



THOMAS A. SCHWEICH
Missouri State Auditor

To the County Commission
and
Officeholders of Bates County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Bates County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

August 2012
Report No. 2012-87

ANNUAL FINANCIAL REPORT

BATES COUNTY, MISSOURI

For the Years Ended
December 31, 2011 and 2010

BATES COUNTY, MISSOURI

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INTRODUCTORY SECTION

BATES COUNTY, MISSOURI
List of Elected Officials

County Commission

Presiding Commissioner – Donna Gregory

Associate Commissioner – Randy Pike

Associate Commissioner – Larry Berry

Other Elected Officials

Assessor – Roger Pruden

Circuit Clerk – Diana Rich

Collector/Treasurer – James Platt

Coroner – Gary Schowengerdt

County Clerk – Marlene Wainscott

Prosecuting Attorney – Hugh Jenkins

Public Administrator – Sharon Cumpton

Recorder – Lucille Munday

Sheriff – Chad Anderson

FINANCIAL SECTION

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Bates County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Bates County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Bates County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 18, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bates County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Original Signed by Auditor)

McBride, Lock & Associates
May 18, 2012

BATES COUNTY, MISSOURI
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
 YEARS ENDED DECEMBER 31, 2010 AND 2011

Fund	Cash and Cash Equivalents			Cash and Cash Equivalents			Cash and Cash Equivalents		
	January 1, 2010	Receipts 2010	Disbursements 2010	December 31, 2010	Receipts 2011	Disbursements 2011	December 31, 2011		
General Revenue	\$ 679,300	\$ 1,073,070	\$ 935,085	\$ 817,285	\$ 1,118,177	\$ 1,002,159	\$ 933,303		
Special Road & Bridge	227,081	1,047,043	1,046,171	227,953	1,272,638	1,298,337	202,254		
Assessment	123,961	232,137	207,205	148,893	229,905	211,849	166,949		
Law Enforcement Sales Tax	262,298	2,759,729	2,733,670	288,357	2,795,157	2,757,707	325,807		
Recorder's Users Fee	29,633	8,086	16,936	20,783	6,361	16,646	10,498		
Prosecuting Attorney Training	1,769	1,109	130	2,748	1,014	95	3,667		
Law Officer Training	4,858	6,510	5,486	5,882	4,037	9,970	(51)		
Families in Crisis	364	678	671	371	705	677	399		
Local Emergency Planning Committee	10,556	1,246	4,227	7,575	8,536	4,994	11,117		
Sheriff's Civil Fees	27,859	26,879	29,538	25,200	26,451	22,137	29,514		
Sheriff's Revolving	9,823	5,671	3,696	11,798	6,846	8,758	9,886		
Election Services	21,171	29,167	17,291	33,047	6,276	3,050	36,273		
Recorder's Technology	21,794	6,868	15,031	13,631	8,827	7,167	15,291		
Jail Bond	1,495,446	3,372,051	4,380,527	486,970	603,278	471,779	618,469		
Tax Maintenance	29,563	25,487	8,263	46,787	25,054	13,171	58,670		
Prosecuting Attorney	11,314	1,130	345	12,099	341	7,914	4,526		
Deputy Wage Supplement	715	8,013	7,458	1,270	7,320	6,890	1,700		
C.S.I. Fund	-	48,975	51,404	(2,429)	38,729	34,869	1,431		
Local Solicitation Fund	-	12,948	11,989	959	-	857	102		
JAG Fund	-	66,436	74,163	(7,727)	41,888	34,161	-		
Drug Task Force Fund	-	6,247	4,257	1,990	24,988	26,978	-		
Senate Bill 40	35,944	125,133	122,558	38,519	139,504	132,000	46,023		
Prosecuting Attorney Bad Check Fund	284	-	-	284	-	-	284		
Total	\$ 2,993,733	\$ 8,864,613	\$ 9,676,101	\$ 2,182,245	\$ 6,366,032	\$ 6,072,165	\$ 2,476,112		

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

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

	GENERAL REVENUE FUND			
	Year Ended December 31,			
	2010		2011	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 518,200	\$ 501,568	\$ 501,100	\$ 512,251
Sales taxes	-	378	-	201
Intergovernmental	51,300	39,528	57,850	36,469
Charges for services	463,000	451,891	451,800	464,730
Interest	25,000	23,041	23,000	17,582
Other	63,800	56,664	31,475	86,944
Transfers in	-	-	-	-
Total Receipts	<u>\$ 1,121,300</u>	<u>\$ 1,073,070</u>	<u>\$ 1,065,225</u>	<u>\$ 1,118,177</u>
DISBURSEMENTS				
County Commission	\$ 104,280	\$ 98,813	\$ 105,530	\$ 102,457
County Clerk	80,975	69,232	94,950	74,408
Elections	123,700	102,188	84,950	44,260
Buildings and grounds	311,950	94,377	305,100	157,955
Employee fringe benefits	117,000	97,508	119,000	97,686
Treasurer	127,040	102,137	131,900	106,694
Recorder of Deeds	88,244	81,148	82,144	80,399
Circuit Court	24,800	10,610	21,700	26,501
Court administration	38,927	13,434	36,674	16,054
Public Administrator	52,700	48,863	62,600	56,752
Emergency Management	136,250	63,420	128,250	92,962
Other County Government	200,750	150,355	224,700	143,031
Public Health/Welfare	3,000	3,000	3,000	3,000
Emergency fund	25,000	-	25,000	-
Total Disbursements	<u>\$ 1,434,616</u>	<u>\$ 935,085</u>	<u>\$ 1,425,498</u>	<u>\$ 1,002,159</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (313,316)	\$ 137,985	\$ (360,273)	\$ 116,018
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>679,300</u>	<u>679,300</u>	<u>817,285</u>	<u>817,285</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 365,984</u>	<u>\$ 817,285</u>	<u>\$ 457,012</u>	<u>\$ 933,303</u>

