



**REYNOLDS COUNTY, MISSOURI  
TWO YEARS ENDED DECEMBER 31, 2001**

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

**Report No. 2003-11  
February 6, 2003  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

January 2003

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Reynolds, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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

- Formal budgets were not prepared for some county funds and disbursements were made in excess of approved budgets for various funds. Additionally, the county's annual published financial statements did not include the financial activity of some funds.
- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases 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 Reynolds County's Associate County Commissioners' salaries were each increased approximately \$7,110 yearly.

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 \$14,220 for the two years ended December 31, 2000, should be repaid. In addition, one official was given a raise during their term of office without adequate documentation supporting the increase.

- Records of vacation leave, sick leave, and compensatory time balances are not centrally maintained. Some time sheets prepared are not indicating actual hours worked.

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- Mileage reimbursements requests were not adequate. The county is overpaying its share of the juvenile office expenditures. Uniform allowances are not reported on the employees W-2 forms.
- Several weaknesses were identified in the offices of the Assessor, Prosecuting Attorney, and the Sheriff, including inadequate segregation of duties, inadequate receipting procedures, and receipts not deposited or transmitted on a timely basis.

The audit also includes some recommendations to restrict access to property tax programs and data files, develop a formal contingency plan, and to improve general fixed assets. In addition, recommendations were made to improve accounting controls and procedures of the Health Center, Senate Bill 40 Board, and the Senior Services Board.

**All reports are available on our website: [www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

REYNOLDS COUNTY, MISSOURI

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## 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 Reynolds County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Reynolds County, Missouri, as of and for the years ended December 31, 2001 and 2000, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Reynolds County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Reynolds County.

In our opinion, the special-purpose 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 Reynolds 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, 2001 and 2000, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 20, 2002, 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 Reynolds County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

September 20, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Randall Gordon, CPA   |
| In-Charge Auditor:  | Rosemarie Edwards     |
| Audit Staff:        | Norma L. Payne        |
|                     | Thomas Fox            |
|                     | Andrea Filipcanova    |



**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 Reynolds County, Missouri

We have audited the special-purpose financial statements of various funds of Reynolds County, Missouri, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 20, 2002. 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 special-purpose financial statements of various funds of Reynolds 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 special-purpose financial statements of various funds of Reynolds 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 special-purpose 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 special-purpose 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 of the management of Reynolds County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

September 20, 2002(fieldwork completion date)

## Financial Statements

Exhibit A-1

REYNOLDS COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 2001

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 80,054          | 770,104   | 733,603       | 116,555              |
| Special Road and Bridge             | 140,228            | 1,016,267 | 986,243       | 170,252              |
| Assessment                          | 5,602              | 94,459    | 96,484        | 3,577                |
| Law Enforcement Training            | 1,105              | 1,844     | 2,733         | 216                  |
| Prosecuting Attorney Training       | 199                | 560       | 651           | 108                  |
| Recorder's User Fees                | 23,519             | 4,991     | 0             | 28,510               |
| Children's Trust                    | 25                 | 401       | 0             | 426                  |
| Sweetwater Cemetery Trust           | 4,425              | 333       | 206           | 4,552                |
| Sheriff's Civil Fees                | 3,455              | 4,892     | 0             | 8,347                |
| Senior Services Board               | 4,392              | 30,728    | 32,933        | 2,187                |
| Health Center                       | 70,907             | 247,884   | 253,466       | 65,325               |
| Senate Bill 40 Board                | 38,443             | 103,390   | 96,872        | 44,961               |
| Circuit Clerk Interest              | 843                | 159       | 440           | 562                  |
| Emergency Grant                     | 0                  | 19,352    | 19,352        | 0                    |
| Sound Recording                     | 40                 | 110       | 0             | 150                  |
| Associate Circuit Division Interest | 1,986              | 185       | 440           | 1,731                |
| Law Library                         | 4                  | 2,010     | 1,933         | 81                   |
| Sheriff's Calendar                  | 192                | 782       | 782           | 192                  |
| Prosecuting Attorney Bad Check      | 0                  | 778       | 114           | 664                  |
| Total                               | \$ 375,419         | 2,299,229 | 2,226,252     | 448,396              |

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

Exhibit A-2

REYNOLDS COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 2000

| Fund                                | Cash,<br>January 1 | Receipts  | Disbursements | Cash,<br>December 31 |
|-------------------------------------|--------------------|-----------|---------------|----------------------|
| General Revenue                     | \$ 71,291          | 688,292   | 679,529       | 80,054               |
| Special Road and Bridge             | 122,878            | 938,490   | 921,140       | 140,228              |
| Assessment                          | 2,342              | 94,636    | 91,376        | 5,602                |
| Law Enforcement Training            | 1,210              | 1,554     | 1,659         | 1,105                |
| Prosecuting Attorney Training       | 91                 | 333       | 225           | 199                  |
| Recorder's User Fees                | 19,946             | 4,118     | 545           | 23,519               |
| Children's Trust                    | 100                | 285       | 360           | 25                   |
| Sweetwater Cemetery Trust           | 4,410              | 226       | 211           | 4,425                |
| Sheriff's Civil Fees                | 4,352              | 4,125     | 5,022         | 3,455                |
| Senior Services Board               | 4,503              | 30,720    | 30,831        | 4,392                |
| Health Center                       | 60,864             | 231,493   | 221,450       | 70,907               |
| Senate Bill 40 Board                | 26,215             | 102,776   | 90,548        | 38,443               |
| Circuit Clerk Interest              | 335                | 518       | 10            | 843                  |
| Emergency Grant                     | 0                  | 18,125    | 18,125        | 0                    |
| Sound Recording                     | 0                  | 40        | 0             | 40                   |
| Associate Circuit Division Interest | 1,858              | 340       | 212           | 1,986                |
| Special Law Enforcement             | 5,579              | 43        | 5,622         | 0                    |
| Law Library                         | 634                | 2,090     | 2,720         | 4                    |
| Sheriff's Calendar                  | 0                  | 866       | 674           | 192                  |
| Total                               | \$ 326,608         | 2,119,070 | 2,070,259     | 375,419              |

