



**BATES COUNTY, MISSOURI
YEARS ENDED DECEMBER 31, 2003 AND 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2004-99
December 30, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2004

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Bates County, that do not have a county auditor. In addition to a financial and compliance audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Bates County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The Sheriff's Department has not segregated accounting duties or provided for independent oversight of accounting functions, does not deposit fee account receipts intact on a timely basis, does not issue receipts slips for all monies received, and the numerical sequence of receipt slips is not reconciled to deposits. Official receipts are sometimes used for purchases, monthly fee reports are not being prepared, and bank reconciliations for the inmate account are not performed and reconciled to an open items listing. In addition, purchases of vehicles were made without bids, a patrol car was sold without advertisement to the Sheriff for \$3,100, and vehicle logs are not maintained for Sheriff's vehicles.
- The Prosecuting Attorney continues to collect a \$50 deferred prosecution fee on criminal cases which are not prosecuted, although no legal authority to collect this fee was provided. Receipts slips are not always issued for these fees and the monies collected are not deposited to the county treasury, but are used to purchase soda, snacks, and office supplies. The Prosecuting Attorney has custody of the Prosecuting Attorney Bad Check Fund and some expenditures from this fund, such as employee bonuses and employee meals within the city of Butler, appear questionable. Procedures for handling restitution monies were questioned and the Prosecuting Attorney maintains custody of the Prosecuting Attorney's Federal Forfeiture account, contrary to an Attorney General's Opinion.
- The Walnut Township Collector failed to make property tax distributions totaling over \$25,000 during the fiscal year ended February 28, 2003. These distributions were eventually made several months later after county officials were notified. Our audit further identified an additional \$2,463 which was not distributed during the fiscal year ended February 29, 2002. These monies were not paid out until April 2004, after we contacted the Walnut Township Collector. Charges of theft have been filed against the Walnut Township Collector by the Prosecuting Attorney.

(over)

YELLOW SHEET

- No evidence of advance planning, including forecasts of projected revenues and expenditures or occupancy rates for the new detention center, were provided for the detention center. The delay in housing federal prisoners has been a factor in the poor financial condition of the Law Enforcement Sales Tax Fund. Revenue and expenditure data provided to the County Commission in June 2004 contained errors and had to be revised in November 2004. Neither version of this financial data was reconciled or compared to the county's financial records. Communication problems between the County Commission and the jail staff exist as to what expenditures are attributable to the jail versus the other departments funded through the Law Enforcement Sales Tax Fund.
- Disbursements were approved in excess of budgeted amounts for various funds and several funds overspent their approved budgets. The General Fund owes \$76,000 to the Special Road and Bridge Fund, due to excessive administrative transfers during 2001-2003.
- Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide a mid-term salary increase for associate county commissioners elected in 1996, due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Bates County Associate County Commissioners' salaries were each increased approximately \$8,400 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$16,800 for the two years ended December 31, 2000, should be repaid.

County officials received raises in July 2003, due to a change in assessed valuation of the county. However, Section 50.333.8, RSMo, states elected officials' salaries shall be adjusted each year based on the official's year of incumbency. An opinion from the Prosecuting Attorney indicated the raises appeared to be allowable, but did not indicate the effective date. In addition, it appears current year's, rather than the preceding year's assessed valuation, was used when determining the maximum allowable salaries.

The audit also suggested improvements to procedures over capital assets and various expenditures. In addition, the audit included recommendations to the County Clerk, Health Center, Associate Division, Assessor, and Senate Bill 40 Board.

All reports are available on our website: www.auditor.mo.gov

BATES COUNTY, MISSOURI

TABLE OF CONTENTS

		<u>Page</u>
<u>FINANCIAL SECTION</u>		
State Auditor's Reports:		2-6
Financial Statements		3-4
Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		5-6
Financial Statements:		7-16
<u>Exhibit</u>	<u>Description</u>	
	Statement of Receipts, Disbursements, and Changes in Cash - Various Funds	
A-1	Year Ended December 31, 2003	8
A-2	Year Ended December 31, 2002	9
B	Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds, Years Ended December 31, 2003 and 2002	10-16
Notes to the Financial Statements		17-20
Schedule:		21-22
Schedule of Findings, Years Ended December 31, 2003 and 2002		22
Follow-Up on Prior Audit Findings for an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		23-24
<u>MANAGEMENT ADVISORY REPORT SECTION</u>		
Management Advisory Report - State Auditor's Findings		26-52
<u>Number</u>	<u>Description</u>	
1.	Sheriff's Accounting Controls and Procedures	28
2.	Prosecuting Attorney's Controls and Procedures	33
3.	Walnut Township Collector	36
4.	Policies and Procedures	38
5.	Officials' Salaries	42

BATES COUNTY, MISSOURI

TABLE OF CONTENTS

Page

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report - State Auditor's Findings

<u>Number</u>	<u>Description</u>	
6.	County Clerk.....	44
7.	Health Center	45
8.	Associate Circuit Division Controls and Procedures.....	48
9.	Assessor's Controls and Procedures	50
10.	Senate Bill 40 Board	50
11.	Capital Assets.....	52

Follow-Up on Prior Audit Findings.....	53-58
--	-------

STATISTICAL SECTION

History, Organization, and Statistical Information	59-63
--	-------

FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

To the County Commission
and
Officeholders of Bates County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Bates County, Missouri, as of and for the years ended December 31, 2003 and 2002. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 Bates 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, 2003 and 2002, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 25, 2004, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Bates County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

June 25, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Lori Bryant
Audit Staff:	Gek Mui Melinda Tan



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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 various funds of Bates County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Bates County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Bates County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all

matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Bates County, Missouri, and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

June 25, 2004 (fieldwork completion date)

Financial Statements

Exhibit A-1

BATES COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2003

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 522,848	851,257	620,728	753,377
Special Road and Bridge	603,332	1,072,597	973,587	702,342
Assessment	8,208	186,955	176,431	18,732
Law Enforcement Sales Tax	115,982	784,708	1,033,954	(133,264)
Recorder's User Fees	12,446	11,797	2,785	21,458
Prosecuting Attorney Training	5,102	1,646	3,152	3,596
Law Enforcement Training	11,679	6,815	16,033	2,461
Families in Crisis	630	1,031	1,661	0
Drug Abuse Resistance and Education	1,544	4,861	5,000	1,405
Local Emergency Planning Commission	9,214	7,827	8,223	8,818
Sheriff's Civil Fees	6,590	11,437	17,200	827
Election Services	5,193	994	562	5,625
Recorder Technology	7,264	5,634	0	12,898
Jail Bond	0	526,948	526,948	0
Tax Maintenance	1,598	14,285	859	15,024
Health Center	489,777	353,422	366,864	476,335
Senate Bill 40	132,206	110,124	220,914	21,416
Law Library	669	8,692	7,736	1,625
Prosecuting Attorney Delinquent Sales Tax	7	1,088	0	1,095
Sheriff's Federal Forfeiture	1,277	0	0	1,277
Prosecuting Attorney Bad Check	10,869	13,877	11,825	12,921
Prosecuting Attorney's Federal Forfeiture	3,334	5	0	3,339
Associate Circuit Division Interest	17,617	153	4,347	13,423
Circuit Clerk Interest	2,408	63	1,718	753
Children's Emergency Fund	4,694	562	483	4,773
Total	\$ 1,974,488	3,976,778	4,001,010	1,950,256

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

Exhibit A-2

BATES COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 397,757	832,795	707,704	522,848
Special Road and Bridge	451,907	1,150,372	998,947	603,332
Assessment	12,070	150,438	154,300	8,208
Law Enforcement Sales Tax	137,503	710,572	732,093	115,982
Recorder's User Fees	4,596	12,707	4,857	12,446
Prosecuting Attorney Training	5,064	1,818	1,780	5,102
Law Enforcement Training	18,347	11,520	18,188	11,679
Families in Crisis	654	1,347	1,371	630
Drug Abuse Resistance and Education	1,015	2,529	2,000	1,544
Local Emergency Planning Commission	6,953	6,563	4,302	9,214
Sheriff's Civil Fees	3,088	17,502	14,000	6,590
Election Services	5,472	3,641	3,920	5,193
Recorder Technology	2,243	5,021	0	7,264
Jail Bond	0	313,841	313,841	0
Tax Maintenance	0	1,611	13	1,598
Health Center	469,372	324,217	303,812	489,777
Senate Bill 40	148,942	110,918	127,654	132,206
Law Library	10	7,232	6,573	669
Prosecuting Attorney Delinquent Sales Tax	123	384	500	7
Sheriff's Federal Forfeiture	1,277	0	0	1,277
Prosecuting Attorney Bad Check	5,519	17,374	12,024	10,869
Prosecuting Attorney's Federal Forfeiture	3,328	6	0	3,334
Associate Circuit Division Interest	17,311	479	173	17,617
Circuit Clerk Interest	2,774	38	404	2,408
Children's Emergency Fund	4,324	550	180	4,694
Community Development Block Grant	10	2,602	2,612	0
Total	\$ 1,699,659	3,686,077	3,411,248	1,974,488