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

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

	SPECIAL ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 50,000	\$ 53,984	\$ 50,000	\$ 54,173	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,421,000	962,481	1,665,760	1,190,586	243,300	213,712	221,456	213,544
Charges for services	-	-	-	-	1,900	1,849	1,850	7,275
Interest	11,000	6,717	6,500	4,773	6,000	4,231	4,000	3,331
Other	16,300	23,861	10,300	23,106	7,650	12,345	12,280	5,755
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,498,300</u>	<u>\$ 1,047,043</u>	<u>\$ 1,732,560</u>	<u>\$ 1,272,638</u>	<u>\$ 258,850</u>	<u>\$ 232,137</u>	<u>\$ 239,586</u>	<u>\$ 229,905</u>
DISBURSEMENTS								
Salaries	\$ 234,148	\$ 219,306	\$ 237,500	231,823	\$ 137,000	\$ 135,473	\$ 141,350	\$ 137,780
Employee fringe benefits	68,500	68,731	70,500	65,532	44,400	41,294	46,445	39,961
Materials and supplies	4,400	4,318	4,200	2,852	18,250	9,525	17,300	13,065
Services and Other	329,250	369,894	326,950	298,640	32,050	20,913	29,250	21,043
Capital Outlay	170,900	94,244	136,900	139,252	-	-	-	-
Construction	905,000	289,678	1,127,000	560,238	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,712,198</u>	<u>\$ 1,046,171</u>	<u>\$ 1,903,050</u>	<u>\$ 1,298,337</u>	<u>\$ 231,700</u>	<u>\$ 207,205</u>	<u>\$ 234,345</u>	<u>\$ 211,849</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (213,898)	\$ 872	\$ (170,490)	\$ (25,699)	\$ 27,150	\$ 24,932	\$ 5,241	\$ 18,056
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>227,081</u>	<u>227,081</u>	<u>227,953</u>	<u>227,953</u>	<u>123,961</u>	<u>123,961</u>	<u>148,893</u>	<u>148,893</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 13,183</u>	<u>\$ 227,953</u>	<u>\$ 57,463</u>	<u>\$ 202,254</u>	<u>\$ 151,111</u>	<u>\$ 148,893</u>	<u>\$ 154,134</u>	<u>\$ 166,949</u>

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

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

	LAW ENFORCEMENT SALES TAX FUND				RECORDER'S USERS FEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	650,000	635,227	640,000	698,558	-	-	-	-
Intergovernmental	197,500	183,836	193,000	153,913	-	-	-	-
Charges for services	1,893,000	1,840,124	1,974,250	1,840,325	6,500	7,606	7,000	6,173
Interest	7,500	6,913	7,500	3,760	1,000	480	500	188
Other	110,575	93,629	102,115	98,601	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,858,575</u>	<u>\$ 2,759,729</u>	<u>\$ 2,916,865</u>	<u>\$ 2,795,157</u>	<u>\$ 7,500</u>	<u>\$ 8,086</u>	<u>\$ 7,500</u>	<u>\$ 6,361</u>
DISBURSEMENTS								
Salaries	\$ 1,357,144	\$ 1,245,201	\$ 1,349,726	\$ 1,242,658	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	340,400	348,076	343,000	347,043	-	-	-	-
Materials and supplies	528,016	397,252	506,483	387,360	28,700	16,936	25,700	16,646
Services and other	856,453	743,141	951,695	780,646	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,082,013</u>	<u>\$ 2,733,670</u>	<u>\$ 3,150,904</u>	<u>\$ 2,757,707</u>	<u>\$ 28,700</u>	<u>\$ 16,936</u>	<u>\$ 25,700</u>	<u>\$ 16,646</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (223,438)	\$ 26,059	\$ (234,039)	\$ 37,450	\$ (21,200)	\$ (8,850)	\$ (18,200)	\$ (10,285)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>262,298</u>	<u>262,298</u>	<u>288,357</u>	<u>288,357</u>	<u>29,633</u>	<u>29,633</u>	<u>20,783</u>	<u>20,783</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 38,860</u>	<u>\$ 288,357</u>	<u>\$ 54,318</u>	<u>\$ 325,807</u>	<u>\$ 8,433</u>	<u>\$ 20,783</u>	<u>\$ 2,583</u>	<u>\$ 10,498</u>

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

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

	PROSECUTING ATTORNEY TRAINING FUND				LAW OFFICER TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,400	2,033	2,000	-
Charges for services	1,200	1,109	1,200	1,014	5,000	4,375	4,500	3,985
Interest	-	-	-	-	50	102	100	52
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 1,200	\$ 1,109	\$ 1,200	\$ 1,014	\$ 7,450	\$ 6,510	\$ 6,600	\$ 4,037
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	500	130	550	-	4,500	4,613	4,000	4,001
Services and other	1,300	-	1,100	95	6,500	873	6,500	5,969
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 1,800	\$ 130	\$ 1,650	\$ 95	\$ 11,000	\$ 5,486	\$ 10,500	\$ 9,970
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (600)	\$ 979	\$ (450)	\$ 919	\$ (3,550)	\$ 1,024	\$ (3,900)	\$ (5,933)
CASH AND CASH EQUIVALENTS, JANUARY 1	1,769	1,769	2,748	2,748	4,858	4,858	5,882	5,882
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,169	\$ 2,748	\$ 2,298	\$ 3,667	\$ 1,308	\$ 5,882	\$ 1,982	\$ (51)

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

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

	FAMILIES IN CRISIS				LOCAL EMERGENCY PLANNING COMMITTEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	750	678	675	705	5,500	1,000	-	8,406
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	246	-	130
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 750</u>	<u>\$ 678</u>	<u>\$ 675</u>	<u>\$ 705</u>	<u>\$ 5,500</u>	<u>\$ 1,246</u>	<u>\$ -</u>	<u>\$ 8,536</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	1,000	671	1,000	677	14,000	4,227	7,000	4,994
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,000</u>	<u>\$ 671</u>	<u>\$ 1,000</u>	<u>\$ 677</u>	<u>\$ 14,000</u>	<u>\$ 4,227</u>	<u>\$ 7,000</u>	<u>\$ 4,994</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (250)	\$ 7	\$ (325)	\$ 28	\$ (8,500)	\$ (2,981)	\$ (7,000)	\$ 3,542
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>364</u>	<u>364</u>	<u>371</u>	<u>371</u>	<u>10,556</u>	<u>10,556</u>	<u>7,575</u>	<u>7,575</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 114</u>	<u>\$ 371</u>	<u>\$ 46</u>	<u>\$ 399</u>	<u>\$ 2,056</u>	<u>\$ 7,575</u>	<u>\$ 575</u>	<u>\$ 11,117</u>

