<u>2,106,560</u>	<u>2,133,741</u>	<u>2,207,329</u>	<u>10,700</u>	<u>1,230</u>	<u>18,000</u>	<u>49,313</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	31,756	15,106	(28,601)	(131,373)	1,800	10,993	(9,000)	(37,629)
CASH, JANUARY 1	<u>87,844</u>	<u>87,844</u>	<u>102,950</u>	<u>102,950</u>	<u>28,567</u>	<u>28,567</u>	<u>39,560</u>	<u>39,560</u>
CASH, DECEMBER 31	<u>\$ 119,600</u>	<u>102,950</u>	<u>74,349</u>	<u>(28,423)</u>	<u>30,367</u>	<u>39,560</u>	<u>30,560</u>	<u>1,931</u>

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

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				LAW OFFICER 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	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,800	3,172	3,100	2,897
Charges for services	1,600	1,710	1,700	1,352	6,200	6,691	6,500	5,272
Interest	-	-	-	-	50	63	50	-
Other	-	-	-	-	150	80	100	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>1,600</u>	<u>1,710</u>	<u>1,700</u>	<u>1,352</u>	<u>9,200</u>	<u>10,006</u>	<u>9,750</u>	<u>8,169</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	4,325	1,994	1,350	-
Services and Other	2,600	3,076	1,200	340	7,500	16,481	6,100	2,356
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>2,600</u>	<u>3,076</u>	<u>1,200</u>	<u>340</u>	<u>11,825</u>	<u>18,475</u>	<u>7,450</u>	<u>2,356</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(1,000)	(1,366)	500	1,012	(2,625)	(8,469)	2,300	5,813
CASH, JANUARY 1	<u>1,016</u>	<u>1,016</u>	<u>(350)</u>	<u>(350)</u>	<u>6,175</u>	<u>6,175</u>	<u>(2,294)</u>	<u>(2,294)</u>
CASH, DECEMBER 31	<u>\$ 16</u>	<u>(350)</u>	<u>150</u>	<u>662</u>	<u>3,550</u>	<u>(2,294)</u>	<u>6</u>	<u>3,519</u>

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

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
BUDGET AND ACTUAL - REGULATORY BASIS

	FAMILIES IN CRISIS FUND				L.E.P.C. 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	780	702	700	696	4,600	4,751	4,600	2,798
Charges for services	-	-	-	45	-	-	-	-
Interest	-	-	-	-	100	566	100	655
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 780</u>	<u>702</u>	<u>700</u>	<u>741</u>	<u>4,700</u>	<u>5,317</u>	<u>4,700</u>	<u>3,453</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	737	-	722	4,800	2,936	4,800	6,032
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	780	-	700	-	-	-	-	-
Total Disbursements	<u>\$ 780</u>	<u>737</u>	<u>700</u>	<u>722</u>	<u>4,800</u>	<u>2,936</u>	<u>4,800</u>	<u>6,032</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	(35)	-	19	(100)	2,381	(100)	(2,579)
CASH, JANUARY 1	430	430	395	395	7,997	7,997	10,378	10,378
CASH, DECEMBER 31	<u>\$ 430</u>	<u>395</u>	<u>395</u>	<u>414</u>	<u>\$ 7,897</u>	<u>10,378</u>	<u>10,278</u>	<u>7,799</u>

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

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S FUND				SHERIFF'S REVOLVING 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	11,000	14,144	14,144	16,358	75	806	806	4,478
Charges for services	-	-	-	-	-	-	-	-
Interest	90	444	443	468	-	-	-	221
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	11,090	14,588	14,587	16,826	75	806	806	4,699
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	21,577	-	7,335	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	20,000	-	19,400	10,405	3,000	-	3,000	-
Total Disbursements	20,000	21,577	19,400	17,740	3,000	-	3,000	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(8,910)	(6,989)	(4,813)	(914)	(2,925)	806	(2,194)	4,699
CASH, JANUARY 1	11,802	11,802	4,813	4,813	3,410	3,410	4,216	4,216
CASH, DECEMBER 31	\$ 2,892	4,813	-	3,899	485	4,216	2,022	8,915