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

## Exhibit B

## REYNOLDS COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

|                                     | Year Ended December 31, |           |                                        |           |           |                                        |
|-------------------------------------|-------------------------|-----------|----------------------------------------|-----------|-----------|----------------------------------------|
|                                     | 2001                    |           |                                        | 2000      |           |                                        |
|                                     | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget    | Actual    | Variance<br>Favorable<br>(Unfavorable) |
| <b>TOTALS - VARIOUS FUNDS</b>       |                         |           |                                        |           |           |                                        |
| RECEIPTS                            | \$ 2,181,651            | 2,295,659 | 114,008                                | 2,132,014 | 2,097,609 | (34,405)                               |
| DISBURSEMENTS                       | 2,251,799               | 2,223,423 | 28,376                                 | 2,129,208 | 2,048,528 | 80,680                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (70,148)                | 72,236    | 142,384                                | 2,806     | 49,081    | 46,275                                 |
| CASH, JANUARY 1                     | 368,804                 | 375,223   | 6,419                                  | 321,294   | 324,116   | 2,822                                  |
| CASH, DECEMBER 31                   | 298,656                 | 447,459   | 148,803                                | 324,100   | 373,197   | 49,097                                 |
| <b>GENERAL REVENUE FUND</b>         |                         |           |                                        |           |           |                                        |
| RECEIPTS                            |                         |           |                                        |           |           |                                        |
| Property taxes                      | 293,800                 | 301,551   | 7,751                                  | 290,300   | 275,443   | (14,857)                               |
| Sales taxes                         | 0                       | 11,398    | 11,398                                 | 0         | 0         | 0                                      |
| Intergovernmental                   | 279,496                 | 268,850   | (10,646)                               | 185,239   | 223,857   | 38,618                                 |
| Charges for services                | 110,400                 | 115,520   | 5,120                                  | 113,430   | 110,210   | (3,220)                                |
| Interest                            | 9,700                   | 12,130    | 2,430                                  | 11,812    | 8,143     | (3,669)                                |
| Other                               | 66,785                  | 32,267    | (34,518)                               | 60,345    | 31,711    | (28,634)                               |
| Transfers in                        | 28,025                  | 28,388    | 363                                    | 27,921    | 38,928    | 11,007                                 |
| Total Receipts                      | 788,206                 | 770,104   | (18,102)                               | 689,047   | 688,292   | (755)                                  |
| DISBURSEMENTS                       |                         |           |                                        |           |           |                                        |
| County Commission                   | 61,930                  | 61,537    | 393                                    | 61,930    | 61,911    | 19                                     |
| County Clerk                        | 47,608                  | 47,442    | 166                                    | 47,650    | 47,630    | 20                                     |
| Elections                           | 11,440                  | 10,776    | 664                                    | 33,180    | 32,145    | 1,035                                  |
| Buildings and grounds               | 27,806                  | 35,114    | (7,308)                                | 27,806    | 26,873    | 933                                    |
| Employee fringe benefits            | 39,434                  | 39,679    | (245)                                  | 36,984    | 34,516    | 2,468                                  |
| County Treasurer                    | 23,265                  | 22,787    | 478                                    | 23,265    | 22,478    | 787                                    |
| County Collector                    | 53,800                  | 50,677    | 3,123                                  | 53,800    | 51,648    | 2,152                                  |
| Circuit Clerk                       | 18,394                  | 17,730    | 664                                    | 18,394    | 17,732    | 662                                    |
| Associate Circuit Court             | 4,000                   | 3,306     | 694                                    | 4,000     | 3,051     | 949                                    |
| Associate Circuit (Probate)         | 600                     | 1,955     | (1,355)                                | 600       | 588       | 12                                     |
| Court administration                | 3,775                   | 3,534     | 241                                    | 3,775     | 4,141     | (366)                                  |
| Public Administrator                | 19,890                  | 19,848    | 42                                     | 4,990     | 4,562     | 428                                    |
| Sheriff                             | 291,595                 | 277,644   | 13,951                                 | 219,593   | 233,221   | (13,628)                               |
| Jail                                | 11,050                  | 8,745     | 2,305                                  | 11,050    | 11,397    | (347)                                  |
| Prosecuting Attorney                | 65,401                  | 69,322    | (3,921)                                | 56,365    | 56,197    | 168                                    |
| Juvenile Officer                    | 10,868                  | 11,243    | (375)                                  | 14,784    | 15,420    | (636)                                  |
| County Coroner                      | 8,700                   | 8,814     | (114)                                  | 4,300     | 4,334     | (34)                                   |
| Other                               | 40,100                  | 32,295    | 7,805                                  | 40,100    | 42,994    | (2,894)                                |
| Transfers out                       | 4,700                   | 11,155    | (6,455)                                | 4,700     | 8,691     | (3,991)                                |
| Emergency Fund                      | 30,000                  | 0         | 30,000                                 | 30,000    | 0         | 30,000                                 |
| Total Disbursements                 | 774,356                 | 733,603   | 40,753                                 | 697,266   | 679,529   | 17,737                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 13,850                  | 36,501    | 22,651                                 | (8,219)   | 8,763     | 16,982                                 |
| CASH, JANUARY 1                     | 80,054                  | 80,054    | 0                                      | 71,291    | 71,291    | 0                                      |
| CASH, DECEMBER 31                   | 93,904                  | 116,555   | 22,651                                 | 63,072    | 80,054    | 16,982                                 |