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

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

	SHERIFF'S CIVIL FEES FUND				SHERIFF'S REVOLVING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	40,000	26,204	30,000	26,055	10,000	5,425	5,600	6,650
Charges for services	-	-	-	-	-	-	-	-
Interest	700	675	600	396	400	246	250	196
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 40,700</u>	<u>\$ 26,879</u>	<u>\$ 30,600</u>	<u>\$ 26,451</u>	<u>\$ 10,400</u>	<u>\$ 5,671</u>	<u>\$ 5,850</u>	<u>\$ 6,846</u>
DISBURSEMENTS								
Salaries	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	50,000	29,538	40,000	22,137	18,000	3,696	10,000	8,758
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 50,000</u>	<u>\$ 29,538</u>	<u>\$ 40,000</u>	<u>\$ 22,137</u>	<u>\$ 18,000</u>	<u>\$ 3,696</u>	<u>\$ 10,000</u>	<u>\$ 8,758</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (9,300)	\$ (2,659)	\$ (9,400)	\$ 4,314	\$ (7,600)	\$ 1,975	\$ (4,150)	\$ (1,912)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>27,859</u>	<u>27,859</u>	<u>25,200</u>	<u>25,200</u>	<u>9,823</u>	<u>9,823</u>	<u>11,798</u>	<u>11,798</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 18,559</u>	<u>\$ 25,200</u>	<u>\$ 15,800</u>	<u>\$ 29,514</u>	<u>\$ 2,223</u>	<u>\$ 11,798</u>	<u>\$ 7,648</u>	<u>\$ 9,886</u>

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

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

	ELECTION SERVICES FUND				RECORDER'S TECHNOLOGY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	10,000	28,560	4,500	5,772	5,000	6,455	5,600	8,610
Charges for services	-	-	-	-	-	-	-	-
Interest	750	607	600	504	700	413	400	217
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 10,750</u>	<u>\$ 29,167</u>	<u>\$ 5,100</u>	<u>\$ 6,276</u>	<u>\$ 5,700</u>	<u>\$ 6,868</u>	<u>\$ 6,000</u>	<u>\$ 8,827</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	10,000	17,291	10,000	3,050	21,000	15,031	15,000	7,167
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 17,291</u>	<u>\$ 10,000</u>	<u>\$ 3,050</u>	<u>\$ 21,000</u>	<u>\$ 15,031</u>	<u>\$ 15,000</u>	<u>\$ 7,167</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 750	\$ 11,876	\$ (4,900)	\$ 3,226	\$ (15,300)	\$ (8,163)	\$ (9,000)	\$ 1,660
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>21,171</u>	<u>21,171</u>	<u>33,047</u>	<u>33,047</u>	<u>21,794</u>	<u>21,794</u>	<u>13,631</u>	<u>13,631</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 21,921</u></u>	<u><u>\$ 33,047</u></u>	<u><u>\$ 28,147</u></u>	<u><u>\$ 36,273</u></u>	<u><u>\$ 6,494</u></u>	<u><u>\$ 13,631</u></u>	<u><u>\$ 4,631</u></u>	<u><u>\$ 15,291</u></u>

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

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

	JAIL BOND FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	535,000	587,326	588,000	562,693	-	-	-	-
Intergovernmental	-	-	-	-	23,000	24,586	24,000	24,275
Charges for services	-	-	-	-	1,000	901	1,000	779
Interest	-	15	-	1,540	-	-	-	-
Other	-	-	-	39,045	-	-	-	-
Proceeds from Refunding Certificates of Participation	-	2,784,710	-	-	-	-	-	-
Total Receipts	<u>\$ 535,000</u>	<u>\$ 3,372,051</u>	<u>\$ 588,000</u>	<u>\$ 603,278</u>	<u>\$ 24,000</u>	<u>\$ 25,487</u>	<u>\$ 25,000</u>	<u>\$ 25,054</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	535,000	-	588,000	38,264	49,500	8,263	65,000	13,171
Principal Payments - Certificates of Participations	-	4,190,000	-	370,000	-	-	-	-
Interest	-	170,485	-	62,574	-	-	-	-
Trust Management / Debt Issuance Costs	-	20,042	-	941	-	-	-	-
Total Disbursements	<u>\$ 535,000</u>	<u>\$ 4,380,527</u>	<u>\$ 588,000</u>	<u>\$ 471,779</u>	<u>\$ 49,500</u>	<u>\$ 8,263</u>	<u>\$ 65,000</u>	<u>\$ 13,171</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ (1,008,476)	\$ -	\$ 131,499	\$ (25,500)	\$ 17,224	\$ (40,000)	\$ 11,883
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,495,446</u>	<u>1,495,446</u>	<u>486,970</u>	<u>486,970</u>	<u>29,563</u>	<u>29,563</u>	<u>46,787</u>	<u>46,787</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 1,495,446</u>	<u>\$ 486,970</u>	<u>\$ 486,970</u>	<u>\$ 618,469</u>	<u>\$ 4,063</u>	<u>\$ 46,787</u>	<u>\$ 6,787</u>	<u>\$ 58,670</u>