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

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	ELECTION SERVICES FUND				RECORDER'S TECHNOLOGY 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	5,000	172,372	5,000	7,298	5,300	5,016	5,000	4,411
Charges for services	-	-	-	-	-	-	-	435
Interest	500	4,095	500	890	500	705	-	861
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 5,500	176,467	5,500	8,188	5,800	5,721	5,000	5,707
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	186,798	-	7,633	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	19,000	-	5,000	-	5,000	-	5,000	20,000
Total Disbursements	\$ 19,000	186,798	5,000	7,633	5,000	-	5,000	20,000
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(13,500)	(10,331)	500	555	800	5,721	-	(14,293)
CASH, JANUARY 1	22,598	22,598	12,267	12,267	9,572	9,572	15,293	15,293
CASH, DECEMBER 31	\$ 9,098	12,267	12,767	12,822	10,372	15,293	15,293	1,000

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

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	JAIL BOND FUND				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	552,000	568,474	568,000	586,752	14,305	13,994	14,000	15,555
Charges for services	-	-	-	-	-	-	-	-
Interest	-	61,592	-	86,513	830	2,146	-	2,332
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	552,000	630,066	568,000	673,265	15,135	16,140	14,000	17,887
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	6,117	-	57,281
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Debt Service	552,000	419,687	568,000	437,833	-	-	-	-
Transfers out	-	-	-	-	47,046	-	56,000	-
Total Disbursements	552,000	419,687	568,000	437,833	47,046	6,117	56,000	57,281
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	210,379	-	235,432	(31,911)	10,023	(42,000)	(39,394)
CASH, JANUARY 1	-	920,294	-	1,130,673	32,046	32,046	42,069	42,069
CASH, DECEMBER 31	\$ -	1,130,673	-	1,366,105	135	42,069	69	2,675

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

BATES COUNTY
COMPARATIVE SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -
BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY 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	-	1,055	-	1,860	-	-	-	53
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	279	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	-	1,055	-	2,139	-	-	-	53
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	-	-	-	-	-	-	-	-
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	-	1,055	-	2,139	-	-	-	53
CASH, JANUARY 1	-	3,316	4,371	4,371	-	231	-	231
CASH, DECEMBER 31	\$ -	4,371	4,371	6,510	-	231	-	284

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

BATES COUNTY, MISSOURI
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
AS OF 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
Tax Sale Surplus	\$ 27,726	\$ 27,726	\$ 21,690	\$ 21,690
Surtax	10,280	10,280	9,324	9,324
Unclaimed Fees	13	13	1,507	1,507
County Employees Retirement	91	91	32	32
Payments in Lieu of Tax	11,598	11,598	-	-
Township Road and Bridge	98,294	98,294	77,001	77,001
Common School Interest	83,133	83,133	101,895	101,895
Collector	7,003,640	7,003,640	905,689	905,689
Total	\$ <u>7,234,775</u>	\$ <u>7,234,775</u>	\$ <u>1,117,138</u>	\$ <u>1,117,138</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 Bates 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.

The various funds are summarized by type are in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

General Revenue – Used for general governmental operations of the County (Clerk, Assessor, Collector, Treasurer, etc.). Revenues are principally from taxes.

Special Road and Bridge – Funding from property taxes and grants (MODOT). The Road & Bridge crews build new bridges and provide upkeep on previous bridges. Operating costs of fuel, repairs, cost of living increase and payment due on an equipment note are all costs incurred by this fund.

Assessment Fund – Revenues are from assessment fees levied on each property tax bill. Expenditures are to upgrade this office, add GIS systems and other equipment.

Law Enforcement Sales Tax Fund – Revenues are from proceeds of a ½ cent sales tax. Funds are used for all expenses of law enforcement.

Recorders' Fund – The County Treasurer handles this special fund, under the jurisdiction of the County Commission. Revenues are the Recorder's Fees and requests for expenditures are made to the Commission for office needs of the Recorder.

Training Funds – Law Enforcement & Prosecuting Attorney - Revenues are fees from County Officials (Associate Circuit Clerk and Circuit Clerk) and State of Missouri POST. Monies are used for Prosecuting Attorney office training and equipment.

Prosecuting Attorney Bad Check Fund – Funds received into this account are collections from the Prosecuting Attorney's bad check prosecutions that are maintained by the Treasurer.

Families in Crisis - \$5 per marriage license. Distribution to shelter for abused spouses.