## Exhibit B

## REYNOLDS COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS

|                                             | Year Ended December 31, |           |                                        |         |         |                                        |
|---------------------------------------------|-------------------------|-----------|----------------------------------------|---------|---------|----------------------------------------|
|                                             | 2001                    |           |                                        | 2000    |         |                                        |
|                                             | Budget                  | Actual    | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b><u>SPECIAL ROAD AND BRIDGE FUND</u></b>  |                         |           |                                        |         |         |                                        |
| <b>RECEIPTS</b>                             |                         |           |                                        |         |         |                                        |
| Property taxes                              | 167,500                 | 162,354   | (5,146)                                | 165,000 | 189,547 | 24,547                                 |
| Intergovernmental                           | 677,825                 | 748,037   | 70,212                                 | 715,000 | 711,311 | (3,689)                                |
| Interest                                    | 11,500                  | 10,093    | (1,407)                                | 8,500   | 9,860   | 1,360                                  |
| Grader buy-back                             | 0                       | 77,500    | 77,500                                 | 0       | 0       | 0                                      |
| Other                                       | 29,000                  | 7,192     | (21,808)                               | 73,000  | 19,151  | (53,849)                               |
| Transfers in                                | 0                       | 11,091    | 11,091                                 | 0       | 8,621   | 8,621                                  |
| Total Receipts                              | 885,825                 | 1,016,267 | 130,442                                | 961,500 | 938,490 | (23,010)                               |
| <b>DISBURSEMENTS</b>                        |                         |           |                                        |         |         |                                        |
| Salaries                                    | 327,288                 | 328,577   | (1,289)                                | 335,000 | 327,289 | 7,711                                  |
| Employee fringe benefits                    | 69,306                  | 75,023    | (5,717)                                | 69,346  | 68,645  | 701                                    |
| Supplies                                    | 147,289                 | 106,841   | 40,448                                 | 126,800 | 117,871 | 8,929                                  |
| Insurance                                   | 20,000                  | 21,427    | (1,427)                                | 22,000  | 19,995  | 2,005                                  |
| Road and bridge materials                   | 106,123                 | 124,783   | (18,660)                               | 105,800 | 103,933 | 1,867                                  |
| Equipment repairs                           | 30,000                  | 22,486    | 7,514                                  | 30,000  | 15,752  | 14,248                                 |
| Rentals                                     | 13,000                  | 0         | 13,000                                 | 250     | 0       | 250                                    |
| Equipment purchases                         | 233,828                 | 242,353   | (8,525)                                | 227,000 | 217,143 | 9,857                                  |
| Construction, repair, and maintenance       | 0                       | 15,803    | (15,803)                               | 12,500  | 3,000   | 9,500                                  |
| Other                                       | 321                     | 20,925    | (20,604)                               | 2,000   | 19,591  | (17,591)                               |
| Transfers out                               | 28,025                  | 28,025    | 0                                      | 27,921  | 27,921  | 0                                      |
| Total Disbursements                         | 975,180                 | 986,243   | (11,063)                               | 958,617 | 921,140 | 37,477                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS         | (89,355)                | 30,024    | 119,379                                | 2,883   | 17,350  | 14,467                                 |
| CASH, JANUARY 1                             | 140,228                 | 140,228   | 0                                      | 122,878 | 122,878 | 0                                      |
| CASH, DECEMBER 31                           | 50,873                  | 170,252   | 119,379                                | 125,761 | 140,228 | 14,467                                 |
| <b><u>ASSESSMENT FUND</u></b>               |                         |           |                                        |         |         |                                        |
| <b>RECEIPTS</b>                             |                         |           |                                        |         |         |                                        |
| Intergovernmental                           | 93,792                  | 89,950    | (3,842)                                | 93,792  | 89,968  | (3,824)                                |
| Interest                                    | 800                     | 1,367     | 567                                    | 800     | 1,301   | 501                                    |
| Other                                       | 6,000                   | 3,142     | (2,858)                                | 6,000   | 3,367   | (2,633)                                |
| Transfers in                                | 15,594                  | 0         | (15,594)                               | 15,594  | 0       | (15,594)                               |
| Total Receipts                              | 116,186                 | 94,459    | (21,727)                               | 116,186 | 94,636  | (21,550)                               |
| <b>DISBURSEMENTS</b>                        |                         |           |                                        |         |         |                                        |
| Assessor                                    | 115,033                 | 96,484    | 18,549                                 | 115,033 | 91,376  | 23,657                                 |
| Total Disbursements                         | 115,033                 | 96,484    | 18,549                                 | 115,033 | 91,376  | 23,657                                 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS         | 1,153                   | (2,025)   | (3,178)                                | 1,153   | 3,260   | 2,107                                  |
| CASH, JANUARY 1                             | 5,602                   | 5,602     | 0                                      | 2,342   | 2,342   | 0                                      |
| CASH, DECEMBER 31                           | 6,755                   | 3,577     | (3,178)                                | 3,495   | 5,602   | 2,107                                  |
| <b><u>LAW ENFORCEMENT TRAINING FUND</u></b> |                         |           |                                        |         |         |                                        |
| <b>RECEIPTS</b>                             |                         |           |                                        |         |         |                                        |
| Intergovernmental                           | 0                       | 522       | 522                                    | 0       | 500     | 500                                    |
| Charges for services                        | 1,555                   | 1,322     | (233)                                  | 2,000   | 1,054   | (946)                                  |
| Total Receipts                              | 1,555                   | 1,844     | 289                                    | 2,000   | 1,554   | (446)                                  |
| <b>DISBURSEMENTS</b>                        |                         |           |                                        |         |         |                                        |
| Sheriff                                     | 1,500                   | 2,733     | (1,233)                                | 1,500   | 1,659   | (159)                                  |
| Total Disbursements                         | 1,500                   | 2,733     | (1,233)                                | 1,500   | 1,659   | (159)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS         | 55                      | (889)     | (944)                                  | 500     | (105)   | (605)                                  |
| CASH, JANUARY 1                             | 1,105                   | 1,105     | 0                                      | 1,210   | 1,210   | 0                                      |
| CASH, DECEMBER 31                           | 1,160                   | 216       | (944)                                  | 1,710   | 1,105   | (605)                                  |

Exhibit B

REYNOLDS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIC

|                                                  | Year Ended December 31, |        |                                        |        |        |                                        |
|--------------------------------------------------|-------------------------|--------|----------------------------------------|--------|--------|----------------------------------------|
|                                                  | 2001                    |        |                                        | 2000   |        |                                        |
|                                                  | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual | Variance<br>Favorable<br>(Unfavorable) |
| <b><u>PROSECUTING ATTORNEY TRAINING FUND</u></b> |                         |        |                                        |        |        |                                        |
| RECEIPTS                                         |                         |        |                                        |        |        |                                        |
| Charges for services                             | 300                     | 496    | 196                                    | 500    | 263    | (237)                                  |
| Transfers In                                     | 0                       | 64     | 64                                     | 0      | 70     | 70                                     |
| Total Receipts                                   | 300                     | 560    | 260                                    | 500    | 333    | (167)                                  |
| DISBURSEMENTS                                    |                         |        |                                        |        |        |                                        |
| Prosecuting Attorney                             | 520                     | 651    | (131)                                  | 450    | 225    | 225                                    |
| Total Disbursements                              | 520                     | 651    | (131)                                  | 450    | 225    | 225                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS              | (220)                   | (91)   | 129                                    | 50     | 108    | 58                                     |
| CASH, JANUARY 1                                  | 199                     | 199    | 0                                      | 91     | 91     | 0                                      |
| CASH, DECEMBER 31                                | (21)                    | 108    | 129                                    | 141    | 199    | 58                                     |
| <b><u>RECORDER'S USER FEES FUND</u></b>          |                         |        |                                        |        |        |                                        |
| RECEIPTS                                         |                         |        |                                        |        |        |                                        |
| Charges for services                             | 2,800                   | 3,698  | 898                                    | 4,232  | 3,036  | (1,196)                                |
| Interest                                         | 900                     | 1,293  | 393                                    | 0      | 1,082  | 1,082                                  |
| Total Receipts                                   | 3,700                   | 4,991  | 1,291                                  | 4,232  | 4,118  | (114)                                  |
| DISBURSEMENTS                                    |                         |        |                                        |        |        |                                        |
| Recorder of Deeds                                | 3,000                   | 0      | 3,000                                  | 0      | 545    | (545)                                  |
| Total Disbursements                              | 3,000                   | 0      | 3,000                                  | 0      | 545    | (545)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS              | 700                     | 4,991  | 4,291                                  | 4,232  | 3,573  | (659)                                  |
| CASH, JANUARY 1                                  | 23,519                  | 23,519 | 0                                      | 19,946 | 19,946 | 0                                      |
| CASH, DECEMBER 31                                | 24,219                  | 28,510 | 4,291                                  | 24,178 | 23,519 | (659)                                  |
| <b><u>CHILDREN'S TRUST FUND</u></b>              |                         |        |                                        |        |        |                                        |
| RECEIPTS                                         |                         |        |                                        |        |        |                                        |
| Charges for services                             | 275                     | 401    | 126                                    | 300    | 285    | (15)                                   |
| Total Receipts                                   | 275                     | 401    | 126                                    | 300    | 285    | (15)                                   |
| DISBURSEMENTS                                    |                         |        |                                        |        |        |                                        |
| Transfers out                                    | 0                       | 0      | 0                                      | 350    | 360    | (10)                                   |
| Total Disbursements                              | 0                       | 0      | 0                                      | 350    | 360    | (10)                                   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS              | 275                     | 401    | 126                                    | (50)   | (75)   | (25)                                   |
| CASH, JANUARY 1                                  | 25                      | 25     | 0                                      | 100    | 100    | 0                                      |
| CASH, DECEMBER 31                                | 300                     | 426    | 126                                    | 50     | 25     | (25)                                   |