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

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

	PROSECUTING ATTORNEY FUND				DEPUTY WAGE SUPPLEMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,500	823	1,000	119	8,000	8,013	8,000	7,320
Charges for services	-	-	-	-	-	-	-	-
Interest	500	307	300	222	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,000</u>	<u>\$ 1,130</u>	<u>\$ 1,300</u>	<u>\$ 341</u>	<u>\$ 8,000</u>	<u>\$ 8,013</u>	<u>\$ 8,000</u>	<u>\$ 7,320</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	345	-	7,914	8,000	7,458	8,000	6,890
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 345</u>	<u>\$ -</u>	<u>\$ 7,914</u>	<u>\$ 8,000</u>	<u>\$ 7,458</u>	<u>\$ 8,000</u>	<u>\$ 6,890</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3,000	\$ 785	\$ 1,300	\$ (7,573)	\$ -	\$ 555	\$ -	\$ 430
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>11,314</u>	<u>11,314</u>	<u>12,099</u>	<u>12,099</u>	<u>715</u>	<u>715</u>	<u>1,270</u>	<u>1,270</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 14,314</u></u>	<u><u>\$ 12,099</u></u>	<u><u>\$ 13,399</u></u>	<u><u>\$ 4,526</u></u>	<u><u>\$ 715</u></u>	<u><u>\$ 1,270</u></u>	<u><u>\$ 1,270</u></u>	<u><u>\$ 1,700</u></u>

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

	C.S.I. FUND				LOCAL SOLICITATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	87,041	48,975	40,081	38,729	12,965	12,948	17	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 87,041</u>	<u>\$ 48,975</u>	<u>\$ 40,081</u>	<u>\$ 38,729</u>	<u>\$ 12,965</u>	<u>\$ 12,948</u>	<u>\$ 17</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ 18,352	\$ 19,198	\$ 22,321	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	4,649	7,094	5,940	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	87,041	28,403	9,038	6,608	12,965	11,989	970	857
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 87,041</u>	<u>\$ 51,404</u>	<u>\$ 35,330</u>	<u>\$ 34,869</u>	<u>\$ 12,965</u>	<u>\$ 11,989</u>	<u>\$ 970</u>	<u>\$ 857</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (2,429)	\$ 4,751	\$ 3,860	\$ -	\$ 959	\$ (953)	\$ (857)
CASH AND CASH EQUIVALENTS, JANUARY 1	-	-	(2,429)	(2,429)	-	-	959	959
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ (2,429)</u>	<u>\$ 2,322</u>	<u>\$ 1,431</u>	<u>\$ -</u>	<u>\$ 959</u>	<u>\$ 6</u>	<u>\$ 102</u>

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

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

	JAG FUND				DRUG TASK FORCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	66,436	147,000	41,888	-	6,247	51,000	24,988
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 66,436</u>	<u>\$ 147,000</u>	<u>\$ 41,888</u>	<u>\$ -</u>	<u>\$ 6,247</u>	<u>\$ 51,000</u>	<u>\$ 24,988</u>
DISBURSEMENTS								
Salaries	\$ -	\$ 21,358	\$ 88,000	\$ 19,825	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	5,428	11,100	2,023	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	47,377	39,200	12,313	-	4,257	50,710	26,978
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 74,163</u>	<u>\$ 138,300</u>	<u>\$ 34,161</u>	<u>\$ -</u>	<u>\$ 4,257</u>	<u>\$ 50,710</u>	<u>\$ 26,978</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ (7,727)	\$ 8,700	\$ 7,727	\$ -	\$ 1,990	\$ 290	\$ (1,990)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>-</u>	<u>-</u>	<u>(7,727)</u>	<u>(7,727)</u>	<u>-</u>	<u>-</u>	<u>1,990</u>	<u>1,990</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ (7,727)</u></u>	<u><u>\$ 973</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,990</u></u>	<u><u>\$ 2,280</u></u>	<u><u>\$ -</u></u>

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

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

	SENATE BILL 40 FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property Taxes	\$ 132,000	\$ 124,390	\$ 125,250	\$ 125,336	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	1,000	743	750	347	-	-	-	-
Other	-	-	-	13,821	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 133,000</u>	<u>\$ 125,133</u>	<u>\$ 126,000</u>	<u>\$ 139,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	166,500	122,558	162,000	132,000	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 166,500</u>	<u>\$ 122,558</u>	<u>\$ 162,000</u>	<u>\$ 132,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (33,500)	\$ 2,575	\$ (36,000)	\$ 7,504	\$ -	\$ -	\$ -	\$ -
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>35,944</u>	<u>35,944</u>	<u>38,519</u>	<u>38,519</u>	<u>284</u>	<u>284</u>	<u>284</u>	<u>284</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 2,444</u>	<u>\$ 38,519</u>	<u>\$ 2,519</u>	<u>\$ 46,023</u>	<u>\$ 284</u>	<u>\$ 284</u>	<u>\$ 284</u>	<u>\$ 284</u>

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

BATES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

The financial statements referred to above include the primary government of Bates County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered to comprise the County’s legal entity.

Certain elected County officials, particularly the County Collector/Treasurer, Circuit Clerk and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County’s funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County’s expendable financial resources are accounted for through governmental funds.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.

9. Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the following funds:

<u>Fund</u>	<u>2011</u>	<u>2010</u>
JAG Fund	N/A	X
Drug Task Force Fund	N/A	X

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

	<u>2011</u>	<u>2010</u>
Election Services Fund	N/A	X
Jail Bond Fund	N/A	X
Prosecuting Attorney Fund	X	X

Also, because a budget was not adopted for the JAG Fund and the Drug Task Force Fund as noted in Note 1.D.9, expenditures in those funds exceeded budgetary authority to the extent that a budget was not adopted.