L.E.P.C. (Local Emergency Planning Commission) Fund – Funding comes from the State, Missouri Emergency Response Commission, via grant and is used primarily to acquire equipment and provide training for the various Fire Protection Districts, HazMat Training and support for the Region H HazMat Team.

Sheriff Fund – Revenue for this fund is assessed by the Courts and is disbursed according to the Sheriff's request for various needs of the Sheriff's Office.

Sheriff's Revolving Fund - Revenues are from sheriff's fees to be used by the Sheriff as needed.

Recorder Technology – Recorder collections from users. Funds are used for technology improvements.

Election Services – Revenues are from a 5% charge to taxing districts for each election and from a Federal grant. Funds used for training and election expenses including ensuring handicap accessibility.

Jail Bond – Funds are collected from a capital improvement sales tax. The collections are used to retire the debt of the law enforcement and detention center.

Tax Maintenance Fund – This fund was created as a Special Fund for County Collector and the revenue is collected from an additional assessment on each tax bill when collected. Funds can be used at the Collector's direction.

Prosecuting Attorney – This fund receives funds for the State of Missouri as an incentive to prosecute delinquent sales tax issues.

Fiduciary Fund Types

Agency — Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. 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 agency operations.

Cash and cash equivalents are included in following fiduciary funds:

- Tax Sales Surplus
- Surtax

- Unclaimed Fees
- County Employees Retirement Fund
- Payments In Lieu of Taxes
- Township Road and Bridge
- Common School Interest
- Collector

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 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 unencumbered fund balance at the beginning of the year as well as estimated revenues to be received.

The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. State law requires that at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. The Law Enforcement Sales Tax Fund budgeted expenditures exceeded budgeted revenues plus beginning fund balance, based upon actual beginning fund balance. This is not an instance of noncompliance as the budgeted revenues plus anticipated beginning fund balance exceeded budgeted expenditures in the budget adopted prior to year end.

- 4) A public hearing is conducted to obtain public comment. 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.

- 5) Prior to February 1 the budget is legally enacted by a vote of the County Commission.
- 6) Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.
- 7) 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 fund:

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Bad Check Fund	2006 and 2007
Prosecuting Attorney Fund	2006 and 2007

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

<u>Fund</u>	<u>Years Ended December 31,</u>
General Fund	2006 and 2007
Assessment Fund	2007
LEST Fund	2006 and 2007
Recorder's Users Fee Fund	2007
Prosecuting Attorney Training	2006
Law Enforcement Training	2006
LEPC	2007
Families in Crisis	2007
Election Services	2006 and 2007
Recorder Technology	2007
Sheriff's Fund	2006
Tax Maintenance	2007

E. Property Taxes

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

	2007	2006
Real Estate	\$117,581,299	\$110,696,140
Personal Property	48,772,610	46,495,336
Railroad and Utilities	325,569	394,950

During 2007 and 2006 the County Commission approved a \$0.2625 and \$0.2627 respectively tax levy per \$100 of assessed valuation of tangible taxable property for the General Fund.

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents 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, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Transactions

At December 31, 2007 the Assessment Fund had provided funds to the General Revenue Fund in the amount of \$40,000. Additionally the Recorders Technology Fund had provided funds to the General Revenue Fund in the amount of \$20,000. These amounts were repaid to the respective funds from General Revenue in March 2008.

2. CASH AND INVESTMENTS

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit.

To protect the safety of county deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Bates County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$7,510,661 and \$1,659,226, and the bank balance was \$7,050,127 and \$1,765,315, respectively. Of the bank balance, \$100,000 at December 31, 2007 and December 31, 2006, was covered by federal depository insurance and \$6,950,127 and \$1,665,315, respectively, was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent, in the County's name.

The County's deposits at December 31, 2007 and 2006, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by a correspondent bank in the name of the depository bank's customers.

Investments

Section 110.270, RSMo, based on Article IV, Section 1, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2007 and 2006 the county had no such investments. In addition, Section 30.950, RSMo requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has not adopted such a policy.