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

Exhibit B

BATES COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 3,995,320	3,850,906	(144,414)	3,422,839	3,349,192	(73,647)
DISBURSEMENTS	4,573,735	3,761,723	812,012	3,992,452	3,081,501	910,951
RECEIPTS OVER (UNDER) DISBURSEMENTS	(578,415)	89,183	667,598	(569,613)	267,691	837,304
CASH, JANUARY 1	1,802,027	1,802,076	49	1,515,990	1,664,993	149,003
CASH, DECEMBER 31	1,223,612	1,891,259	667,647	946,377	1,932,684	986,307
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	417,850	423,974	6,124	401,900	416,267	14,367
Intergovernmental	45,850	46,268	418	15,075	46,652	31,577
Charges for services	236,300	248,215	11,915	213,750	237,744	23,994
Interest	7,050	4,807	(2,243)	5,600	7,654	2,054
Other	95,400	87,993	(7,407)	223,361	84,478	(138,883)
Transfers in	40,000	40,000	0	40,000	40,000	0
Total Receipts	842,450	851,257	8,807	899,686	832,795	(66,891)
DISBURSEMENTS						
County Commission	87,450	89,244	(1,794)	87,283	86,960	323
County Clerk	70,250	68,769	1,481	68,050	68,535	(485)
Elections	26,660	4,036	22,624	46,150	44,315	1,835
Buildings and grounds	292,930	86,618	206,312	429,035	170,315	258,720
Employee fringe benefits	73,000	75,815	(2,815)	71,000	64,529	6,471
County Treasurer and Ex Officio Collector	72,100	70,921	1,179	71,100	62,694	8,406
Recorder of Deeds	76,108	74,478	1,630	80,239	77,758	2,481
Circuit Clerk	10,500	5,000	5,500	10,500	5,032	5,468
Associate Circuit Court	18,180	4,806	13,374	16,200	4,286	11,914
Court administration	22,032	7,982	14,050	18,646	14,750	3,896
Public Administrator	23,630	20,381	3,249	23,730	20,385	3,345
University Extension Council	35,500	35,500	0	34,500	34,500	0
Postage	15,000	10,672	4,328	15,000	10,624	4,376
Plat Books and Maps	10,000	7,486	2,514	15,000	9,199	5,801
Insurance	6,150	6,358	(208)	4,150	5,606	(1,456)
Public health and welfare services	2,000	2,000	0	2,000	2,000	0
Other	44,200	35,662	8,538	37,780	24,518	13,262
Transfers out	15,000	15,000	0	15,000	1,698	13,302
Emergency Fund	21,000	0	21,000	21,000	0	21,000
Total Disbursements	921,690	620,728	300,962	1,066,363	707,704	358,659
RECEIPTS OVER (UNDER) DISBURSEMENTS	(79,240)	230,529	309,769	(166,677)	125,091	291,768
CASH, JANUARY 1	522,848	522,848	0	397,757	397,757	0
CASH, DECEMBER 31	443,608	753,377	309,769	231,080	522,848	291,768

Exhibit B

BATES COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	45,000	46,040	1,040	44,000	44,855	855
Intergovernmental	1,183,250	993,068	(190,182)	1,143,500	1,024,373	(119,127)
Charges for services	25,000	28,542	3,542	20,000	27,924	7,924
Interest	6,500	4,302	(2,198)	4,000	7,961	3,961
Other	2,500	645	(1,855)	2,500	45,259	42,759
Total Receipts	1,262,250	1,072,597	(189,653)	1,214,000	1,150,372	(63,628)
DISBURSEMENTS						
Salaries	206,390	194,887	11,503	186,100	175,684	10,416
Employee fringe benefits	69,500	69,051	449	66,000	56,009	9,991
Supplies	13,800	11,550	2,250	8,800	7,190	1,610
Insurance	18,000	19,618	(1,618)	15,000	16,881	(1,881)
Operation and maintenance	35,500	45,282	(9,782)	33,000	27,996	5,004
Equipment purchases and maintenance	165,800	49,759	116,041	168,800	165,421	3,379
Construction, repair, and maintenance	800,000	365,554	434,446	800,000	356,769	443,231
Mileage and training	950	71	879	300	646	(346)
Distributions to road districts	175,000	175,000	0	150,000	150,000	0
Other	3,150	2,815	335	3,550	2,351	1,199
Transfers out	40,000	40,000	0	40,000	40,000	0
Total Disbursements	1,528,090	973,587	554,503	1,471,550	998,947	472,603
RECEIPTS OVER (UNDER) DISBURSEMENTS	(265,840)	99,010	364,850	(257,550)	151,425	408,975
CASH, JANUARY 1	603,332	603,332	0	451,907	451,907	0
CASH, DECEMBER 31	337,492	702,342	364,850	194,357	603,332	408,975
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	159,400	168,143	8,743	146,000	146,714	714
Charges for services	1,750	1,696	(54)	1,675	1,979	304
Interest	500	279	(221)	500	576	76
Other	1,200	1,837	637	1,300	1,169	(131)
Transfers in	15,000	15,000	0	15,000	0	(15,000)
Total Receipts	177,850	186,955	9,105	164,475	150,438	(14,037)
DISBURSEMENTS						
Assessor	181,600	176,431	5,169	166,990	154,300	12,690
Total Disbursements	181,600	176,431	5,169	166,990	154,300	12,690
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,750)	10,524	14,274	(2,515)	(3,862)	(1,347)
CASH, JANUARY 1	8,208	8,208	0	12,070	12,070	0
CASH, DECEMBER 31	4,458	18,732	14,274	9,555	8,208	(1,347)

Exhibit B

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales and use taxes	589,000	601,469	12,469	565,000	586,990	21,990
Intergovernmental	67,500	120,183	52,683	67,000	81,914	14,914
Charges for services	234,090	35,273	(198,817)	34,650	29,640	(5,010)
Interest	2,000	577	(1,423)	1,000	2,022	1,022
Other	6,250	22,206	15,956	7,000	7,506	506
Transfers in	2,000	5,000	3,000	2,500	2,500	0
Total Receipts	900,840	784,708	(116,132)	677,150	710,572	33,422
DISBURSEMENTS						
Sheriff	303,000	319,548	(16,548)	321,300	295,412	25,888
Jail	351,300	352,132	(832)	140,400	151,170	(10,770)
Prosecuting Attorney	128,950	124,592	4,358	122,750	115,862	6,888
Juvenile Officer	77,275	48,788	28,487	66,214	49,067	17,147
County Coroner	18,715	14,486	4,229	17,085	14,214	2,871
Employee fringe benefits	107,200	168,107	(60,907)	90,500	101,714	(11,214)
Other	5,000	5,241	(241)	5,000	4,654	346
Transfers out	0	1,060	(1,060)	0	0	0
Total Disbursements	991,440	1,033,954	(42,514)	763,249	732,093	31,156
RECEIPTS OVER (UNDER) DISBURSEMENTS	(90,600)	(249,246)	(158,646)	(86,099)	(21,521)	64,578
CASH, JANUARY 1	115,982	115,982	0	137,503	137,503	0
CASH, DECEMBER 31	25,382	(133,264)	(158,646)	51,404	115,982	64,578
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services	11,700	11,683	(17)	8,700	12,597	3,897
Interest	100	114	14	0	110	110
Total Receipts	11,800	11,797	(3)	8,700	12,707	4,007
DISBURSEMENTS						
Recorder of Deeds	10,000	2,785	7,215	9,500	4,857	4,643
Total Disbursements	10,000	2,785	7,215	9,500	4,857	4,643
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,800	9,012	7,212	(800)	7,850	8,650
CASH, JANUARY 1	12,446	12,446	0	4,596	4,596	0
CASH, DECEMBER 31	14,246	21,458	7,212	3,796	12,446	8,650
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,800	1,646	(154)	1,750	1,818	68
Total Receipts	1,800	1,646	(154)	1,750	1,818	68
DISBURSEMENTS						
Prosecuting Attorney	4,250	3,152	1,098	3,750	1,780	1,970
Total Disbursements	4,250	3,152	1,098	3,750	1,780	1,970
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,450)	(1,506)	944	(2,000)	38	2,038
CASH, JANUARY 1	5,102	5,102	0	5,064	5,064	0
CASH, DECEMBER 31	2,652	3,596	944	3,064	5,102	2,038

Exhibit B

BATES COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	2,000	0	(2,000)	3,500	3,766	266
Charges for services	7,500	6,487	(1,013)	7,000	7,489	489
Interest	200	64	(136)	100	206	106
Other	500	264	(236)	200	59	(141)
Total Receipts	10,200	6,815	(3,385)	10,800	11,520	720
DISBURSEMENTS						
Sheriff	17,350	16,033	1,317	12,750	18,188	(5,438)
Total Disbursements	17,350	16,033	1,317	12,750	18,188	(5,438)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,150)	(9,218)	(2,068)	(1,950)	(6,668)	(4,718)
CASH, JANUARY 1	11,679	11,679	0	18,347	18,347	0
CASH, DECEMBER 31	4,529	2,461	(2,068)	16,397	11,679	(4,718)
<u>FAMILIES IN CRISIS FUND</u>						
RECEIPTS						
Charges for services	1,300	1,031	(269)	1,400	1,347	(53)
Total Receipts	1,300	1,031	(269)	1,400	1,347	(53)
DISBURSEMENTS						
Domestic violence shelter	1,500	1,661	(161)	1,500	1,371	129
Total Disbursements	1,500	1,661	(161)	1,500	1,371	129
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200)	(630)	(430)	(100)	(24)	76
CASH, JANUARY 1	630	630	0	654	654	0
CASH, DECEMBER 31	430	0	(430)	554	630	76
<u>DRUG ABUSE RESISTANCE AND EDUCATION FUND</u>						
RECEIPTS						
Other	2,500	4,861	2,361	2,500	2,529	29
Total Receipts	2,500	4,861	2,361	2,500	2,529	29
DISBURSEMENTS						
Transfers out	2,000	5,000	(3,000)	2,000	2,000	0
Total Disbursements	2,000	5,000	(3,000)	2,000	2,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	(139)	(639)	500	529	29
CASH, JANUARY 1	1,544	1,544	0	1,015	1,015	0
CASH, DECEMBER 31	2,044	1,405	(639)	1,515	1,544	29
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	3,250	7,827	4,577	8,000	6,563	(1,437)
Total Receipts	3,250	7,827	4,577	8,000	6,563	(1,437)
DISBURSEMENTS						
Other	8,000	8,223	(223)	6,000	4,302	1,698
Total Disbursements	8,000	8,223	(223)	6,000	4,302	1,698
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,750)	(396)	4,354	2,000	2,261	261
CASH, JANUARY 1	9,214	9,214	0	6,953	6,953	0
CASH, DECEMBER 31	4,464	8,818	4,354	8,953	9,214	261