11. Chapter 50.610 and Chapter 50.740, RSMo require that counties prepare budgets that balance proposed expenditures with estimated revenues and other sources of financial resources. Accordingly, counties are not authorized to have deficit fund balances. The following funds have deficit fund balances:

	<u>2011</u>	<u>2010</u>
Law Officer Training	X	N/A
C.S.I. Fund	N/A	X
JAG Fund	N/A	X

E. Property Taxes

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to tax payers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2011 and 2010 for purposes of taxation was:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 125,720,204	\$124,210,426
Personal Property	42,070,501	42,060,880
Railroad and Utilities	18,523,091	17,061,037

During 2011 and 2010 the County Commission Approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2011 and 2010 for purposes of county taxation as follows:

	<u>2011</u>	<u>2010</u>
General Revenue	0.2711	0.2711
Senate Bill 40	0.0700	0.0700

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption. Cash and cash equivalents include both deposits and short-term investments. Investments are considered short-term when original maturities are less than three months. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions, and short-term U.S. Treasury bills.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and

2010, the carrying amounts of the County's deposits were \$2,476,112 and \$2,182,245, respectively, and the bank balances were \$2,199,627 and \$2,161,453, respectively. Of the bank balances, \$335,706 and \$296,542 at December 31, 2011 and December 31, 2010, respectively, were covered by federal depository insurance, and the remainder was covered by collateral held at the County's safekeeping bank agent in the County's name and by a line of credit held by the County or by its agent in the County's name.

At December 31, 2011 and 2010, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. Tax collections on deposit amounted to \$6,710,049 and \$6,995,672 at December 31, 2011 and 2010, respectively. The County Collector's deposits were covered entirely by collateral held at the County's safekeeping bank agent in the County's name and by a line of credit held by the County or by its agent in the County's name.

3. COUNTY EMPLOYEES' RETIREMENT PLANS

A. County Employees' Retirement Fund (CERF)

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

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

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

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

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

3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF employee contributions of approximately \$174,526 and \$182,763, respectively, for the years then ended.

4. POST EMPLOYMENT BENEFITS

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

5. CLAIMS, COMMITMENT AND CONTINGENCIES

A. Compensated Absences

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

B. Federal and State Assisted Programs

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

6. RISK MANAGEMENT

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

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

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

7. LONG TERM DEBT – CERTIFICATES OF PARTICIPATION

The County originally 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 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 was originally scheduled to be fully paid in 2017.

On August 25, 2010, L.J. Hart and Company acted as the underwriter to refinance the Bates County Series 2002 and Series 2003 certificates. At the time of the refinancing, the outstanding principal and interest due on the lease was \$3,870,000 and \$76,165, respectively. Trust funds on hand totaling \$1,395,881 were used to pay down the debt. The Series 2010 Lease Refunding Certificates of Participation totaled \$2,820,000. The Series 2010 certificates are scheduled to be fully paid in 2017.

At December 31, 2011, the outstanding remaining principal and interest due on the lease was \$2,450,000 and \$189,318, respectively. These Certificates of Participation are to be paid with the revenue generated from the capital improvement sales tax which was passed on November 6, 2001. Interest expense paid on the certificates is presented as debt service on the Jail Bond Fund financial statements, and amounted to \$62,574 and \$170,485 in fiscal years 2011 and 2010, respectively.

The County maintains proceeds from sales tax revenues in a financial institution pursuant to a trust agreement. The balance of approximately \$618,469 at December 31, 2011 was held in Federal Treasury Obligation funds and a certificate of deposit with an independent trustee.

8. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 18, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

COMPLIANCE SECTION

McBRIDE, LOCK & ASSOCIATES

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

To the County Commission and
Officeholders of Bates County, Missouri

We have audited the accompanying financial statements of Bates County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated May 18, 2012. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider item 1 as described in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item 2 as described in the accompany schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bates County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 3 through 5.

We noted certain other matters that we reported to management of Bates County, Missouri in the findings and questioned costs section as items 6 through 8.

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

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

(Original Signed by Auditor)

McBride, Lock & Associates
May 18, 2012

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and
Officeholders of Bates County, Missouri

Compliance

We have audited Bates County, Missouri's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the years ended December 31, 2011 and 2010. The County's major federal program is identified in the summary of auditors results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2011 and 2010.

Internal Control Over Compliance

Management of Bates County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered the County's internal control over compliance with the requirements that could have a direct and

material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

(Original Signed by Auditor)

McBride, Lock & Associates
May 18, 2012

BATES COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31, 2011	2010
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Missouri Department of Economic Development:				
14.228	Community Development Block Grants/State's Program	2008-PF-946	\$ 206,982	\$ -
U.S. DEPARTMENT OF JUSTICE				
Passed through Missouri Department of Public Safety				
16.738	Edward Bryne Memorial Justice Assistance Grant Program	*	34,161	4,257
16.804	ARRA -- Edward Bryne Memorial Justice Assistance Grant Program	2009-JAG-RA-041	26,979	11,989
16.808	ARRA -- Edward Bryne Memorial Competitive Grant Program	2009-SC-B9-0094	34,868	51,404
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through Missouri Highways and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-B007(16)	5,632	37,821
20.205	Highway Planning and Construction	BRO-B007(17)	26,574	-
20.205	Highway Planning and Construction	BRO-B007(18)	282,452	22,793
20.205	Highway Planning and Construction	BRO-B007(19)	67,394	32,294
U.S. ELECTION ASSISTANCE COMMISSION				
Passed through Missouri Office of Secretary of State:				
90.401	Help America Vote Act Requirements Payments	HAVA	3,633	7,496
U. S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Missouri Department of Public Safety:				
97.042	Emergency Management Performance Grants	EMPG	26,769	34,764
Total Expenditures of Federal Awards			<u>\$ 715,444</u>	<u>\$ 202,818</u>

* - The County was unable to provide the Pass-Through Entity Identifying Number. The County was unable to locate the grant agreement for this award. See Federal Finding No. 2011-2

See accompanying Notes to the Schedule of Expenditures of Federal Awards

BATES COUNTY, MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

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

NOTE C – SUBRECIPIENTS

The County provided no federal awards to sub-recipients during the years ended December 31, 2011 and 2010.