## Exhibit B

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

|                                              | Year Ended December 31, |         |                                        |         |        |                                        |
|----------------------------------------------|-------------------------|---------|----------------------------------------|---------|--------|----------------------------------------|
|                                              | 2001                    |         |                                        | 2000    |        |                                        |
|                                              | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual | Variance<br>Favorable<br>(Unfavorable) |
| <b><u>SWEETWATER CEMETERY TRUST FUND</u></b> |                         |         |                                        |         |        |                                        |
| RECEIPTS                                     |                         |         |                                        |         |        |                                        |
| Interest                                     | 225                     | 233     | 8                                      | 200     | 226    | 26                                     |
| Other                                        | 0                       | 100     | 100                                    | 0       | 0      | 0                                      |
| Total Receipts                               | 225                     | 333     | 108                                    | 200     | 226    | 26                                     |
| DISBURSEMENTS                                |                         |         |                                        |         |        |                                        |
| Maintenance                                  | 187                     | 183     | 4                                      | 200     | 188    | 12                                     |
| Transfers out                                | 23                      | 23      | 0                                      | 0       | 23     | (23)                                   |
| Total Disbursements                          | 210                     | 206     | 4                                      | 200     | 211    | (11)                                   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS          | 15                      | 127     | 112                                    | 0       | 15     | 15                                     |
| CASH, JANUARY 1                              | 4,425                   | 4,425   | 0                                      | 4,410   | 4,410  | 0                                      |
| CASH, DECEMBER 31                            | 4,440                   | 4,552   | 112                                    | 4,410   | 4,425  | 15                                     |
| <b><u>SHERIFF'S CIVIL FEES FUND</u></b>      |                         |         |                                        |         |        |                                        |
| RECEIPTS                                     |                         |         |                                        |         |        |                                        |
| Charges for services                         | 5,000                   | 4,624   | (376)                                  | 5,000   | 4,040  | (960)                                  |
| Interest                                     | 0                       | 268     | 268                                    | 0       | 85     | 85                                     |
| Total Receipts                               | 5,000                   | 4,892   | (108)                                  | 5,000   | 4,125  | (875)                                  |
| DISBURSEMENTS                                |                         |         |                                        |         |        |                                        |
| Transfers out                                | 6,500                   | 0       | 6,500                                  | 4,352   | 5,022  | (670)                                  |
| Total Disbursements                          | 6,500                   | 0       | 6,500                                  | 4,352   | 5,022  | (670)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS          | (1,500)                 | 4,892   | 6,392                                  | 648     | (897)  | (1,545)                                |
| CASH, JANUARY 1                              | 3,455                   | 3,455   | 0                                      | 4,352   | 4,352  | 0                                      |
| CASH, DECEMBER 31                            | 1,955                   | 8,347   | 6,392                                  | 5,000   | 3,455  | (1,545)                                |
| <b><u>SENIOR SERVICES BOARD FUND</u></b>     |                         |         |                                        |         |        |                                        |
| RECEIPTS                                     |                         |         |                                        |         |        |                                        |
| Property taxes                               | 29,523                  | 30,288  | 765                                    | 29,000  | 30,288 | 1,288                                  |
| Intergovernmental                            | 0                       | 86      | 86                                     | 0       | 41     | 41                                     |
| Interest                                     | 400                     | 354     | (46)                                   | 400     | 391    | (9)                                    |
| Total Receipts                               | 29,923                  | 30,728  | 805                                    | 29,400  | 30,720 | 1,320                                  |
| DISBURSEMENTS                                |                         |         |                                        |         |        |                                        |
| Services for Senior Citizens                 | 32,600                  | 32,600  | 0                                      | 30,440  | 30,499 | (59)                                   |
| Other                                        | 325                     | 333     | (8)                                    | 300     | 332    | (32)                                   |
| Total Disbursements                          | 32,925                  | 32,933  | (8)                                    | 30,740  | 30,831 | (91)                                   |
| RECEIPTS OVER (UNDER) DISBURSEMENTS          | (3,002)                 | (2,205) | 797                                    | (1,340) | (111)  | 1,229                                  |
| CASH, JANUARY 1                              | 0                       | 4,392   | 4,392                                  | 1,896   | 4,503  | 2,607                                  |
| CASH, DECEMBER 31                            | (3,002)                 | 2,187   | 5,189                                  | 556     | 4,392  | 3,836                                  |