Exhibit B

BATES COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	17,000	11,418	(5,582)	11,000	17,465	6,465
Interest	100	19	(81)	0	37	37
Total Receipts	17,100	11,437	(5,663)	11,000	17,502	6,502
DISBURSEMENTS						
Sheriff	20,000	17,200	2,800	14,000	14,000	0
Total Disbursements	20,000	17,200	2,800	14,000	14,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,900)	(5,763)	(2,863)	(3,000)	3,502	6,502
CASH, JANUARY 1	6,590	6,590	0	3,088	3,088	0
CASH, DECEMBER 31	3,690	827	(2,863)	88	6,590	6,502
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	2,500	994	(1,506)	3,000	1,943	(1,057)
Transfers in	0	0	0	0	1,698	1,698
Total Receipts	2,500	994	(1,506)	3,000	3,641	641
DISBURSEMENTS						
County Clerk	5,000	562	4,438	3,000	3,920	(920)
Total Disbursements	5,000	562	4,438	3,000	3,920	(920)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,500)	432	2,932	0	(279)	(279)
CASH, JANUARY 1	5,193	5,193	0	5,472	5,472	0
CASH, DECEMBER 31	2,693	5,625	2,932	5,472	5,193	(279)
<u>RECORDER TECHNOLOGY FUND</u>						
RECEIPTS						
Charges for services	7,000	5,570	(1,430)	4,000	5,016	1,016
Interest	0	64	64	0	5	5
Total Receipts	7,000	5,634	(1,366)	4,000	5,021	1,021
DISBURSEMENTS						
Recorder of Deeds	7,000	0	7,000	1,000	0	1,000
Total Disbursements	7,000	0	7,000	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	5,634	5,634	3,000	5,021	2,021
CASH, JANUARY 1	7,264	7,264	0	2,242	2,243	1
CASH, DECEMBER 31	7,264	12,898	5,634	5,242	7,264	2,022
<u>JAIL BOND FUND</u>						
RECEIPTS						
Sales taxes	420,000	526,948	106,948			
Total Receipts	420,000	526,948	106,948			
DISBURSEMENTS						
Debt service	420,000	526,948	(106,948)			
Total Disbursements	420,000	526,948	(106,948)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			

Exhibit B

BATES COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	10,600	14,237	3,637			
Interest	0	48	48			
Total Receipts	10,600	14,285	3,685			
DISBURSEMENTS						
Ex Officio Collector	10,600	859	9,741			
Total Disbursements	10,600	859	9,741			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	13,426	13,426			
CASH, JANUARY 1	1,598	1,598	0			
CASH, DECEMBER 31	1,598	15,024	13,426			
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	107,500	124,810	17,310	110,000	107,381	(2,619)
Intergovernmental	150,000	161,803	11,803	141,098	154,030	12,932
Charges for services	38,580	44,641	6,061	34,680	41,943	7,263
Interest	15,000	7,129	(7,871)	15,000	16,188	1,188
Other	4,000	15,039	11,039	4,500	4,675	175
Total Receipts	315,080	353,422	38,342	305,278	324,217	18,939
DISBURSEMENTS						
Salaries	230,188	223,828	6,360	199,828	194,771	5,057
Employee fringe benefits	38,563	36,057	2,506	35,598	28,799	6,799
Office expenditures	52,347	48,266	4,081	49,229	37,318	11,911
Mileage and training	7,450	4,380	3,070	6,895	4,774	2,121
Contract services	16,200	13,758	2,442	17,400	12,640	4,760
Maintenance and repairs	67,500	20,498	47,002	32,500	5,923	26,577
Office equipment	7,550	2,431	5,119	6,450	6,016	434
Insurance	6,300	6,478	(178)	6,000	5,812	188
Other	9,675	11,168	(1,493)	10,900	7,759	3,141
Total Disbursements	435,773	366,864	68,909	364,800	303,812	60,988
RECEIPTS OVER (UNDER) DISBURSEMENTS	(120,693)	(13,442)	107,251	(59,522)	20,405	79,927
CASH, JANUARY 1	489,728	489,777	49	469,312	469,372	60
CASH, DECEMBER 31	369,035	476,335	107,300	409,790	489,777	79,987
<u>SENATE BILL 40 FUND</u>						
RECEIPTS						
Property taxes				105,000	106,922	1,922
Intergovernmental				0	251	251
Interest				0	3,727	3,727
Other				0	18	18
Total Receipts				105,000	110,918	5,918
DISBURSEMENTS						
Building				35,000	35,000	0
Operations				65,000	92,654	(27,654)
Total Disbursements				100,000	127,654	(27,654)
RECEIPTS OVER (UNDER) DISBURSEMENTS				5,000	(16,736)	(21,736)
CASH, JANUARY 1				0	148,942	148,942
CASH, DECEMBER 31				5,000	132,206	127,206

Exhibit B

BATES COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	6,500	8,592	2,092	6,100	6,532	432
Other	2,300	100	(2,200)	0	700	700
Total Receipts	<u>8,800</u>	<u>8,692</u>	<u>(108)</u>	<u>6,100</u>	<u>7,232</u>	<u>1,132</u>
DISBURSEMENTS						
Law library	9,442	7,736	1,706	6,000	6,573	(573)
Total Disbursements	<u>9,442</u>	<u>7,736</u>	<u>1,706</u>	<u>6,000</u>	<u>6,573</u>	<u>(573)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(642)	956	1,598	100	659	559
CASH, JANUARY 1	669	669	0	10	10	0
CASH, DECEMBER 31	<u>\$ 27</u>	<u>1,625</u>	<u>1,598</u>	<u>110</u>	<u>669</u>	<u>559</u>

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

Notes to the Financial Statements

BATES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Bates County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. 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.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Jail Bond Fund	2002
Tax Maintenance Fund	2002
Senate Bill 40 Fund	2003
Sheriff's Federal Forfeiture Fund	2003 and 2002
Prosecuting Attorney Bad Check Fund	2003 and 2002

Prosecuting Attorney's Federal Forfeiture Fund	2003 and 2002
Associate Circuit Division Interest Fund	2003 and 2002
Circuit Clerk Interest Fund	2003 and 2002
Children's Emergency Fund	2003 and 2002
Community Development Block Grant Fund	2002

Section 50.740, RSMo 2000, 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>
Law Enforcement Sales Tax Fund	2003
Law Enforcement Training Fund	2002
Families in Crisis Fund	2003
Drug Abuse Resistance and Education Fund	2003
Local Emergency Planning Commission Fund	2003
Election Services Fund	2002
Jail Bond Fund	2003
Senate Bill 40 Fund	2002
Law Library Fund	2002

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Senate Bill 40 Fund	2003 and 2002
Law Library Fund	2003 and 2002
Prosecuting Attorney Bad Check Fund	2003 and 2002
Prosecuting Attorney Federal	

Forfeiture Fund	2003 and 2002
Associate Circuit Division	
Interest Fund	2003 and 2002
Circuit Clerk Interest Fund	2003 and 2002
Children's Emergency Fund	2003 and 2002
Community Development	
Block Grant Fund	2002

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, 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.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the Health Center Board's deposits at December 31, 2003 and 2002, were entirely covered by federal depository insurance or by collateral securities held by the county's and the Health Center Board's custodial bank in the county's and the Health Center Board's name.

The Senate Bill 40 Board's deposits at December 31, 2003 were entirely covered by federal depository insurance.

Of the Senate Bill 40 Board's bank balance at December 31, 2002, \$100,000 was covered by federal depository insurance and \$32,206 was covered by collateral pledged by one bank and held by a correspondent bank in the name of the depository bank's customers.

3. Prior Period Adjustment

The Children's Emergency Fund's cash balance of \$4,324 at January 1, 2002, was not previously reported but has been added.

Schedule

BATES COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2003 AND 2002

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

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

The prior audit report issued for the two years ended December 31, 2001, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

BATES COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Bates County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 25, 2004.

In addition, we have audited the operations of elected officials with funds other than those presented in the financial statements to comply with the State Auditor's responsibility under Section 29.230, RSMo 2000, to audit county officials at least once every 4 years. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. 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.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings. These MAR findings resulted from our audit of the financial statements of Bates County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.**Sheriff's Accounting Controls and Procedures**

Accounting duties are not adequately segregated, deposits are not always made intact on a timely basis, receipts slips are not issued for some monies received, and the composition of receipts is not reconciled to deposits. Additionally, official fees are sometimes used for purchases, rather than being turned over to the county treasury, monthly reports of fees received are not submitted to the County Clerk, and fees received are not always disbursed on a timely basis. Furthermore, bank reconciliations are not always performed, bids are not solicited for some purchases, contracts for housing prisoners for other counties do not exist, and vehicle logs are not maintained for vehicles.

A. Accounting duties are not adequately segregated. Two clerks are each primarily responsible for receiving monies, preparing checks and deposit slips, preparing bank reconciliations, and maintaining the accounting records for the account they maintain. One clerk maintains the fee account and the other clerk maintains the inmate account. The Sheriff does not review the various records prepared by each clerk. Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. The following concerns regarding the fee account were found:

1. Deposits are not always made intact on a timely basis and monies are not kept in a secure location. While cash is deposited throughout the month, checks are held until month's end. Additionally, the handling of some monies is inconsistent. Checks are sometimes taken directly to the County Treasurer instead of being deposited, and are not always recorded on the cash control ledger. In addition, checks are not always restrictively endorsed immediately upon receipt. A cash count revealed sixteen of the seventeen checks on hand were not endorsed. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be maintained in a secure location and deposited intact daily or when accumulated receipts exceed \$100. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

2. Receipt slips are not always issued for monies received, are not posted to the cash control ledger until the end of the month, and the composition of receipts is not reconciled to the composition of deposits. In addition, the numerical sequence of receipt slips is not accounted for on the cash control ledger. To ensure accounting records are complete, to assist in the reconciliation process, and to allow for consistent deposit procedures to be

developed, receipts should be written for all monies received and posted to the cash control ledger when written. In addition, the numerical sequence of receipt slips should be accounted for and the composition of monies received and recorded (i.e. cash, checks, and money orders) should be reconciled to the composition of the monies deposited.