BATES COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2011 AND 2010

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

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

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

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

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

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction

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

Auditee Qualified as low-risk: Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

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

1. Internal Control Weaknesses with the County Clerk and County Commission
2. Insufficient Administration of County Employee Benefit
3. Deputy County Clerk's Salary Charged to the Special Road and Bridge Fund
4. Failure to Document Rationale for Not Selecting the Lowest Bid
5. Budgetary Compliance
6. Internal Control Deficiencies Regarding the Payroll Process
7. Record Retention
8. Stale-Dated Outstanding Checks in Treasurer's Main Bank Account

Summary Schedule of Prior Audit Findings:

1. Electronic Payments Through the Treasurer's General Bank Account After Warrant Checks Were Executed
2. Payment of Invoices Without Adequate Supporting Documentation
3. Budgetary Controls
4. Timely Filing of Collector's Annual Settlement
5. Absence of Investment Policy

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Federal Grantor: U.S. Election Assistance Commission

Pass through Grantor: Missouri Office of Secretary of State

Federal CFDA Number: 90.401

Program Title: Help America Vote Act Requirements Payments

Pass through Entity Identifying Numbers: HAVA

Award Years: 2010 and 2011

Questioned Costs: None

Federal Grantor: U.S. Department of Homeland Security

Pass through Grantor: Missouri Department of Public Safety

Federal CFDA Number: 97.042

Program Title: Emergency Management Performance Grants

Pass through Entity Identifying Numbers: EMPG

Award Years: 2010 and 2011

Questioned Costs: None

Federal Grantor: U.S. Department of Justice

Pass through Grantor: Missouri Department of Public Safety

Federal CFDA Number: 16.804

Program Title: ARRA – Edward Byrne Memorial Justice Assistance Grant Program

Pass through Entity Identifying Numbers: 2009 – JAG –RA-041

Award Years: 2010 and 2011

Questioned Costs: None

Federal Grantor: U.S. Department of Transportation
Pass through Grantor: Missouri Department of Public Safety
Federal CFDA Number: 16.738
Program Title: Edward Bryne Memorial Justice Assistance Grant Program
Pass through Entity Identifying Number: *
Award Years: 2010 and 2011
Questioned Costs: None

Federal Grantor: U.S. Department of Transportation
Pass through Grantor: Missouri Department of Public Safety
Federal CFDA Number: 16.804
Program Title: Edward Bryne Memorial Competitive Grant Program
Pass through Entity Identifying Number: 2009 – SC-B9-0094
Award Years: 2010 and 2011
Questioned Costs: None

- * The County was unable to provide the Pass-Through Entity Identifying Number. The County was unable to locate the grant agreement for this award. See Federal Finding No. 2011-2.

See Findings and Recommendation Sections, Findings 2011-1 and 2011-2 entitled:
2011-1. Failure to Reconcile Expenditures Reported on the Schedule of Expenditures of
Federal Awards to the Expense Ledgers
2011-2. Document Retention

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

None

FINDINGS AND QUESTIONED COSTS

BATES COUNTY, MISSOURI
FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESSES IN INTERNAL CONTROL

1. Internal Control Weaknesses with the County Clerk and the County Commission

Condition: Audit testwork identified multiple internal control weaknesses in the operating environment of the County Clerk and County Commission offices pertaining to the approval of County expenditures and the issuance of the respective warrants. When considered cumulatively, these individual weaknesses have the potential to allow a material misstatement of the financial statements to occur. These weaknesses include:

- There is no procedure in place to ensure that warrants executed by the Presiding Commissioner correspond to invoices approved by the Commission. The Presiding Commissioner executes warrants without reviewing the accompanying invoices. Currently, at each Commission meeting the County Clerk presents the County Commission with a selection of invoices requiring approval. Once approved, invoices are returned to the County Clerk's office where they are to be entered into the system and then filed by vendor. A warrant register is generated and the individual warrants are provided to the Presiding Commissioner to be executed.
- The County Clerk has a signature stamp that is made available to the deputy clerks to execute warrants when she is unavailable. We were advised that signing authority is given/implicit for all employees in the County Clerk's office as they are deputies of the County. Our review of cancelled checks revealed a lack of separation of duties because the deputy who processes payroll also executes payroll warrants (on behalf of the County Clerk) and thus was able to initiate, process, approve and generate payroll checks without knowledge, review or approval of another party. The deputy who processes other expenditures also executes expenditure warrants (on behalf of the County Clerk) and thus was able to initiate, process, approve and generate expenditure checks without knowledge, review or approval of another party.
- There is a lack of adequate review of the expenditures approved by the County Commission. Control totals are not utilized when approving warrants nor are invoices recalculated prior to approval for payment. Additionally, there is no standard as to what constitutes as an acceptable invoice by the County. We observed that payments were made based on post-it notes, hand-written invoices and summary statements.
- Review of supporting invoices found that seven out of the twenty invoices reviewed were paid without the Approval of the Presiding Commissioner's stamp on the invoice.

The following exceptions identified during our testwork of expenditures and disbursements relate to the above mentioned internal control weaknesses.

- The Assessor was overpaid by \$3.38 as the result of a footing error that went undetected in a reimbursement request.
- A vendor was overpaid by \$1,046 because an invoice was entered into the computer system twice. Controls were inadequate to prevent or detect this error.

- An invoice submitted to the County for a hitch totaling \$3,300 provided insufficient information. The document supporting the payment only listed the company name, the description “hitch”, and the amount \$3,300. It was hand-written on a piece of paper from a 5”x7” note pad. There was no date, invoice number, company address (for purposes of generating IRS form 1099) or adequate description of the asset purchased.
- A warrant for \$1,359.80 to be paid to the Election Service Fund was initiated by the County Clerk and approved for payment. There was no documentation or a calculation included with the invoice to support the amount of the approved warrant.
- A reimbursement request submitted by the Coroner failed to adequately support requested funds. Meal receipts were not included for \$68 in meal charges and there was no support for mileage traveled.

Recommendation: We recommend that the County Clerk and the County Commission revise current policies and establish new procedures to ensure an adequate internal control structure to ensure that disbursements of County funds are for reasonable, authorized purposes.

County Response: The County Clerk’s signature stamp is rarely used. In the event that the Deputy Clerks use the signature stamp on account payable warrants, the Commission has final approval on the invoices for payment. The Treasurer’s signature makes the warrant a check. Warrants are no longer issued for payroll. The payroll register is approved by the County Clerk, the Presiding Commissioner, and the Treasurer before being submitted to our bank. The County Clerk and Commission have revised procedures to address auditors concerns. The Commission currently compares invoices for payment to respective checks. This should alleviate internal control weaknesses.