3. CERTIFICATES OF PARTICIPATION

The County entered into a lease purchase agreement with First Bank of Missouri on March 1, 2002. The terms of the agreement call for the County to lease the law enforcement and detention center to First Bank of Missouri, and for the bank to lease purchase the law enforcement and detention center back to the County with lease payments equal to the amount due to retire the indebtedness. Certificates of Participation totaling \$5,590,000 were issued by First Bank of Missouri on behalf of the County and the proceeds of those certificates were used to construct the law enforcement and detention center. The lease is scheduled to be paid off in 2017. The remaining principal and interest due on the lease at December 31, 2007 was \$4,735,000 and \$1,326,168 respectfully. The Certificates of Participation are to be paid with the revenue generated from the capital improvement sales tax which was passed on November 6, 2001. Interest expense paid on the certificate is presented as Debt Service on the Jail Bond Fund financial statements, and amounted to \$219,688 and \$212,833 in fiscal year 2006 and 2007, respectively.

The County also maintains proceeds from sales tax revenues reserves and Certificates of Participation that are held in a financial institution pursuant to a trust agreement. The balance of approximately \$1,366,105 at December 31, 2007 was held entirely in Federal Treasury Obligation funds with the trustee established for the activity.

4. 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 (1,000) one thousand 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 fifty-five with reduced benefit is allowed for the police department, 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

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of approximately for \$150,000 and \$10,152, respectively, for the years then ended.

5. 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.

6. 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.

CLAIMS COMMITMENTS AND CONTINGENCIES

Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. 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. 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 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 created pursuant to state statute (Chapter 537.70 RSMo. 1986). 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 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.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT 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 Bates County, Missouri

We have audited the financial statements of Bates County, Missouri (the "County") as of and for the years ended December 31, 2007 and 2006 which collectively comprise the Bates County, Missouri's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 16, 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 audit, we considered the County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 County'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 County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

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 County's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County'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 the following instances of noncompliance or other matters that are identified as Items 1 through 4 in the Findings and Recommendations section that are required to be reported under Government Auditing Standards.

- Bid Processes
- County Clerk Tax Book
- Budgetary Controls
- Investment Policy

These instances of noncompliance are described in the Findings and Recommendations section of this report.

We also noted certain matters that we reported to the County Commission. These matters are listed in a Findings and Recommendations section of that report as items 5 through 8.

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

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, 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 and Associates

July 16, 2008

FINDINGS AND RECOMMENDATIONS

BATES COUNTY, MISSOURI
FINDINGS AND RECOMMENDATIONS

ITEMS OF NONCOMPLIANCE

1. **Bid Processes**

Condition: The County Commission has obtained bids for only a limited number of purchases during the audit period. Additionally purchases made through LEST are not controlled or considered for bidding by the Commission. Our audit procedures included testing purchases for the following items which did not have adequate documentation of bid processes:

- Fuel
- Studs, bolts
- Concrete
- Vehicles
- Prison supplies – food
- Rock
- Insurance

The Commission stated that because of limited suppliers or fluctuating prices, bids would seem to be inappropriate or unproductive for a number of these items. Additionally, the Commission indicated that any bids involving the LEST fund are maintained by the Sheriff. The auditors attempted to make contact with the Sheriff to obtain this information, however, no response was obtained. Evidence from other sources such as the Commission minutes was not located to support the assertion that bids were obtained on items affecting the LEST fund.

RSMo 50.660 requires the advertisement of bids on all purchases of \$4,500 (revised to \$6,000 in 2007) or more from any one person, firm, or corporation during any period of 90 days. The routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest price and that all interested parties are given an equal opportunity to participate in county business.

Additionally, the lack of centralized control of bid processes by the County Commission for LEST purchases limits the budgetary control over that fund. It is also significant to note that the LEST fund exceeded budgeted expenses during the audit period. Centralized controls over purchases of that fund may assist in alleviating this concern.

Recommendation: - We recommend that the advertisement of bids on all purchases of \$6,000 or more be implemented as required by State Statute. In the event that it is not practical to obtain bids, the justification for this conclusion should be documented. We further suggest centralization of bid processes on all funds for which the Commission has budgetary control.

County Response: “Purchases made by Law Enforcement during the audit period were in most cases not presented to the Commission. The bills for purchases were received long after the service was awarded. In the event it is not practical to obtain bids, Commission will document justification. Will continue to request all bid processes be presented to the Commission by Elected Officials. Commission will attempt to maintain centralized control of bid processes. This can only happen with the cooperation of Elected Officials and their willingness to provide bid documents to Commission.