3. The fee account is used to hold monies received each month until receipts are remitted to the County Treasurer. However, the Sheriff sometimes expends these monies for training and other miscellaneous activities and then requests reimbursement from the county. During the two years ended December 31, 2003, approximately \$6,400 was spent by the Sheriff in this manner of which \$2,100 was not reimbursed by the county. The monies in the fee account represent accountable fees which should be turned over to the County Treasurer. Section 50.370, RSMo 2000, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. There is no statutory authority for the Sheriff to expend these monies except as provided for in the official county budget. Disbursements should be authorized by the Sheriff and made through the County Commission's normal disbursement process.
4. Monthly reports of fees collected by the Sheriff are not being prepared. In addition, monthly fees are not being remitted to the county treasurer on a timely basis. Fees for August and September 2003 were not remitted until November 2003 and fees for October and November 2003 were not remitted until January 2004. Furthermore, open items listings prepared for the fee account do not reconcile to the cash balance because the open items listing does not include the fees collected in previous months which have not yet been distributed. Section 50.370, RSMo 2000, requires every county official to remit fees to the County Treasurer monthly and to file monthly reports of fees with the County Commission.
5. In February 2003, approximately \$16,000 was received by the Sheriff as a partial judgment in a civil case involving the county and a former inmate of the county jail. Rather than turning these monies over to the County Treasurer, the Sheriff deposited them and held them for over a year. The monies were held until June 2004 when the Sheriff disbursed the monies to the local hospital to cover medical costs incurred by the county on behalf of the aforementioned inmate. The Sheriff indicated that the monies had been held because of continuing legal actions; however, the case had been closed and there had been no appeals filed. Monies should be distributed on a timely basis. Continuing to account for monies which could be disbursed results in an unnecessary administrative burden.

- C. Bank reconciliations are not performed and reconciled to an open items listing for the inmate account. Individual inmate account balances are maintained on the computer system, but the clerk indicated she does not normally print a summary open items listing of the individual account balances. At our request the Sheriff's office prepared an open items listing as of June 15, 2004, which included some balances for inmates who had already been refunded their money. According to the clerk, the computer system suffered several major system failures prior to the second week of January 2004 and data was lost. As a result, some checks issued to inmates upon release are no longer recorded on the system. The open items listing prepared by the clerk totaled \$14,006, after adjustment for the balances refunded, while the reconciled bank balance was only \$12,363, representing a shortage of \$1,643. Based on our review of the open items listing, it appears there are still balances shown for inmates where partial refunds of their balance have been made, but the inmate account balance was not updated.

The preparation of monthly bank reconciliations is necessary to ensure that all monies are properly deposited, bank accounts are in agreement with the accounting records, and errors or discrepancies are detected on a timely basis. In addition, the preparation of an accurate open items listing and comparison to the reconciled cash balance ensures sufficient assets exist to cover liabilities and all monies are properly recorded and handled.

- D. The Sheriff's Department purchased eight used vehicles during the audit period. Our review of these purchases noted the following concerns:

1. Seven of the eight vehicles cost over \$4,500 each, but bids were not solicited for any of the purchases. The Sheriff's Department's normal procedures are for employees to go shopping around town and in the Kansas City area looking for vehicles that meet their specifications.

Section 50.660, RSMo 2000, requires the advertisement for bids for all purchases of \$4,500 or more from any one person, firm or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding assures all parties are given an equal opportunity to participate in county business. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, newspaper publication notices, bids received, the basis of justification for awarding bids, and documentation of all discussions with vendors.

2. The Sheriff's Department sold a patrol car, without advertising the sale of the car or soliciting bids, to the Sheriff for \$3,100, which was \$100 more than the county had paid for the car a few months earlier when it was purchased. The

Sheriff indicated he believed this transaction was proper and beneficial to the county because they made a profit. To ensure the county receives the fair value for the sale of county-owned property and that county residents have proper opportunity to bid on the property, bids should be solicited for all sales of major county property and documentation should be retained of all decisions made.

- E. The county houses prisoners for various political subdivisions but only has a written contract with the United States Department of Justice. During 2003 and 2002, the county received approximately \$27,000 and \$18,000, respectively, in prisoner board payments from other political subdivisions without having written contracts with those entities.

Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. In addition to being required by statute, written contracts are necessary to document the duties and responsibilities of each party.

- F. Vehicle logs are not maintained by the Sheriff's office. During 2003 and 2002, the county expended approximately \$36,500 and \$29,000, respectively on gasoline, oil, and maintenance.

Vehicle logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and help identify vehicles which should be replaced. Information on the logs should be reconciled to gasoline purchases and other maintenance charges.

A condition similar to E was noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B.1. Maintain receipts in a secure location and deposit all monies intact daily or when accumulated receipts exceed \$100. In addition, all checks and money orders should be restrictively endorsed immediately upon receipt.
- 2. Ensure receipt slips are issued for all monies received. Post all receipts to the cash control ledger on a timely basis. In addition, ensure method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.

3. Remit all fees collected to the County Treasurer monthly and make all purchases through the county expenditure process.
 4. Turn over all fees monthly to the County Treasurer and prepare and file monthly reports of fees received, as required by state law.
 5. Ensure monies are distributed on a timely basis.
- C. Prepare bank reconciliations for the inmate account and reconcile the cash balance to the open items listing on a monthly basis.
- D.1. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained and the justification for selecting the winning bid.
2. Advertise the sale of county-owned property and document all bids received and decisions made.
- E. Ensure all agreements entered into by the county are in writing.
- F. Maintain complete mileage logs which would include the beginning and ending odometer readings and the operation and maintenance costs.

AUDITEE'S RESPONSE

A, B.5,

D.2

&E I agree.

B.1. I agree. Deposits are now made at least weekly.

2. I agree and am now ensuring that this is done.

3. This is now being done.

4. I agree. Monthly reports will start being submitted in December 2004.

C. My staff is now doing this.

D.1. I agree and will do this in the future.

F. My office had maintained these but was unable to locate them when requested by the auditors.

A deferred prosecution fee continues to be collected on criminal cases that are not prosecuted. There is no apparent legal authority for this fee and the Prosecuting Attorney maintains inadequate records of the amounts received and spent from the fees. The Prosecuting Attorney retains custody of the Prosecuting Attorney Bad Check Fund and the Prosecuting Attorney's Federal Forfeiture Fund and some expenditures from the Prosecuting Attorney Bad Check Fund appear questionable. In addition, restitution payments made erroneously are not requested to be repaid.

A. A deferred prosecution fee of \$50 continues to be collected on criminal cases which are not prosecuted, with the understanding that charges will not be filed unless the defendant has other violations during the subsequent two years. These fees are used to fund a petty cash fund in the Prosecuting Attorney's office. Our office has made recommendations regarding this fee during the last two audits, yet there has been little change in procedure and there is no evidence that the Prosecuting Attorney has taken any action to establish legal authority to collect this fee. Our review of the deferred prosecution fees and petty cash fund revealed the following concerns:

- The Prosecuting Attorney could provide no legal authority for the collection of the deferred prosecution fee. The payment of a \$50 fee to the Prosecuting Attorney to defer prosecution on a case gives the appearance of a "payoff", since there is no ordinance, statute, or constitutional provision authorizing such payments.
- Receipt slips are not always issued for deferred prosecution fees received. While a deferred prosecution agreement is signed by the defendant showing the amount received, these forms are not prenumbered and are not accounted for properly. Due to inadequate record keeping and lack of supporting documentation of these monies, the total amount received for deferred prosecution fees during 2003 and 2002 could not be determined. While a manual ledger maintained by the Prosecuting Attorney indicated \$450 of deferred prosecution fees were collected during 2003 and 2002, the amount actually received could have been significantly more. To adequately account for all monies received, prenumbered receipt slips should be issued for all receipts and the numerical sequence accounted for properly.
- Deferred prosecution fees received are not deposited nor remitted to the county treasury as accountable fees; rather, they are used to purchase soda, coffee, and snacks for office employees. A ledger showing receipts, disbursements, and balances for the petty cash fund is not maintained. Invoices retained in an envelope to support the expenditure of these funds totaled over \$700 for 2003 and 2002. The Prosecuting Attorney was unable

to explain how more was spent than was recorded as received from these fees, and due to the lack of records, it was not determinable if a balance existed in the petty cash fund at the beginning of 2002. Such expenditures do not appear necessary for the operation of the office and do not appear to be a prudent use of public monies. If legal authority to collect such a fee is established, these monies would represent accountable fees. Section 50.340, RSMo 2000, requires county officials to pay into the county treasury any accountable fees collected.

If a petty cash fund is determined to be necessary, it should be funded through the county treasury and a log of petty cash transactions, including invoices for expenditures, should be maintained. The invoices would be periodically submitted to the county for reimbursement to the petty cash fund.

- Several deferred prosecution agreements we reviewed made payment of court costs a condition of the agreement to defer prosecution. The individual court files for several cases revealed that court costs of varying amounts were collected on cases where prosecution was deferred. Various state laws do not allow for the collection of court costs on cases where charges are not filed or charges are dismissed.

B. Contrary to state law, the Prosecuting Attorney has custody of the Prosecuting Attorney Bad Check Fund and some expenditures from this fund appear questionable. Section 570.120, RSMo 2000, allows the Prosecuting Attorney to charge an administrative handling fee for the collection of bad check restitutions. This section also requires the fees to be deposited by the County Treasurer into a separate interest bearing fund to be expended based on warrants issued by the Prosecuting Attorney. In previous audits, the Prosecuting Attorney indicated he maintains custody of this fund because he believes his office budget, funded by the Law Enforcement Sales Tax fund, would be reduced if the County Commission was aware of the balance of this fund. The Prosecuting Attorney responded in our most recent audit that he would address this issue with the County Commission by April 1, 2001, but we saw no evidence this was done. The Prosecuting Attorney uses the bad check fund to pay his employees a salary, in addition to the salary they receive from the county, but this additional salary is not processed through the county's payroll system. In addition to these extra salary payments, various questionable expenditures went without outside review as a result of the Prosecuting Attorney having full control and custody of these funds.

- In December 2003 and 2002, the Prosecuting Attorney authorized payments from the fund totaling \$300 each year to his employees as bonuses. These payments were not included in the county payroll records, were not subject to the proper withholdings, and were not reported on the employees' W-2 forms. Bonuses are prohibited by Article III, Section 39 of the Missouri Constitution.