## Exhibit B

REYNOLDS COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIC

|                                           | Year Ended December 31, |         |                                        |         |         |                                        |
|-------------------------------------------|-------------------------|---------|----------------------------------------|---------|---------|----------------------------------------|
|                                           | 2001                    |         |                                        | 2000    |         |                                        |
|                                           | Budget                  | Actual  | Variance<br>Favorable<br>(Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b><u>HEALTH CENTER FUND</u></b>          |                         |         |                                        |         |         |                                        |
| <b>RECEIPTS</b>                           |                         |         |                                        |         |         |                                        |
| Property taxes                            | 95,000                  | 101,044 | 6,044                                  | 93,000  | 101,047 | 8,047                                  |
| Intergovernmental                         | 95,580                  | 135,048 | 39,468                                 | 93,800  | 121,550 | 27,750                                 |
| Charges for services                      | 4,200                   | 4,137   | (63)                                   | 5,000   | 3,716   | (1,284)                                |
| Interest                                  | 3,200                   | 3,752   | 552                                    | 3,000   | 3,185   | 185                                    |
| Other                                     | 35,520                  | 3,903   | (31,617)                               | 33,050  | 1,995   | (31,055)                               |
| Total Receipts                            | 233,500                 | 247,884 | 14,384                                 | 227,850 | 231,493 | 3,643                                  |
| <b>DISBURSEMENTS</b>                      |                         |         |                                        |         |         |                                        |
| Salaries                                  | 166,311                 | 204,827 | (38,516)                               | 157,268 | 182,074 | (24,806)                               |
| Office expenditures                       | 16,100                  | 20,630  | (4,530)                                | 17,609  | 16,771  | 838                                    |
| Equipment                                 | 1,550                   | 1,433   | 117                                    | 3,700   | 3,383   | 317                                    |
| Mileage and training                      | 6,500                   | 7,061   | (561)                                  | 6,617   | 6,365   | 252                                    |
| Other                                     | 43,039                  | 19,515  | 23,524                                 | 45,356  | 12,857  | 32,499                                 |
| Total Disbursements                       | 233,500                 | 253,466 | (19,966)                               | 230,550 | 221,450 | 9,100                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS       | 0                       | (5,582) | (5,582)                                | (2,700) | 10,043  | 12,743                                 |
| CASH, JANUARY 1                           | 70,907                  | 70,907  | 0                                      | 60,864  | 60,864  | 0                                      |
| CASH, DECEMBER 31                         | 70,907                  | 65,325  | (5,582)                                | 58,164  | 70,907  | 12,743                                 |
| <b><u>SENATE BILL 40 BOARD FUND</u></b>   |                         |         |                                        |         |         |                                        |
| <b>RECEIPTS</b>                           |                         |         |                                        |         |         |                                        |
| Property taxes                            | 95,000                  | 101,044 | 6,044                                  | 95,000  | 100,954 | 5,954                                  |
| Intergovernmental                         | 147                     | 286     | 139                                    | 0       | 147     | 147                                    |
| Interest                                  | 1,682                   | 2,053   | 371                                    | 0       | 1,150   | 1,150                                  |
| Other                                     | 0                       | 7       | 7                                      | 0       | 525     | 525                                    |
| Total Receipts                            | 96,829                  | 103,390 | 6,561                                  | 95,000  | 102,776 | 7,776                                  |
| <b>DISBURSEMENTS</b>                      |                         |         |                                        |         |         |                                        |
| Sheltered Workshop                        | 90,500                  | 94,201  | (3,701)                                | 90,000  | 90,026  | (26)                                   |
| Other                                     | 0                       | 2,671   | (2,671)                                | 0       | 522     | (522)                                  |
| Total Disbursements                       | 90,500                  | 96,872  | (6,372)                                | 90,000  | 90,548  | (548)                                  |
| RECEIPTS OVER (UNDER) DISBURSEMENTS       | 6,329                   | 6,518   | 189                                    | 5,000   | 12,228  | 7,228                                  |
| CASH, JANUARY 1                           | 38,402                  | 38,443  | 41                                     | 26,000  | 26,215  | 215                                    |
| CASH, DECEMBER 31                         | 44,731                  | 44,961  | 230                                    | 31,000  | 38,443  | 7,443                                  |
| <b><u>CIRCUIT CLERK INTEREST FUND</u></b> |                         |         |                                        |         |         |                                        |
| <b>RECEIPTS</b>                           |                         |         |                                        |         |         |                                        |
| Interest                                  | 235                     | 159     | (76)                                   | 299     | 518     | 219                                    |
| Total Receipts                            | 235                     | 159     | (76)                                   | 299     | 518     | 219                                    |
| <b>DISBURSEMENTS</b>                      |                         |         |                                        |         |         |                                        |
| Circuit Clerk                             | 450                     | 440     | 10                                     | 150     | 10      | 140                                    |
| Total Disbursements                       | 450                     | 440     | 10                                     | 150     | 10      | 140                                    |
| RECEIPTS OVER (UNDER) DISBURSEMENTS       | (215)                   | (281)   | (66)                                   | 149     | 508     | 359                                    |
| CASH, JANUARY 1                           | 843                     | 843     | 0                                      | 335     | 335     | 0                                      |
| CASH, DECEMBER 31                         | 628                     | 562     | (66)                                   | 484     | 843     | 359                                    |