Auditor’s Evaluation: The stated corrective action is responsive to the concern.

SIGNIFICANT INTERNAL CONTROL DEFICIENCY

2. Insufficient Administration of County Employee Benefit

Condition: The County entered into a verbal agreement with local fitness centers to pay membership costs as a wellness benefit for employees who met certain usage criteria. Review of the administration of this benefit found that, in addition to not having a written contract detailing the financial and usage terms, invoices used for payment lacked sufficient details such as company name, letterhead information, and amount due to determine authenticity and did not support the amounts paid to the fitness centers. Of the six invoices reconciled to the County General Ledger, we identified three instances in which the County paid membership fees for individuals who did not meet the required usage terms.

Recommendation: We recommend the County create a written agreement detailing the financial, documentation, and usage terms of the benefit and implement procedures to ensure payment is only made for those individuals who meet the required terms.

County’s Response: The County will create a written detailed agreement with usage terms. The Deputy County Clerk reviews the billings and does not pay for employees that do not meet the required usage.

Auditor’s Evaluation: The stated corrective action is responsive to the concern.

ITEMS OF NONCOMPLIANCE

3. Deputy County Clerk's Salary Charged to the Special Road and Bridge Fund

Condition: Throughout the fiscal years ended December 31, 2011 and December 31, 2010, the salary for a Deputy County Clerk was paid in its entirety from the Road and Bridge fund. While this clerk performs some tasks for the Road and Bridge department, the County was unable to provide documentation that she expended 100% of her time on Road and Bridge department activities, and her duties do not appear to warrant the 100% allocation of her salary to that fund when her other responsibilities performed as deputy county clerk are considered. This is in addition to the administrative service fees the County imposes, in accordance with State Statutes, on the Special Road and Bridge fund.

Recommendation: We recommend that the County implement procedures to determine an adequate level of administrative service fees to be charged to the Road and Bridge fund and avoid duplicating these charges through the direct allocation of employee salaries.

County Response: Per RSMo. 50.515, the County is allowed to charge the Deputy Clerk's Salary to the Special Road and Bridge Fund.

Auditor's Evaluation: The stated corrective action is not responsive to the concern. The audit concurs that RSMo. 50.515 allows the county to impose an administrative fee to the Special Road and Bridge Fund to recoup administrative expenditures. However, this statute also states that "Any administrative service fee imposed under this section shall be imposed at a rate which will only generate revenue sufficient to recoup actual expenditures made from the general revenue fund of the county to provide administrative services to the fund against which such service fee is imposed...". The County failed to impose an administrative fee respective to actual expenditures incurred during the Deputy County Clerk's administration efforts for the Special Road and Bridge Fund.

4. Failure to Document Rationale for Not Selecting the Lowest Bid

Condition: The County Commission failed to document in the board meeting minutes their rationale for not selecting the lowest bid for the Courthouse Bat Removal project. Total funds expended for this project were \$50,700.

Recommendation: We recommend that the County Commission document their bid selection rationale in the Commission Meeting Minutes.

County Response: The County informed Auditors of the reason for not selecting the lowest bid. The Commission approved the contractor that provided "the best" overall bid. In the future, the Commission will document rationale if the "lowest bid" is not accepted.

Auditor's Evaluation: The stated corrective action is responsive to the concern.

5. Budgetary Compliance

Condition: We noted three areas of noncompliance with State Statutes regarding the County's budgeting process during 2011 and 2010, as follows:

- a) Adoption of a formal budget is required by law. However, the County did not adopt formal budgets for the JAG Fund and the Drug Task Force Fund in fiscal year 2010. These funds were created and monies were expended without budgetary authority during fiscal year 2010.
- b) Actual expenditures exceeded budgeted expenditures for the following funds in 2011 and 2010 by more than an inconsequential amount:

	<u>2011</u>	<u>2010</u>
Election Services Fund	N/A	X
Jail Bond Fund	N/A	X
Prosecuting Attorney Fund	X	X

Also, because a budget was not adopted for the JAG Fund and the Drug Task Force Fund in fiscal year 2010, expenditures in those funds exceeded budgetary authority to the extent that a budget was not adopted.

State statutes (Chapters 50.610 and 50.740 RSMo) prohibit the County from approving expenditures in excess of the authorized budgeted amount for any County fund. This requirement ensures that expenditures are subject to public scrutiny as provided by their inclusion in a budget adopted or amended at a public meeting.

- c) The County Commission approved expenditures in excess of available monies which resulted in deficit fund balances for the Law Officer Training Fund at December 31, 2011, the C.S.I. Fund at December 31, 2010, and the JAG Fund at December 31, 2010. Chapter 50.610 and Chapter 50.740, RSMo, requires that counties prepare budgets that balance expenditures with estimated revenues and other sources of financial resources. Accordingly, counties are not authorized to have deficit fund balances.

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

County Response: In the event it is necessary for new funds to be created after the originally adopted budget, budgetary amendments as allowed by states statutes, shall be discussed in a public meeting and formally adopted by the County Commission.

Auditor's Evaluation: The stated corrective action is responsive to the concern.

OTHER MATTERS

In planning and performing our audit of the financial statements of Bates County, Missouri (the County) as of and for the years ended December 31, 2011 and 2010, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated May 18, 2012. (A separate report dated May 18, 2012 contains our report on significant deficiencies in the County's internal control.) This document does not affect our report dated May 18, 2012.

6. Internal Control Deficiencies Regarding the Payroll Process

Condition: Review of timesheets disclosed the following deficiencies in payroll processes and procedures:

- One instance in which an employee failed to note the date he signed his timesheet.
- One instance in which a timesheet dated June 2011 was stamped approved in October 2011, four months after the June timesheet date.
- One instance in which evidence of Commission approval of a timecard was prior to the date the employee signed the timesheet.

Recommendation: We recommend that the County Commission and County Clerk implement procedures to ensure that all wage and salary charges are supported by time records that are complete, accurate, signed, dated and approved.