- Expenditures from the Prosecuting Attorney Bad Check Fund for 2003 and 2002, included \$540 for employee meals within the city of Butler. There was no documentation that such expenditures were necessary for the operation of the office, and they do not appear to be a prudent use of public monies.
- C. During 2003 and 2002, \$352 in restitution was erroneously paid out to certain individuals, however reimbursement was not requested from these individuals. Office policy is to void restitution checks which are not cashed or are returned to the Prosecuting Attorney's Office and to add the monies to an "overage" amount. If restitution is erroneously paid out to the wrong individual, instead of requesting the individual return the money, monies are taken from the overage amount and paid to the correct individual. The Prosecuting Attorney was unable to provide legal justification for his decision to do this. The Prosecuting Attorney indicated he believed these funds were disposed of properly, since the intended payees could not be located. By disposing of these funds in this manner, the Prosecuting Attorney has established a potential liability for his office if the intended payees request these funds in the future. When the intended payee cannot be located, these monies should be disposed of in accordance with state law.
- D. The Prosecuting Attorney maintains custody of the Prosecuting Attorney's Federal Forfeiture account, which is used for law enforcement purposes. The December 31, 2003 balance of \$3,339 was composed primarily of proceeds from seizures by the U.S. Department of Justice.

Missouri Attorney General's Opinion No. 45, 1992, to Henderson states that the Prosecuting Attorney of a third class county is not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. This account balance should be transferred to the County Treasurer for deposit into a separately established fund, and future receipts should be transmitted to the County Treasurer.

Similar conditions were noted in our previous reports.

WE AGAIN RECOMMEND the Prosecuting Attorney:

- A. Discontinue collecting deferred prosecution fees until legal authority for such a fee is established. If the authority to collect this fee is established, prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips issued should be accounted for properly. In addition, any petty cash funds on hand should be turned over to the county treasury and all fees received should either be turned over to the county treasury as received or deposited intact into the prosecuting attorney's official bank account and then subsequently turned over to the county treasury.

If a petty cash fund is maintained, it should be funded by the county and a log of petty cash fund transactions, including invoices for expenditures, should be maintained to properly document the financial activity of the fund. In addition, the Prosecuting Attorney should ensure all future expenditures represent a prudent use of public funds.

- B. Turn over custody of the Prosecuting Attorney Bad Check Fund to the County Treasurer, discontinue the practice of paying employee bonuses, and ensure all future expenditures represent a prudent use of public funds.
- C. Disburse unidentified monies in accordance with the state law.
- D. Turn over custody of the Federal Forfeiture account to the County Treasurer to be placed in a separate fund.

AUDITEE'S RESPONSE

- A. *The Prosecuting Attorney plans to stop charging Deferred Prosecution fees altogether and will keep a petty cash fund log for all sums spent out of petty cash.*
- B. *The Prosecuting Attorney will talk with the County Commission about the bad check fund and the feasibility of maintaining a reserve balance in the account from year to year without budgeting and spending the bulk of or the entire fund each year or having the general revenue budget reduced by these sums.*
- C. *The Prosecuting Attorney has more victims than restitution. The Prosecuting Attorney is going to research maintaining a "general restitution fund" to be paid for by all criminal defendants. Then, if the criminal defendant makes restitution, these funds could be available for crime victims in general, as in the nature of the crime victim's compensation fund.*
- D. *The Prosecuting Attorney will implement steps to turn the Federal Forfeiture Fund over to the County Treasurer.*

3. Walnut Township Collector

Taxes collected by the Walnut township collector are not distributed on a timely basis and monthly statements of collections are not usually signed by the township collectors.

The Walnut Township Collector is one of twenty-four township collectors who collect current real estate and personal property taxes in Bates County. Monthly statements of property tax collections and distributions are filed with county officials. In the summer of 2003, county officials were notified that various political subdivisions in the county had not received some property tax distributions from the Walnut Township for the fiscal year ended February 28, 2003. We have identified the following problems:

- A. Taxes collected by the Walnut Township Collector are not distributed on a timely basis. The Walnut township collector filed statements of collections and distributions for the months of November 2002 through February 2003 and November 2001 through February 2002. According to these statements, approximately \$306,000 in taxes, interest and penalties was collected and distributed to various political subdivisions, and the Walnut Township Collector. Based on information received from political subdivision, \$25,793 reported as collections during FYE 2/28/03 was not received until July, August, and September 2003. Our review further identified \$2,463 reported as collections during FYE 2/29/02 had not been distributed and was not paid out until April 2004, after we contacted the Walnut Township Collector.

<u>Political Subdivision</u>	<u>FYE 2/28/03</u>	<u>FYE 2/29/02</u>
Rich Hill R-4 School District	\$ 21,698	0
Hume R-8 School District	3,922	2,463
Walnut Township	173	0
	<u>\$ 25,793</u>	<u>2,463</u>

Effective November 2003, the County Clerk instituted new procedures requiring all township collectors to turn in signed receipts from the various political subdivisions to the County Clerk's Office to document that the monies were properly distributed. Charges of theft have been filed in Bates County Circuit Court against the Walnut Township Collector by the Prosecuting Attorney.

- B. Monthly statements of property tax collections are not usually signed by the township collectors. The County Clerk's Office prepares the monthly statements of property tax collections and distributions based on the paid tax statements turned in by the township collectors. After they are prepared, statements are not usually signed by the township collectors. By not signing the statements, the township collectors are not taking responsibility for the accuracy of the amounts.

WE RECOMMEND the County Commission:

- A. Work with law enforcement authorities regarding any litigation and ensure future tax distributions are made on a timely basis in the future.
- B. And County Clerk ensure township collectors sign their monthly settlements to attest to their accuracy.

AUDITEE'S RESPONSE

The County Commission responded:

- A. *We agree.*
- B. *This has been implemented.*

4. Policies and Procedures

The county did not competitively select an underwriter. In addition, prior to the opening of the detention center in late August 2003, there had been no advance planning including forecasting of projected revenues and expenditures, and occupancy rates. Numerous funds had actual expenditures in excess of budgeted amounts and excess administrative services fees were transferred from Special Road and Bridge Fund to the General Revenue Fund. In addition, the assistant prosecuting attorney is paid \$1,000 a month as an independent contractor without a written agreement regarding the compensation to be paid or the services to be provided.

A. In November 2001, the county passed a one-half cent sales tax for the purpose of building a new detention center and contracted with an underwriter to finance the construction. In March 2002, the county issued Certificates of Participation (COPs) of \$4,755,000 to finance construction of the detention center. An additional \$835,000 in COPs was authorized in May 2003. The proceeds of the sales of the COPs are maintained by a trustee bank and are disbursed for payments of project costs upon receipt of requisition certificates signed by the Presiding Commissioner and the project architect. The county turns over the proceeds of the one-half cent sales tax to the trustee bank for the principal and interest payments due on the outstanding COPs.

1. The County Commission did not competitively select the underwriter. Competitive requests for proposals are necessary to provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best firm. A competitive selection process ensures all interested parties are given an equal opportunity to participate in county business.
2. Prior to the opening of the detention center in late August 2003, there was no evidence of advance planning including forecasting of projected revenues and expenditures, and occupancy rates, which has been a factor in the poor financial condition of the Law Enforcement Sales Tax Fund. Neither the County Commission nor Sheriff could provide any planning documents related to operating costs or projected revenues of the new detention center. Part of the decision to open the entire capacity of the new detention center in

September 2003 when it was completed was the Sheriff's plans to hold federal prisoners. However, the county did not start holding significant numbers of federal prisoners until 2004.

The operating costs of the detention center are handled through the Law Enforcement Sales Tax Fund along with the operating costs of the Sheriff's Office, the Prosecuting Attorney's Office, the Juvenile Office, and the Coroner. This fund has had a negative cash balance since October 2003. During 2003, the county budgeted for a surplus in this fund of \$25,000. However, actual disbursements exceeded budgeted amounts by approximately \$42,000 and actual revenues were approximately \$116,000 below budgeted amounts, which resulted in a cash balance in the fund at year-end of (\$133,264). By the end of May 2004, the cash balance in this fund was (\$112,665). Because all county funds are maintained in one bank account, monies from other county funds (particularly the General Revenue Fund) are being borrowed to cover the costs.

The County Commission requested the Sheriff's Office provide revenue and expenditure data for the operations of the detention center. In June 2004, the Circuit Judge provided the commission with a report showing revenues and expenditures related to the detention center for the months of September 2003 through May 2004 and showed a net loss of approximately \$69,000. No comparison of the information provided in this report to the county's financial system was performed. Considering that the budgets for the Law Enforcement Sales Tax Fund are prepared and tracked based on the county's financial data, it is imperative that the information provided by the detention center system be reconciled with the county's system to ensure that the revenues generated and expenditures necessary to operate the jail are properly allocated. Due to errors in the financial data found in the report released in June, a revised version of the financial report was issued in November 2004 which showed a net loss of approximately \$212,000 for the same period. These errors were caused by improperly allocating costs and failure to include other costs, such as salaries and health insurance. We reviewed the salaries and fringe benefits shown on the revised detention center financial report and found they were \$41,000 less than the amount attributed to the jail on the county's financial records during January through May 2004. Revenues on the revised detention center report for the same period agreed to the county's financial records. It appears there is a lack of communication between the county commission and the jail staff as to what expenditures are attributable to the jail versus the other departments funded through the Law Enforcement Sales Tax Fund.

In order to improve the financial condition of the Law Enforcement Sales Tax Fund, the County Commissioners must be provided with reliable data regarding the operations of the detention center and this information should be reconciled with the data compiled by the county to ensure its accuracy.

- B. The County Commission approved disbursements in excess of budgeted amounts for various funds during the years ending December 31, 2003 and 2002. In addition, although the County Commission and County Clerk were apparently provided budget to actual amounts, no action was taken to prevent overspending.

<u>Fund</u>	<u>Year Ended December 31,</u>	
	<u>2003</u>	<u>2002</u>
Law Enforcement Sales Tax	42,514	N/A
Law Enforcement Training	N/A	5,438
Families in Crisis	161	N/A
Drug Abuse Resistance and Education	3,000	N/A
Local Emergency Planning Commission	223	N/A
Election Services	N/A	920
Jail Bond	106,948	N/A
Senate Bill 40	N/A	27,654
Law Library	N/A	573

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

To allow the budgets to be used as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures, valid reasons which necessitate excess disbursements should be provided to support amendments, and public hearings should be held prior to the adoption of all budget amendments.