## Exhibit B

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

|                                                        | Year Ended December 31, |        |                                        |        |         |                                        |
|--------------------------------------------------------|-------------------------|--------|----------------------------------------|--------|---------|----------------------------------------|
|                                                        | 2001                    |        |                                        | 2000   |         |                                        |
|                                                        | Budget                  | Actual | Variance<br>Favorable<br>(Unfavorable) | Budget | Actual  | Variance<br>Favorable<br>(Unfavorable) |
| <b><u>EMERGENCY GRANT FUND</u></b>                     |                         |        |                                        |        |         |                                        |
| RECEIPTS                                               |                         |        |                                        |        |         |                                        |
| Intergovernmental                                      | 18,125                  | 19,352 | 1,227                                  |        |         |                                        |
| Total Receipts                                         | 18,125                  | 19,352 | 1,227                                  |        |         |                                        |
| DISBURSEMENTS                                          |                         |        |                                        |        |         |                                        |
| Whole Health Outreach                                  | 17,785                  | 19,012 | (1,227)                                |        |         |                                        |
| Transfers out                                          | 340                     | 340    | 0                                      |        |         |                                        |
| Total Disbursements                                    | 18,125                  | 19,352 | (1,227)                                |        |         |                                        |
| RECEIPTS OVER (UNDER) DISBURSEMENTS                    | 0                       | 0      | 0                                      |        |         |                                        |
| CASH, JANUARY 1                                        | 0                       | 0      | 0                                      |        |         |                                        |
| CASH, DECEMBER 31                                      | 0                       | 0      | 0                                      |        |         |                                        |
| <b><u>SOUND RECORDING FUND</u></b>                     |                         |        |                                        |        |         |                                        |
| RECEIPTS                                               |                         |        |                                        |        |         |                                        |
| Charges for services                                   | 40                      | 110    | 70                                     |        |         |                                        |
| Total Receipts                                         | 40                      | 110    | 70                                     |        |         |                                        |
| DISBURSEMENTS                                          |                         |        |                                        |        |         |                                        |
| Sound Recording                                        | 0                       | 0      | 0                                      |        |         |                                        |
| Total Disbursements                                    | 0                       | 0      | 0                                      |        |         |                                        |
| RECEIPTS OVER (UNDER) DISBURSEMENTS                    | 40                      | 110    | 70                                     |        |         |                                        |
| CASH, JANUARY 1                                        | 40                      | 40     | 0                                      |        |         |                                        |
| CASH, DECEMBER 31                                      | 80                      | 150    | 70                                     |        |         |                                        |
| <b><u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u></b> |                         |        |                                        |        |         |                                        |
| RECEIPTS                                               |                         |        |                                        |        |         |                                        |
| Interest                                               | 1,727                   | 185    | (1,542)                                |        |         |                                        |
| Total Receipts                                         | 1,727                   | 185    | (1,542)                                |        |         |                                        |
| DISBURSEMENTS                                          |                         |        |                                        |        |         |                                        |
| Associate Circuit Division                             | 0                       | 440    | (440)                                  |        |         |                                        |
| Total Disbursements                                    | 0                       | 440    | (440)                                  |        |         |                                        |
| RECEIPTS OVER (UNDER) DISBURSEMENTS                    | 1,727                   | (255)  | (1,982)                                |        |         |                                        |
| CASH, JANUARY 1                                        | 0                       | 1,986  | 1,986                                  |        |         |                                        |
| CASH, DECEMBER 31                                      | 1,727                   | 1,731  | 4                                      |        |         |                                        |
| <b><u>SPECIAL LAW ENFORCEMENT FUND</u></b>             |                         |        |                                        |        |         |                                        |
| RECEIPTS                                               |                         |        |                                        |        |         |                                        |
| Interest                                               |                         |        |                                        | 500    | 43      | (457)                                  |
| Total Receipts                                         |                         |        |                                        | 500    | 43      | (457)                                  |
| DISBURSEMENTS                                          |                         |        |                                        |        |         |                                        |
| Transfers out                                          |                         |        |                                        | 0      | 5,622   | (5,622)                                |
| Total Disbursements                                    |                         |        |                                        | 0      | 5,622   | (5,622)                                |
| RECEIPTS OVER (UNDER) DISBURSEMENTS                    |                         |        |                                        | 500    | (5,579) | (6,079)                                |
| CASH, JANUARY 1                                        |                         |        |                                        | 5,579  | 5,579   | 0                                      |
| CASH, DECEMBER 31                                      | \$                      |        |                                        | 6,079  | 0       | (6,079)                                |

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

## Notes to the Financial Statements

REYNOLDS COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Reynolds 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, the Senate Bill 40 Board, or the Senior Services 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> |
|------------------------------------------|---------------------------------|
| Law Library Fund                         | 2001 and 2000                   |
| Sheriff's Calendar Fund                  | 2001 and 2000                   |
| Prosecuting Attorney Bad Check Fund      | 2001                            |
| Emergency Grant Fund                     | 2000                            |
| Sound Recording Fund                     | 2000                            |
| Associate Circuit Division Interest Fund | 2000                            |

Warrants issued were in excess of budgeted amounts for the following funds:

| <u>Fund</u>                              | <u>Years Ended December 31,</u> |
|------------------------------------------|---------------------------------|
| Law Enforcement Training Fund            | 2001 and 2000                   |
| Senior Services Board Fund               | 2001 and 2000                   |
| Senate Bill 40 Board Fund                | 2001 and 2000                   |
| Special Road and Bridge Fund             | 2001                            |
| Prosecuting Attorney Training Fund       | 2001                            |
| Health Center Fund                       | 2001                            |
| Emergency Grant Fund                     | 2001                            |
| Associate Circuit Division Interest Fund | 2001                            |
| Recorder's User Fees Fund                | 2000                            |
| Children's Trust Fund                    | 2000                            |
| Sweetwater Cemetery Trust Fund           | 2000                            |
| Sheriff's Civil Fees Fund                | 2000                            |
| Special Law Enforcement Fund             | 2000                            |

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 2000, requires a balanced budget, deficit balances were budgeted in the Prosecuting Attorney Training Fund and the Senior Services Board Fund for the year ended December 31, 2001. However, the Senior Services Board Fund had sufficient cash available that was not reflected on the budget.

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> |
|------------------------------------------|---------------------------------|
| Circuit Clerk Interest Fund              | 2001 and 2000                   |
| Associate Circuit Division Interest Fund | 2001 and 2000                   |
| Law Library Fund                         | 2001 and 2000                   |
| Sheriff's Calendar Fund                  | 2001 and 2000                   |
| Prosecuting Attorney Bad Check Fund      | 2001                            |

Additionally, for the Senior Services Board Fund, the Health Center Fund, and the Senate Bill 40 Board Fund, the county's published financial statements for the years ended December 31, 2001 and 2000, included only those amounts that passed through the County Treasurer.

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 financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 2001, \$590,023 was covered by federal depository insurance and \$1,070,743 was covered by collateral pledged by one bank and held by the safekeeping department of the pledging bank in the county's name.

Of the county's bank balance at December 31, 2000, \$612,972 was covered by federal depository insurance and \$678,917 was covered by collateral pledged by one bank and held by the safekeeping department of the pledging bank in the county's name.

The Health Center Board's, the Senate Bill 40 Board's, and the Senior Services Board's deposits at December 31, 2001 and 2000, were entirely covered by federal depository insurance.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed for the Senate Bill 40 Board at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Schedule

REYNOLDS COUNTY, MISSOURI  
SCHEDULE OF FINDINGS  
YEARS ENDED DECEMBER 31, 2001 AND 2000

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*

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

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

We have audited the special-purpose financial statements of various funds of Reynolds County, Missouri, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 20, 2002.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

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. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the special-purpose financial statements of Reynolds County but does 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.****Computer Controls**

The county has a computer system which is utilized by the County Clerk, the County Assessor, and the County Collector. During our review of the internal controls over the system, we noted the following weaknesses:

- A. Access to the property tax programs and data files is not adequately restricted and changes to data are not routinely monitored.
  - 1) Passwords are not changed on a periodic basis to ensure confidentiality. As a result, there is less assurance that passwords are effectively limiting access to the property tax data files and programs to only those individuals who need access for their job responsibilities. Passwords should be unique, changed periodically to reduce the possibility of unauthorized users, and utilized to restrict individuals' access to only those data files and programs they need to accomplish their jobs.
  - 2) Security codes which allow different types of editing (i.e., read, write, delete, add, etc.) are not in place that limit access to the various data files and programs utilized by the County Assessor, County Collector, and County Clerk. Lack of security codes and procedures provides the potential for personnel to make undetected and unauthorized changes to information.
  - 3) After the County Assessor provides assessment values to the county, the County Collector makes additions and abatements to the property tax system based upon court orders prepared by the County Clerk. The system generates a report of changes, but this report is not periodically reviewed or compared to approved court orders. Comparisons of change report information to approved court orders would ensure only authorized changes were made to the property tax system and would allow for the timely detection and correction of errors.