In the instance cited by the auditor relating to studs, bolts, only one supplier was available to deliver in a timely manner as was documented by County Bridge Dept. The bridge had a time schedule for completion.”

2. County Clerk Tax Book

Condition - The County Clerk did not maintain a tax book for the 2007 tax year. The County has a township organization. A misunderstanding involving the statutory change in the responsibility of Township Collectors beginning in the 2007 tax year resulted in the County Clerk discontinuing the maintenance of tax book records. These included the back tax books, abatements, additions, and other support necessary to support and approve the Collector's Annual Settlement. The County Clerk indicated that such records are being maintained for the 2008 tax year.

Recommendation - We suggest that a full and complete understanding be obtained through a review of statutory requirements or other resources before discontinuation of key records in the future.

County Response: "As of March, 2008 the Clerk's office is balancing each month with Collector's Office."

3. Budgetary Controls

Condition: The County Commission did not exercise adequate budgetary control over a number of funds during the audit period. Three significant areas of concern were noted. They are:

a. Disbursements approved in excess of approved budgets

During the audit period, there were 12 different funds for which expenditures were approved for payment which exceed the approved budget. These funds were:

- General Fund – 2006 and 2007
- LEST – 2006 and 2007
- Recorder's User Fee Fund – 2007
- Assessment Fund – 2007
- Law Enforcement Training Fund – 2006
- LEPC – 2007
- Families in Crisis – 2007
- Recorder Technology Fund – 2007
- Sheriff's Fund – 2006
- Election Services – 2006 and 2007
- Prosecuting Attorney Training – 2006
- Tax Maintenance Fund – 2007

RSMo 50.740 prohibits expenditures in excess of the approved budgets.

b. No budget established

The County Commission did not approve a budget for the Prosecuting Attorney's Bad Check Fund or Prosecuting Attorney Fund for 2006 or 2007. The Commission stated that the Prosecuting Attorney failed to return the budget form in either year.

c. Deficit cash positions

Several funds during the audit period reported expended cash in excess of the cash balance in the fund. The funds and amounts for which this occurred are as follows:

<u>Fund</u>	<u>Year</u>	<u>Negative Balance</u>
LEST	2007	\$28,423
PA Training	2006	350
Law Officer Training	2006	2,294

Use of funds in excess of available balances creates an implicit borrowing on other funds which can also result in statutory violations pertaining to the use of those funds.

Budgetary controls are significant to the proper management and custodianship of county funds. Compliance with statutory requirements related to budgets will improve controls over county funds and help maintain the integrity of the budget process.

Recommendation: We suggest that the County Commission establish controls to ensure that disbursements are not approved in excess of the approved budget. Additionally, all county funds for which the Commission has control should have an approved budget. Finally, the County Commission should not authorize any expenditure which results in, or increases the negative cash balance of a fund.

County Response:

“General Fund – 2007 – all expenses paid out of Clock Tower Building Improvements were paid out (and published in newspapers) based on ‘anticipated revenue’ from the April 2007 one-half cent sales tax passage which did not go into effect until October 2007.

Recorder’s User Fee Fund

Assessment Fund

Recorder Tech. Fund

November 2007 Treasurer informed Commission he was not authorized to sign warrants, as General Revenue had a negative cash balance. Recorder and Assessor offered short-term transfers from their funds to General Revenue, based on timely 2008 re-transfers. These re-transfers took place in February and March of 2008.

LEST – 2007 – Budget report 6-30-07 Commission noticed LEST Sheriff Office and Jail had expended approximately 70% of each office budget and LEST had a negative cash balance of \$44,000.00. Sheriff was asked in early July 2007 to watch spending. Spending continued over the course of several months. The Sheriff was made aware to reduce spending or risk going over his budget on at least two more occasions. Commission tried to uphold state statute related to ‘disbursements in excess of approved budgets’. In November and December, 2007, the only bills paid were bills to keep the jail operational. Sheriff/Jail bills continued to come in, but they were not paid out in 2007.

Families in Crisis, Jail Bond Fund – These are flow-thru funds and it is impossible to anticipate exact revenues.

Tax Maintenance Fund – This one time event was caused by mandated change over by state law and did not exceed revenue.