- C. Administrative transfers from the Special Road and Bridge Fund to the General Revenue Fund exceeded the allowable amount by approximately \$76,600 during 2001-2003. Section 50.515, RSMo 2000, authorizes the County Commission to impose an administrative service fee on the Special Road and Bridge Fund. The purpose of this fee is to recoup actual expenditures made from the General Revenue

Fund for road and bridge related administrative expenses. The fee is limited to a maximum of three percent of the budget of the Special Road and Bridge Fund.

Because estimates of expenditures for the Special Road and Bridge Fund were significantly in excess of actual expenditures, the amounts transferred to the General Revenue Fund during the years ended 2003, 2002, and 2001 were approximately \$22,700 higher than they should have been. In addition, during the same period, the county paid approximately \$53,900 for the salary and related fringe benefits for one of the County Clerk's employees from the Special Road and Bridge Fund. As a result, the county transferred \$76,600 in excess of 3 percent of actual expenditures which is due from the General Revenue Fund to the Special Road and Bridge Fund.

- D. The county did not obtain information required by state law for engineering services related to bridge project number 14. Instead, the county contracted with an engineering firm that had performed work on previous projects for the county. Section 8.289, RSMo 2000, requires that agencies or political subdivisions which utilize engineering services request annual statements of qualifications and performance data from firms. Section 8.291, RSMo 2000, further requires that when negotiating for a contract, the agency or political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work.
- E. A written contract does not exist with the assistant prosecuting attorney and invoices were not adequately detailed. In May 2003, an assistant Prosecuting Attorney was hired as an independent contractor at \$1,000 per month from the Law Enforcement Sales Tax Fund. There is no written agreement between the county and the individual regarding the compensation to be paid or the services to be provided, and adequate supporting documentation is not submitted to support the work performed.

Adequate supporting documentation is necessary to substantiate the validity and propriety of the amounts claimed by the independent contractors. Given the lack of detail noted on the invoices, reasonableness and propriety of the amounts claimed by the contractor cannot be ensured.

Section 432.070, RSMo 2000, requires the county to have all contracts in writing. The agreements should clearly specify the arrangements between parties for the services provided and be approved by the County Commission.

WE RECOMMEND the County Commission:

- A.1. Ensure proposals are solicited for professional services.
- 2. Reevaluate the overall financial plans for the Law Enforcement Sales Tax Fund, giving consideration to the anticipated ongoing operating costs of the detention center, and the county's overall financial condition. Financial data tracked by

detention center staff should be reconciled to the county's financial system to ensure the information is accurate and reliable.

- B. Not authorize expenditures in excess of budgeted expenditures. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's office.
- C. Base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, a transfer of approximately \$76,600 should be made from the General Revenue Fund to the Special Road and Bridge Fund.
- D. Obtain a statement of qualifications and performance data from at least three engineering firms before contracting for these services.
- E. Enter into a written contract with the assistant Prosecuting Attorney and ensure adequate supporting documentation is submitted to substantiate amounts claimed.

AUDITEE'S RESPONSE

The County Commission responded:

A.1

&D. We agree and will do this in the future.

A.2. We agree with the auditor's concerns and believe when the new sheriff's administration takes office January 1, there will be a much better flow of communication and additional cooperation between the county and the Sheriff's department. Effective January 1, 2005, we will begin reconciling financial data with the Sheriff's department.

B&E. We agree.

C. We agree and we will pay back the Special Road and Bridge fund over the next three years by reducing our transfers by an appropriate amount.

5.

Officials' Salaries

Raises given to associate county commissioners during 1999 and 2000 were declared unconstitutional and raises given in July 2003 to other elected officials were not handled properly.

- A. Section 50.333.13, RSMo, enacted in 1997, allowed the salary commissions meeting in 1997 to provide mid-term increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioner' terms had been increased from two years to four years. Based upon this statute, in 1999 Bates County's Associate County Commissioners' salaries were each increased approximately \$8,400 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of the statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional. On June 5, 2001, the State Auditor notified all third class counties of the Supreme Court decision and recommended that each county document its review of the impact of the opinion, as well as plans to seek repayment.

The Bates County Salary Commission did not meet in 1997. The Prosecuting Attorney issued a written legal opinion in March 1998 indicating that the increases in the associate commissioners' salary should take effect January 1, 2001. However, in March 1999, the County Commission approved mid-term raises for the associate county commissioners retroactively effective to January 1, 1999. The County Commission acted contrary to legal advice when it granted the retroactive mid-term raises to the associate commissioners.

Based upon the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling \$16,800 for the two years ended December 31, 2000, should be repaid. The County Commission has not reviewed the impact of this decision and has not developed a plan for obtaining repayment of the salary overpayments.

- B. All county officials received raises, effective July 1, 2003, due to a change in assessed valuation of the county. However, Section 50.333.8, RSMo, states that the elected officials' salaries shall be adjusted each year on the official's year of incumbency for any increase in the maximum allowable salary caused by a change in the last completed assessment. The Prosecuting Attorney issued a written opinion regarding these raises in June 2003 and indicated they appeared to be allowable, but the opinion did not indicate the effective date. In addition, the Salary Commission used the 2003 assessed valuation rather than the preceding year's assessed valuation to determine the maximum allowable salaries for all officials in 2003.

WE RECOMMEND the County Commission:

- A. Review the impact of the decision and develop a plan for obtaining repayment of the salary overpayments. In addition, county officials' compensation should only be authorized by the salary commission.
- B. Request a written opinion from the Prosecuting Attorney as to the legality of the salary increases that went into effect on July 1, 2003 and proceed accordingly.

AUDITEE'S RESPONSE

The County Commission responded:

- A. *These raises were given to the associate commissioners in good faith and based on existing state law at the time. If the courts issue a ruling that these raises need to be repaid, the commission will address this issue at that time.*
- B. *We will discuss the issue with the Prosecuting Attorney and will proceed accordingly.*

6. County Clerk

Controls over property tax additions and abatements are not adequate. The County Clerk does not ensure the township road boards' financial statements are prepared and published, and does not maintain a detailed record of compensatory time earned, taken, and accumulated for all county employees.

- A. Controls over property tax additions and abatements are not adequate. The County Assessor makes changes to the property tax system for all tax additions and abatements and prepares court orders for only the current tax abatements to be approved by the County Commission. Section 137.260, RSMo 2000, requires the tax books only be changed by the County Clerk under the order of the County Commission. Controls should be established so that the County Clerk periodically reconciles all additions and abatements to changes made to the property tax system and charge these amounts to the Ex Officio County Collector and the township collectors. Further, court orders should be approved, at least monthly, by the County Commission for all additions and abatements to the property tax system.
- B. The County Clerk does not ensure the township road boards' financial statements are prepared and published as required by state law. Section 231.290, RSMo 2000, requires the County Clerk to prepare a form to be utilized by the townships to provide a detailed account of their financial activity, along with an inventory of the townships property, which should be published in a local newspaper and filed with the County Clerk. While the townships generally prepared a financial statement and filed it with the county, many of the financial statements did not include a detailed account of the

township's receipts and disbursements, as required by Section 231.280, RSMo 2000, and were not published as required by state law.

- C. The County Clerk does not maintain detailed records of compensatory time earned, taken, and accumulated for all county employees. The County Clerk indicated compensatory records are to be maintained by each individual office, but our review noted errors in the records maintained for the Sheriff's Office.

Without centralized and complete leave records, the County Commission cannot ensure that employee's overtime records are accurate, that all employees are treated equitably, and that leave time used does not exceed leave time earned and accumulated. Centralized leave records also aid in determining final pay for employees leaving county employment.

WE RECOMMEND the County Clerk:

- A. Establish procedures requiring the tax books only be changed by the County Clerk under order of the County Commission.
- B. Prepare a form to be utilized by the townships that provides a detailed account of the township's financial activity and property. In addition, the County Clerk should ensure all townships file their detailed financial statements with the county and publish them in a local newspaper in accordance with state law.
- C. Maintain a balance of compensatory time accumulated and taken for each employee.

AUDITEE'S RESPONSE:

- A. *I agree and will discuss necessary programming changes with the software provider.*
- B&C. *I agree and will begin doing these in 2005.*

7. Health Center

Receipt slips are not issued for some monies received, the numerical sequence of receipt slips is not accounted for, and some receipts were not deposited intact on a timely basis. Additionally, cash bonuses were paid to employees in 2003, some expenditures did not appear to be prudent uses of public funds, board approval of disbursements is not documented, and state laws regarding closed board meetings were not always followed.

- A. Receipt slips are not issued for monies which are wire transferred directly to the Health Center's bank account. While receipt slips are issued for the monies received at the Health Center or from the mail, the numerical sequence of receipt slips is not accounted for. When monies are received at the Health Center, they are posted to the

cash drawer log, but the receipt slip number is not posted to this log which would enable the Health Center to account for the numerical sequence of receipt slips issued. To adequately account for all receipts, pre-numbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.

- B. Procedures for handling donations to the Health Center need improvement. During our cash count in April 2004, cash totaling \$1,065 was located in a file cabinet, which represented donations for a health fair to be held in August 2004. The donations were originally received in the form of checks, which were cashed and the money placed in this file cabinet, rather than being deposited. The Health Center Administrator indicated the Board did not want these monies deposited as they were restricted for the health fair later in the year. Apparently the board was concerned that depositing the donations would not allow the Health Center to ensure the monies were restricted for their intended purpose, even though a log sheet was maintained for the donations indicating who donated the monies and the amount donated. In addition, tax distribution checks received in December of 2002 and 2003 were not deposited by the Health Center until January of 2003 and 2004, apparently because the board felt those checks represented revenues of the following year.

To adequately safeguard receipts and reduce the risk of loss, or misuse of funds, all monies received should be deposited. The Health Center should develop a method of accounting for restricted monies held within their account.