Since access to various information is not adequately restricted, unauthorized changes could possibly be made to programs and/or data files without the changes being detected. For example, unauthorized changes could be made to assessed valuation amounts, payment of taxes, or the extension of taxes by officials or employees in offices other than the one specifically responsible for such duties.

To establish individual responsibility, and to preserve the integrity of computer programs and data files, access to information should be limited to only those individuals who need access for completion of job responsibilities. Additionally, all changes should be identified by user and change reports should be reviewed by the County Commission.

- B. The county does not have a formal emergency contingency plan for the computer system, and has not formally negotiated arrangements for backup facilities in the event of a disaster.

Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Because of the county's degree of reliance on the data processing, the need for contingency planning is evident.

These conditions were noted in our four prior reports. Although the County Commission has responded in the previous reports that these issues will be discussed with the programmer and necessary changes made to implement the recommendations, no changes have been made to the computer system to implement these recommendations. It appears the County Commission is reluctant to make changes or to incur the costs associated with making changes to the computer system.

**WE AGAIN RECOMMEND** the County Commission ensure:

- A. Access to specific computer programs/data files is restricted to authorized individuals through a system of passwords and security codes. Passwords should be unique by individual and changed periodically. Additionally, procedures should be implemented to monitor changes made to the property tax system.
- B. A formal contingency plan for the county's computer system is developed.

**AUDITEE'S RESPONSE**

- A. *We have discussed these issues with the programmer and at this time we are unwilling to incur the costs associated with changing the computer system. The next time the computer system is upgraded, we will make these changes to the computer system. We will do a better job of monitoring the changes made to the property tax system.*
- B. *We will attempt to develop a formal contingency plan within the next year.*

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| <b>2. Budgetary Practices</b> |
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- A. Formal budgets were not prepared for various county funds for the years ended December 31, 2001 and 2000. The County Clerk indicated that these funds were

small and difficult to budget and some were new funds established after the budget document had been prepared.

Chapter 50, RSMo 2000, requires the preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission would be able to more effectively evaluate all county resources.

- B. The County Commission and other applicable officials did not have adequate procedures to monitor budgeted and actual expenditures. As a result, expenditures exceeded approved budgets in several county funds as follows:

| Fund                                | Year Ended December 31, |       |
|-------------------------------------|-------------------------|-------|
|                                     | 2001                    | 2000  |
| Law Enforcement Training            | 1,233                   | 160   |
| Special Road and Bridge             | 11,062                  | N/A   |
| Prosecuting Attorney Training       | 131                     | N/A   |
| Emergency Grant                     | 1,227                   | N/A   |
| Associate Circuit Division Interest | 440                     | N/A   |
| Recorder's User Fees                | N/A                     | 545   |
| Children's Trust                    | N/A                     | 10    |
| Sweetwater Cemetery Trust           | N/A                     | 11    |
| Sheriff's Civil Fees                | N/A                     | 670   |
| Special Law Enforcement             | N/A                     | 5,622 |

While budget to actual data is provided to the County Commission, the county's procedures and reports are not resulting in effective monitoring of various budgets. 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, 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. Also, Section 50.622, RSMo 2000, provides 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.

- C. The annual published financial statements of the county did not include some of the financial activity of some county funds as required. The county's annual published financial statements did not indicate disbursements by vendor for some of the funds presented. Section 50.800, RSMo 2000, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning

and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county and county boards should be included.

Conditions A and B were noted in our two prior reports.

**WE RECOMMEND** the County Commission:

- A. Ensure budgets for all county funds are obtained or prepared.
- 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. Ensure complete financial information for all county funds is properly reported in the annual published financial statements.

**AUDITEE'S RESPONSE**

- A. *We will try to budget all funds.*
- B. *We will do a better job of monitoring actual expenditures to ensure budgeted expenditures are not exceeded. Amended budgets will be prepared when needed.*
- C. *We will include more detail in the published financial statement for all funds.*

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| <b>3. County Officials' Compensation</b> |
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- A. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute and according to the salary commission minutes, Reynolds County's Associate County Commissioners' salaries were each increased in 1999 approximately \$7,110 yearly.

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 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.

Based upon the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$14,220 for the two years ended

December 31, 2000, should be repaid. The County Commission indicated it discussed this situation with the Prosecuting Attorney and he is working on a legal opinion regarding the collection of the salary overpayments.

- B. Salaries for elected county officials' are determined by the actions of the Salary Commission. During our review of elected official's salaries, we noted that one official received a salary increase during the third year of a four year term. This appears to violate 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. While the official indicated the increase in salary was due to an increase in the county's assessed valuation which caused the salary limit to increase, the salary commission meeting minutes included no documentation to support the increase or how the increase was calculated. Also, there was no documentation to indicate why the increase in assessed valuation only affected one official. In addition, a written opinion as to the legality of the action taken was not obtained from the county Prosecuting Attorney.

The County Commission should review this matter with the county Prosecuting Attorney to ensure the proper amounts were paid to the various officials and to ensure the actions of the salary commission were appropriate. Also, the County Commission should ensure all future salary commission decisions are thoroughly documented and all future officials' salaries are supported by actions of the salary commission.

**WE RECOMMEND** the County Commission:

- A. Review the Prosecuting Attorney's legal opinion and develop a plan for obtaining the repayment of the salary overpayments.
- B. Ensure salary commission minutes clearly document all decisions made and all future elected officials' salaries are supported by actions of the salary commission. In addition, written legal opinions should be obtained from the Prosecuting Attorney to support the decisions of the salary commission.

**AUDITEE'S RESPONSE**

- A. *We will take the Prosecuting Attorney's opinion under advisement and make a decision regarding the overpayments at that time.*
- B. *We will take the Prosecuting Attorney's opinion under advisement and make a decision regarding the overpayments at that time. We will ensure all pay increases are properly documented in the salary commission minutes.*

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| <b>4. Personnel Policies and Procedures</b> |
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During our review of payroll records we noted the following concerns:

- A. The County Clerk does not maintain detailed records of vacation leave, sick leave or compensatory time earned, taken, or accumulated. The County Clerk indicated leave records are to be maintained by each individual office but our review noted some offices are not maintaining these records.