Election Services Fund 2006 – Clerk received federal HAVA money to replace voting equipment. This was a federal mandate. 2007 – Clerk was required to spend interest money in the amount of \$5,788.25 earned on federal monies. She did not budget for this.

Commission will try to improve controls to maintain budget integrity.”

4. Investment Policy

The County has not adopted an investment policy. Investment policies are established to ensure that investments made by the county appropriately commit the county to investments for safety, liquidity, and yield. RSMo 30.950 requires each political subdivision with authority to invest in instruments other than depository accounts to have an investment policy.

Recommendation: We suggest that the County Commission adopt an investment policy in accordance with RSMo 30.950.

County Response: “County is in compliance with Chapter 30.950.4 of RSMo in that we use no other instruments other than depository accounts. County is not required to have a written investment policy under these circumstances.”

Other Matters

In planning and performing our audit of financial statements of Bates County, Missouri (the County) as of and for the years ended December 31, 2007 and 2006, in accordance with generally accepted government auditing standards, we considered the County’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the County’s internal control in our report dated July 16, 2008. These comments do not affect our report dated July 16, 2008.

5. Sheriff- Bank Reconciliation

Condition: The Sheriff maintains an Inmate Account which is used for the processing of funds associated with incarcerated individuals. The bank account used by the Sheriff for these monies was not reconciled. Additionally, there is no supervisory review of the activity in this account or the bank reconciliation of the account by the Sheriff or other senior member of that office.

Recommendation: We suggest that the bank account be reconciled monthly and that the reconciliation of all activity of the account be reviewed by the Sheriff. Such review should be documented to ensure that the review is completed and performed on a timely basis.

County Response: “Sheriff response: ‘The Inmate Account is being reconciled on a monthly basis by the Sheriff’s Secretary. The reconciliation of said account is also reviewed and approved by myself’. Doug Mullenix, Sheriff.”

6. Road and Bridge Supervisor

Condition: The Road and Bridge supervisor approves his own timesheet. The timesheet is used to allocate time to various road and bridge projects including those with Federal funds. The approval of one’s own timesheet weakens control over the timekeeping and payroll processing functions.

Recommendation: We suggest that the County Commission approve the timesheet of the Road and

Bridge supervisor.

County Response: “Commission is approving road and bridge supervisor timesheet.”

7. Materials Sold from Road and Bridge Inventory

Condition: The Road and Bridge Department maintains an inventory of items used in the construction and maintenance of roads and bridges in the county. It was noted that, on a regular basis, the County sells this inventory to cities, townships, and private individuals who seek these items. The total of materials sold during 2006 was \$39,235 and in 2007 the total was \$33,880. The County Commission indicated that these sales have been regularly occurring for several years. We were advised that the sales provide the County some assurance that construction products use materials that have the capacity to meet the project needs.

The sales of this inventory raises several potential concerns including State sales tax laws, adequacy of controls over the inventory, failure to record sales and deposit money from sales, favoritism in pricing to private individuals, and potential competition with private sellers of similar materials.

Recommendation: We suggest that such practice be discontinued or limited to those sales allowable by State Statute. Further, the practices of procuring, storing and selling inventory should include controls as necessary to ensure that purchases are bid and recorded into inventory, that inventory is secure and controlled, and that sales are recorded and the proceeds deposited into the County Treasury.

County Response: “The bulk of these sales were township and cities, which saves the County money, since we can buy larger quantities, in effect, sharing costs. We will continue to share costs with other governmental entities. We will discontinue the sale of surplus items to individuals other than through published auction or published bid. The County has implemented inventory controls at Bridge Dept.”

8. Prosecuting Attorney Payment of Bonuses to Employees

Condition: The Prosecuting Attorney is paying bonuses to his employees using a fund which is not included in the County budget. These bonuses are not reported as wages in the County’s reports to taxing agencies. Additionally these payments lack budgetary control.

Recommendation: We recommend the Prosecuting Attorney discontinue payments of additional wages which circumvent budgetary control. We also recommend the County report bonuses paid to taxing authorities and remit the related tax owed to the Federal and State governments.

County Response: “P.A. response: In the future any payments will be made through Payroll Partners, our payroll service. Per Hugh Jenkins, Pros. Attorney.”

BATES 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 Bates County, Missouri. There were no findings in the prior audit report issued for the two years ended December 31, 2005 and 2004.