- C. In November 2003, the Health Center Board paid bonuses to its employees totaling \$1,700. Health Center minutes indicated these one month "raises" would revert to regular salary payments for the next month. These payments represent additional compensation in the form of a bonus for services previously rendered and, as such, appear to violate Article III, Section 39 of the Missouri Constitution.
- D. The Health Center Board expended approximately \$701 for dinner meetings, gifts, and flowers for board members and health center employees during the two years ended December 31, 2003. These expenditures do not appear to represent a prudent use of public funds and a necessary cost of operating the board. The taxpayers have placed a fiduciary trust in the Board to expend public funds in a necessary and prudent manner.
- E. The Health Center Board does not review and approve individual invoices and a supplementary listing of all disbursements approved for payment is not prepared to accompany the minutes. Although there is an occasional reference to a specific disbursement being approved for payment, the board minutes usually only make a general reference that disbursements are approved for payment. Expenditures made from Health Center funds should be reviewed and approved by the Board before payment is made to ensure all disbursements represent valid operating costs of the Health Center. To adequately document the Board's review and approval of all

disbursements, a complete and detailed listing of bills should be prepared and signed or initialed by the Board to denote their approval prior to the checks being issued, and retained with the official minutes.

- F. The open meeting minutes did not always document the specific reasons for closing the meeting and the actions taken by the board in closed meetings. While the open meeting minutes for November 25, 2003 did not refer to a closed meeting taking place on that date, we found minutes of a closed meeting held at which the board approved the bonuses discussed above. This decision was not included in the next open meeting minutes either. Section 610.022, RSMo 2000, requires a closed meeting, record, or vote be held only for the specific reasons announced publicly at an open session. This law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record or vote. Section 610.021, RSMo 2000, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, and personnel issues; however, that statute requires certain matters discussed in closed meetings to be made public upon final disposition.

WE RECOMMEND the Health Center Board:

- A. Issue prenumbered receipt slips for all monies received, and periodically account for the numerical sequence of the receipt slips issued.
- B. Deposit all monies when received and develop a method of accounting for restricted funds.
- C. Discontinue the practice of paying employee bonuses.
- D. Ensure all expenditures are reasonable and necessary and a prudent use of public funds.
- E. Review and approve all expenditures of Health Center funds. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes.
- F. Ensure board minutes document the reasons for closing the meeting and publicly disclose the final disposition of applicable matters discussed in closed session.

AUDITEE'S RESPONSE

The Health Center Administrator responded:

A&E. We agree and these have been implemented.

- B. *We agree. We are now depositing donations and showing them as a restricted balance on the monthly balance sheet. Tax checks will now be deposited when received.*
- C. *This has been discussed with the board and these types of raises will not be given in the future.*
- D. *This recommendation has been discussed with the board and they indicated they have taken it under advisement.*
- F. *We will ensure this is done in the future.*

8. Associate Circuit Division Controls and Procedures
--

Accounting duties in the Associate Circuit Division are not adequately segregated and checks and money orders are not restrictively endorsed immediately upon receipt. There are three old bank accounts which are no longer active which contained old outstanding checks, unclaimed bonds, and unidentified balances. In addition, a listing of accrued costs owed to the court is not maintained and monitoring procedures related to accrued costs are not adequate.

- A. Accounting and bookkeeping duties are not adequately segregated. Currently, the responsibilities of collecting, recording, and depositing receipts are performed by any of the three employees of this office, while month-end reconciliations and preparing and signing checks are assigned to one of those employees. There is no documented independent review of the accounting records and reconciliations.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. The Associate Circuit Division has three old bank accounts (criminal, civil, and bond) that are no longer active. At December 31, 2003, the criminal and civil accounts had 30 checks totaling \$1,200 which had been outstanding for over one year and held \$1,734 of unidentified monies. The bond bank account's reconciled balance was \$524 less than the liability listing, and includes \$80 in bonds which had been held for more than four years.

The Division should attempt to identify those amounts which have remained unidentified and distribute the monies in accordance with state statute. Various statutory provisions including Section 447.500 through 447.595, RSMo 2000, provide for the disposition of unclaimed and unidentified monies.

- C. A listing of accrued costs owed to the court is not maintained by the Associate Circuit Division and monitoring procedures related to accrued costs are not adequate. Court dates are set for the collection of accrued case costs and warrants will be issued for failures to pay. The Associate Clerk should review the status of all old cases and pursue collection of outstanding costs. In addition, the Associate Clerk should establish written procedures for collecting accrued costs. By not adequately monitoring accrued costs, these costs could remain uncollected and might eventually result in lost revenue.

A complete and accurate listing of accrued costs would allow the Associate Circuit Division to more easily review the amounts due to the court and to take appropriate steps to ensure amounts owed are collected on a timely basis.

A condition similar to A was noted in our prior audit.

WE RECOMMEND the Associate Circuit Division:

- A. Segregate the duties of handling, recording, distributing, and reconciling cash. If segregation of duties is not possible, at a minimum, an independent review of the receipts and deposits and monthly bank reconciliations should be performed and documented.
- B. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed through the applicable statutory provisions. In addition, procedures to routinely review and reissue any old outstanding checks should be adopted. Furthermore, employees should attempt to identify the unidentified balances. Any monies remaining unidentified and unclaimed bonds should be disposed of in accordance with state law.
- C. Maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.

AUDITEE'S RESPONSE

The Associate Circuit Judge responded:

- A. *I will review the monthly bank reconciliations.*

- B. *We will send a letter to each payee of outstanding checks and we will request them to come by and collect their money. After six months, all remaining monies will be sent to the State's Unclaimed Property Section.*
- C. *We will hire someone with Interest fund monies to prepare an arrearage list by amount and person by December 2005.*

9. Assessor's Controls and Procedures
--

Receipt slips are not issued for some monies received and transmittals to the County Treasurer, totaling approximately \$3,000 annually, are not made intact. Receipt slips are not issued for some cash receipts which are placed into the petty cash fund. In March 2004, \$238 was on hand. Because these cash receipts are not recorded and transmitted to the County Treasurer, there is less assurance that all monies received are properly accounted for. In addition, employees are allowed to cash personal checks from the official receipts. Furthermore, checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied by the County Treasurer when the monies are transmitted.

Prenumbered receipt slips should be issued for all monies received, and personal checks should not be cashed out of receipts, to ensure monies are properly accounted for and transmitted intact. If a petty cash fund is necessary, it should be maintained at a constant amount and replenished by requesting a check from the Assessment Fund. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Assessor issue prenumbered receipt slips for all monies received and reconcile the composition of the receipts to transmittals to the County Treasurer. If a petty cash fund is needed, it should be maintained at a constant amount. In addition, the Assessor should discontinue the practice of cashing personal checks for employees. Furthermore, checks and money orders should be restrictively endorsed immediately upon receipt.

AUDITEE'S RESPONSE

We have already implemented this recommendation. I was not aware these procedures needed to be followed until the current audit.

10. Senate Bill 40 Board

The budgets filed by the Senate Bill 40 Board for 2004 and 2002 were incomplete and no budget was prepared for 2003. In addition, actual expenditures exceeded budgeted in 2002 and contracts were not entered into with the not-for-profit (NFP) organization the board provides funding to.

- A. While budgets were prepared for 2004 and 2002, no actual amounts for the previous two years were reported, and a cash reconciliation and budget summary were not included. The Board did not prepare a budget at all for 2003. The Treasurer for the board indicated they had not obtained the budget forms from the County Clerk and were thus unaware of all the various components of a budget. In addition, actual expenditures exceeded budgeted amounts by \$27,654 for 2002.

Chapter 50, RSMo 2000, requires preparation of an annual budget for all funds to present a complete financial plan for the ensuing year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditure estimates by classification, and include the beginning available resources and reasonable estimates of the ending available resources for all funds. The budget should also include a budget message.

It was ruled in *State ex rel. Strong v. Cribb* 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. 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, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.662, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- B. Payments to an NFP organization in 2003 and 2002 totaled \$220,773 and \$49,500 respectively. There was no contract or agreement signed between the parties indicating what services are to be provided by the NFP and the amount of funding the Senate Bill 40 Board would provide. Disbursements to the NFP were made by the board based on verbal, rather than written, requests.

Written contracts are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to provide protection to all parties. In addition, without a contract or proper written documentation the Senate Bill 40 Board lacks adequate assurance that funds are being spent on their specific purpose of providing services to residents of Bates County.

WE RECOMMEND the Senate Bill 40 Board:

- A. Prepare budgets as required by state law and ensure expenditures do not exceed budgeted amounts. If additional expenditures are necessary, the budget should be amended and the circumstances adequately documented.

- B. Enter into a written contract with the NFP providing services which details the responsibilities of each party involved.

AUDITEE'S RESPONSE

The Senate Bill 40 Board responded:

- A. *We agree and will ensure the 2005 budget meets the requirements of the law.*
- B. *We agree and will enter into a contract for future payments to the NFP organization.*

11. Capital Assets

Physical inventories of county owned capital assets have not been conducted on an annual basis. The last physical inventory was conducted in April 1998. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. The Assessor, Recorder of Deeds and the Road and Bridge Department are the only offices which have filed annual inventories with the County Clerk since 1999.

Adequate capital asset records are necessary to secure better internal control over capital assets, meet statutory requirements, and to provide a basis for determining proper insurance coverage required on county property.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

WE RECOMMEND the County Commission establish a written policy related to handling and accounting for capital assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for handling of asset disposition, and any other concerns associated with county property.

AUDITEE'S RESPONSE

We agree and will have a written policy in place by January 1, 2005.

Follow-Up on Prior Audit Findings

BATES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Bates County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1999.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Prosecuting Attorney's Controls and Procedures

- A. The following concerns were noted with the deferred prosecution fees and petty cash fund:
 - 1) No legal authority for the deferred prosecution fee could be provided.
 - 2) Receipt slips were not issued for deferred prosecution fees received.
 - 3) The deferred prosecution fees received were not turned over to the county treasury as accountable fees; rather, they were used to purchase soda, coffee and snacks for office employees.