County Response: While there were only three minor instances of internal control concerns, the County Commission and the County Clerk will attempt to ensure that all wage and salary charges are supported by the time records that are complete, accurate, signed, dated, and approved.

Auditor's Evaluation: The stated corrective action is responsive to the concern.

7. Record Retention

Condition: The County Clerk was unable to provide the IRS Form 941 for the fourth quarter of 2011.

Recommendation: We recommend that the County Clerk develop and implement procedures to ensure adequate record retention.

County Response: The County Clerk's office did file Form 941 with the IRS. A copy was provided to previous auditors and at this time has not been returned to the County Clerk's Office. The County retains all records required by the record retention manual provided by the State of Missouri.

Auditor's Evaluation: The County provided an acceptable response for the individual Condition as stated above. However, the county failed to state a proposed corrective action plan specific to the Recommendation as stated above.

8. Stale-Dated Outstanding Checks in Treasurer's Main Bank Account

Condition: The bank reconciliations for the months ending December 31, 2010 and 2011 listed outstanding checks dating back to 2008. The reconciliation for December 31, 2010 and the reconciliation for December 31, 2011 listed one warrant check that had been listed outstanding on the October 31, 2008 bank reconciliation and three warrant checks that had been listed outstanding as far back as the June 30, 2009 bank reconciliation. The total amount of these respective warrant checks is immaterial in nature.

Recommendation: We recommend that the Treasurer/Collector identify checks that have been outstanding for a significant amount of time and resolve them by either contacting the payee or remitting the monies to the State Treasurer's Escheats Fund in a timely manner. This will facilitate the bank reconciliation process.

County's Response: Of the four checks referred to, two of which were for the amount of \$10.20, one for \$15.60 and one for \$16.40, were for people who had served jury duty. Those people had been contacted and stated that they refused payment, as their employers had paid their salary while they were on jury duty. These are not unclaimed fees but rather refused payments as to which state law is unclear. For lack of alternative, the monies have been returned to General Revenue. We believe that the amount of the checks is immaterial in nature as it is a minuscule amount and reflects an incidence specific in nature and not of a general accounting practice.

Auditor's Evaluation: The County provided an acceptable response for the individual Condition as stated above. However, the county failed to state a proposed corrective action plan specific to the Recommendation as stated above.

FEDERAL FINDINGS AND QUESTIONED COSTS

2011-1: Failure to Reconcile Expenditures Reported on the Schedule of Expenditures of Federal Awards to the Expense Ledgers

Condition: The County Clerk was unable to demonstrate or provide documentation that the expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) reconcile to and are supported by the County expense ledgers for the following grants and respective fiscal years:

- CFDA 90.401 – Help America Vote Act Requirements Payments (FY 2011 - \$3,633 and FY 2010 - \$7,496)

- CFDA 97.042 – Emergency Management Performance Grants (FY 2011 - \$26,769 and FY 2010 - \$34,764)
- CFDA 16.804 – ARRA – Edward Byrne Memorial Justice Assistance Grant (FY 2010 - \$11,989)

Failure to provide a reconciliation of the SEFA to the accounting records is a violation of Federal laws and regulations, specifically Office of Management and Budget Circular A-133, and can lead to sanctions, the requirement to return Federal funds, or a prohibition from receiving Federal funds in the future.

Recommendation: We recommend that the County Commission and County Clerk develop and implement procedures to ensure that federal expenditures can be identified, accounted for and supported by the accounting ledgers and records.

County Response: Per County Clerk Response: The County Clerk requested the information on Federal monies from each office holder involved. The County Clerk received the figures on the Justice Grant from the Sheriff and the EMA figures from Emergency Management Director and Government detail reports. Any additional information needed should be request from them. The County Clerk provided information on the HAVA grant.

Auditor's Evaluation: The stated corrective action is responsive to the concern.

2011-2: Document Retention

Condition: The County was unable to provide the grant agreements, inclusive of the identifying numbers for the three U.S. Department of Justice grants (CFDA 16.738, 16.804, and 16.808) passed through the Missouri Department of Public Safety.

Recommendation: We recommend that the County Clerk develop and implement procedures to ensure adequate record retention.

County Response: Per County Clerk response, the Sheriff should have the grant agreements.

Auditor's Evaluation: The stated corrective action is not responsive to the concern.

BATES COUNTY, MISSOURI
STATUS OF PRIOR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the status of the auditors' findings as set forth in the prior auditors' report issued for the two years ended December 31, 2009 and 2008.

1. Warrant checks were approved, cut, and executed to pay Sheriff's Department credit card balances even though the Sheriff's Department personnel phoned in electronic payments instead of mailing the warrant checks to the credit card company.

Status – Resolved.

2. During the audit, we evaluated sixteen items purchased using the Sheriff's Department credit cards. No supporting documentation was provided to support five of the sixteen expenditures.

Status – Resolved.

3. We noted three issues with the County's budgeting process during our audit:
 - a. The County Commission did not adopt a formal budget as required by law for the Deputy Wage Supplement fund for 2008.
 - b. The County Commission did not exercise adequate budgetary control over a number of funds during the audit period.
 - c. The Law Enforcement Sales Tax Fund started 2008 with a deficit cash balance and had a larger negative ending budgeted cash balance in the 2008 budget. The Sheriff's Civil Fund also had a negative ending budgeted cash balance in the 2009 budget. For example, had the County spent up to the approved budget amounts and collected only the budgeted revenues, it would have incurred a cash deficit in the Law Enforcement Sales Tax Fund of \$138,152. State statutes prohibit the County from adopting a budget that would create a negative ending cash balance for any fund. Circumstances arose during the year that caused actual revenues to be higher than expected for each of these funds, and thus cash deficits did not occur.

Status – Not resolved. See finding No. 5.

4. The Collector filed annual settlements later than the due date of the first Monday in March in 2008 and 2009. The settlement for 2008 was certified on May 4, 2009 and the settlement for 2009 was certified on March 31, 2010.

Status – Resolved.

5. The County has not adopted an investment policy.

Status – Resolved.