- B. The following concerns were noted with the Prosecuting Attorney Bad Check Fund:
 - 1) The Prosecuting Attorney had custody of the Prosecuting Attorney Bad Check Fund.
 - 2) The Prosecuting Attorney authorized payments of bonuses to his employees. These payments were not included in the county payroll records, were not subject to the proper withholdings, and were not reported on the employees' W-2 forms.
 - 3) Premiums for a professional liability policy were paid from the Prosecuting Attorney Bad Check Fund.
 - 4) The Prosecuting Attorney was reimbursed for expenses that were in excess of the amounts allowed by the county's travel expense policy.

- C. Monthly listings of open items were not reconciled to the cash balance for the restitution account and interest earned on this account was not turned over to the county treasury.

- D. Monies were paid out as restitution to individuals other than those the money was collected on behalf of.
- E. The Prosecuting Attorney had custody of the Prosecuting Attorney's Federal Forfeiture account.

Recommendation:

The Prosecuting Attorney:

- A. Discontinue collecting deferred prosecution fees until legal authority for such a fee is established. If the authority to collect this fee is established, prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips issued should be accounted for properly. In addition, any petty cash funds on hand should be turned over to the county treasury and all fees received should either be turned over to the county treasury as received or deposited intact into the prosecuting attorney's official bank account and then subsequently turned over to the county treasury.

If a petty cash fund is maintained, it should be funded by the county and a log of petty cash fund transactions, including invoices for expenditures, should be maintained to properly document the financial activity of the fund. In addition, the Prosecuting Attorney should ensure all future expenditures represent a prudent use of public funds.

- B.1. Turn over custody of the Prosecuting Attorney Bad Check Fund to the County Treasurer.
 - 2. Discontinue the practice of paying employee bonuses.
 - 3. Reimburse the Prosecuting Attorney Bad Check Fund for the amount of premiums paid for insurance for the Prosecuting Attorney's private practice.
 - 4. Ensure any travel expenses claimed for reimbursement are necessary, reasonable, and in accordance with the county's travel policy.
- C. Prepare monthly listings of open items and reconcile the listings to the cash balances. Interest earned monthly, along with any accumulated interest, should be turned over to the County Treasurer.
- D. Disburse unidentified monies in accordance with the state law.
- E. Turn over custody of the Federal Forfeiture account to the County Treasurer to be placed in a separate fund.

Status:

A,
B.1&2,
D&E. Not implemented. See MAR finding number 2.

B.3. Not implemented. During 2003, approximately \$1,129 was spent for liability insurance premium for a policy from the Prosecuting Attorney Bad Check Fund. The Prosecuting Attorney indicated this policy was to cover his duties as Prosecuting Attorney, which he estimated as taking up 95% of his time. The county also pays for liability insurance coverage for its employees. However, the County Clerk is not sure what is covered by the policy. The county needs to review the overall coverage of its liability insurance. Although not repeated in the current MAR, our recommendation remains as stated above.

B.4. Not implemented. There was approximately \$142 reimbursed to the Prosecutor in excess of the amounts allowed by the county's travel expense policy of \$21 per day for meals. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Implemented.

2. Budgetary Practices and Published Financial Statements

A. Formal budgets were not prepared for some county funds for the years ended December 31, 1999, and 1998.

B. The annual published financial statements of the county did not include the financial activity of some county funds as required.

Recommendation:

The County Commission:

A. Ensure budgets are prepared for all county funds in accordance with state law.

B. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

A&B. Not implemented. Although not repeated in the current MAR, our recommendations remain as stated above.

3. Sheriff's Policies and Procedures

- A. The Sheriff's department housed prisoners for other counties and cities in the county jail. No written agreements existed with any of these entities for these services.
- B. The Sheriff had not established a written policy to govern the operation of the prisoner work release program.

Recommendation:

The Sheriff:

- A. Obtain written agreements for boarding prisoners to and for other entities.
- B. Establish policies and procedures to govern the prisoner work release program.

Status:

- A. Not implemented. See MAR finding number 1.
- B. Implemented.

4. Associate Circuit Division Records and Controls

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. The Associate Circuit Division Clerk maintained three bank accounts: one for civil case fees, one for current criminal costs, fines, and bonds, and a third for old criminal cases and bonds. Monthly listings of open items were not being generated for the old bond account. In addition, the December 1999 current criminal and civil open items listings were not accurate.

Recommendation:

The Associate Circuit Division:

- A. Segregate the duties of handling, recording, distributing, and reconciling cash. If segregation of duties is not possible, at a minimum, an independent review of the receipts and deposits and monthly bank reconciliations should be performed and documented.
- B. Prepare monthly open items listings for all cash accounts and reconcile to the monthly cash records. The Division should determine reasons for all unidentified cash balances or shortages, make adjustments to the accounting records for identified differences, and investigate fluctuations in the unidentified balances in a timely

manner. Any monies remaining unidentified should be disposed of in accordance with the unclaimed property statutes. In addition, the Division should pursue collection of costs accrued on old cases. If collection of such costs cannot be made, monies held by the division should be distributed on a pro-rata basis.

Status:

Not implemented. See MAR finding number 8.

5. Health Center Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. Receipt slips were not always issued for monies received.
- C. An annual inventory of all general fixed assets, and a quarterly inspection of all lands and buildings was not conducted. In addition, property records had not been updated since June 1999 and an acquisition date was not noted in the property records.

Recommendation:

The Health Center Board:

- A. Segregate the duties of handling, recording, distributing, and reconciling cash. If segregation of duties is not possible, at a minimum, an independent review of receipts and deposits and monthly bank reconciliations should be performed and documented.
- B. Issue receipt slips for all monies received and account for the numerical sequence of all receipt slips issued.
- C. Perform and document annual inventories of Health Center owned property and update the fixed asset records for unrecorded property additions and dispositions.

Status:

A&C. Implemented.

B. Not implemented. See MAR finding number 7.

STATISTICAL SECTION

History, Organization, and
Statistical Information

BATES COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Bates was named after Frederick Bates, second governor of Missouri. Bates County is a township-organized, third-class county and is part of the Twenty-Seventh Judicial Circuit. The county seat is Butler.

Bates County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 200 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain approximately 965 miles of county roads.

The county's population was 15,873 in 1980 and 16,653 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2003	2002	2001	2000	1985*	1980**
		(in millions)					
Real estate	\$	100.4	94.6	91.5	86.5	67.3	30.2
Personal property		42.9	42.7	40.8	40.0	21.4	13.9
Railroad and utilities		16.9	17.2	19.6	21.2	12.2	10.5
Total	\$	160.2	154.5	151.9	147.7	100.9	54.6

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Bates County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2003	2002	2001	2000
General Revenue Fund	\$	0.2607	0.2619	0.2604	0.2604
Health Center Fund		0.0802	0.0806	0.0801	0.0801
Senate Bill 40 Board Fund		0.0697	0.0700	0.0700	0.0700

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2004	2003	2002	2001
State of Missouri	\$ 48,642	45,877	45,122	43,895
General Revenue Fund	427,321	406,911	398,347	380,728
Special Road and Bridge Fund	47,115	46,040	44,855	43,935
Assessment Fund	92,874	86,484	71,522	69,091
Health Center Fund	128,539	121,815	119,226	115,922
Senate Bill 40 Board Fund	111,729	105,857	104,581	100,581
School districts	6,028,299	5,625,256	5,519,917	5,288,947
Special road districts	8,686	8,156	8,468	8,264
Township	142,400	135,174	132,226	128,427
Township Road and Bridge	492,841	478,134	466,459	451,224
Tax Maintenance Fund	14,485	3,010	0	0
Surtax	58,128	55,568	58,707	57,461
Cities	14,460	14,267	17,707	16,681
Tax Sale Surplus Fund	4,420	7,113	919	29
County Clerk	1,649	1,635	1,568	1,667
County Employees' Retirement	46,126	40,836	34,141	33,081
Commissions and fees:				
General Revenue Fund	63,083	55,195	56,005	62,424
Township Commissions	67,143	62,690	61,113	58,850
Total	\$ 7,797,940	7,300,018	7,140,883	6,861,207

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2003	2002	2001	2000	
Real estate	91.7	92.5	92.7	92.7	%
Personal property	84.4	88.2	88.7	87.5	
Railroad and utilities	100.0	97.4	98.6	100.0	

Bates County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
Law Enforcement	\$.0050	None	None	%
Capital Improvements	.0050	2017	None	
Use Tax	.0100	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2004	2003	2002	2001	2000
County-Paid Officials:	\$				
Everett Cummings, Presiding Commissioner		28,730			
Terry Wheatley, Presiding Commissioner			28,400	28,400	28,400
Randy W. Pike, Associate Commissioner		26,730	26,400	26,400	
Gloria Pyeatt, Associate Commissioner					26,400
Bob Wingate, Associate Commissioner		26,730	26,400	26,400	
Everett Cummings, Associate Commissioner					26,400
Lucille Mundy, Recorder of Deeds		40,500	40,000	40,000	40,000
Marlene Wainscott, County Clerk		40,500	40,000	40,000	40,000
Hugh Jenkins, Prosecuting Attorney		48,000	47,000	47,000	47,000
Duane Diehl, Sheriff		44,500	44,000	44,000	36,000
Gary Schowengerdt, County Coroner		12,500	12,000	12,000	6,500
June Cumpton, Public Administrator (1)		20,000	20,000	22,500	48,307
James Platt, Treasurer and Ex Officio County Collector, year ended March 31,	40,750	40,000	40,000	34,648	
Roger Pruden, County Assessor (2), year ended August 31,		41,067	40,900	40,900	40,900
W.C. Lethcho, County Surveyor		18,600	18,600	18,600	18,600

(1) Effective January 2001, the Public Administrator elected to change from a fee basis to a salary basis.

(2) Includes \$900 annual compensation received from the state.

State-Paid Officials:

Diane Rich, Circuit Clerk	47,300	47,300	47,300	46,127
John M. O'Bannon, Associate Circuit Judge	96,000	96,000	96,000	97,232

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, 2003 was \$5,495,000 and \$2,213,135, respectively. The Certificates of Participation are anticipated to be paid with the revenue generated from the capital improvement sales tax which was passed on November 6, 2001.