Without centralized and complete leave records, the County Commission cannot ensure that employee's vacation leave, sick leave, and 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.

- B. Time sheets prepared by employees of the Sheriff's department did not always indicate actual hours worked. Time sheets prepared usually indicate five eight hour days are worked each week; however, employees indicated the actual hours worked are often different than the hours recorded. No explanation was provided to indicate the reason why an incorrect procedure was being followed for time sheets.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time records should be prepared by the employee, approved by the applicable supervisor, and filed with the County Clerk.

**WE RECOMMEND** the County Commission:

- A. Ensure a balance of leave accumulated and taken for each employee is maintained by the County Clerk.
- B. Require all employees to complete time sheets which report actual hours worked. The records should be prepared by employees, approved by the applicable supervisor, and filed with the County Clerk.

**AUDITEE'S RESPONSE**

- A. *We agree that leave records needs to be maintained. We will work on ensuring these records are maintained in the next six months. We are considering purchasing software that includes payroll processing and also includes maintenance of leave records.*
- B. *We will discuss this issue with the Sheriff and request that time sheets document actual hours worked.*

**5.****County Expenditures**

- A. Mileage reimbursement requests are not always adequate for claims submitted. For example, we noted one mileage reimbursement request totaling \$500 only indicated the number of miles driven during a day and did not indicate the purpose or destination of the trip. For another mileage reimbursement request totaling \$500, the purpose or destination information was too general and not adequately descriptive. For example, the destination was indicated as Centerville to Ellington area but the number of miles on the mileage reimbursement requests ranged from 68 to 188 miles. Also, the Sheriff's department employees are reimbursed for mileage incurred for transporting prisoners and for training. Generally, the county only received a voucher that indicated the total number of miles driven. We noted one voucher totaling \$121 which did not include the date, purpose, and location traveled to and from. Given the county spent \$39,000 on mileage reimbursements, more detailed documentation would provide better controls in this area.
- B. The County is overpaying its share of the juvenile office expenditures. The County pays a portion of juvenile office expenditures for the 42<sup>nd</sup> Judicial Circuit based upon a percentage determined by the population of the county in proportion to the entire judicial circuit, according to the most recent census. The Juvenile Officer did not update the billing percentage based on the new 2000 census data. During our review of juvenile office expenditures and billings, we noted Reynolds County is being billed at the 1990 census rate of 10.78% rather than the new 2000 census rate of 9.78%.
- C. Uniform allowances of \$50 are paid to the Sheriff's deputies and a uniform allowance of \$100 is paid to the Sheriff on a monthly basis. These allowances totaled approximately \$6,600 and \$6,000 for the years ended December 31, 2001 and 2000, respectively. The Sheriff and deputies are not required to submit invoices or an itemized expense report to support the allowance, nor are uniform allowances reported on W-2 forms.

Internal Revenue Service Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Procedures have not been established to ensure IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

**WE RECOMMEND** the County Commission:

- A. Require detailed mileage reimbursement requests be submitted by employees for

- mileage reimbursement. The mileage reimbursement request would include the date, purpose, location traveled to and from, and total miles traveled.
- B. Ensure the correct percentage is used to prorate future juvenile office expenditures. In addition, the County Commission should review prior expenses to determine amounts overpaid and pursue reimbursement of these expenses as appropriate.
  - C. Ensure that uniform allowances are included on employee W-2 forms in compliance with IRS reporting requirements.

### **AUDITEE'S RESPONSE**

- A. *We will require mileage reimbursement requests to be submitted and sufficiently detailed.*
- B. *This has been corrected. We will review prior expenses to determine if this needs to be pursued.*
- C. *We are considering switching to an actual reimbursement basis. If we do not switch, the uniform allowances will be included on the employee's W-2 forms.*

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| <b>6.</b> | <b>Fixed Assets</b> |
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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 or inspections. Currently, the County Clerk maintains a manual inventory listing of fixed assets held by county officials; however, additions and deletions are not always recorded on the fixed asset records as they occur. In addition, the County Clerk does not periodically reconcile equipment purchases with additions to the fixed assets records. During our review of county expenditures, we noted a road grader purchased for \$163,922 was not recorded on the fixed assets listing. Additionally, two surveillance cameras purchased for the Sheriff's department costing \$4,695 were not recorded on the fixed asset listing. Reconciling equipment purchases to additions to the fixed assets records would help ensure all purchases have been added to the fixed asset records.

In addition, the county does not have formal procedures for disposing of county owned property. Written authorization is not obtained from the County Commission. Currently, when an item is no longer needed or useful, the officeholder or department head will dispose of the property or place the item in storage without getting written approval from the County Commission. As a result, the County Commission and the County Clerk are not always aware of the disposal of fixed assets and the fixed assets are not removed from the fixed asset records.

Adequate general fixed asset records are necessary to meet statutory requirements, secure

better internal control over county property, and provide a basis for determining proper insurance coverage for 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 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 the handling and accounting for fixed assets. Besides 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 the handling of asset disposition, and any other concerns associated with county property.

#### **AUDITEE'S RESPONSE**

*We will establish a written fixed asset policy.*

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| <b>7. Assessor's Accounting Controls and Procedures</b> |
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The Assessor's office collects monies from the sale of plat books and maps. Monies received are transmitted periodically to the County Treasurer. During our review of the Assessor's accounting controls and procedures related to the handling of these monies, we noted the following concerns:

- A. Accounting duties for the Assessor's office are not adequately segregated. One employee is primarily responsible for receiving, recording, and transmitting monies to the County Treasurer. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. At a minimum, there should be a documented independent comparison of receipt slips issued to amounts transmitted to the County Treasurer.
- B. Receipt slips were not issued for some monies received. During our review of comparing the Assessor's receipt slip book and the account ledger, we noted one instance where a receipt slip was not written for a \$147 receipt. To ensure receipts are accounted for properly, prenumbered receipt slips should be issued for all monies received.

- C. The Assessor's office issues two-part prenumbered receipt slips when individuals receive plat books and/or maps whether or not the individuals pay at that time. The top copies of the receipt slips are issued to the individuals when they pick up the books or maps. Subsequently, the amount due along with all other amounts collected are recorded in the account ledger when the plat books or maps are sold. Receipts are recorded in the account ledger when the payment is collected.

The Assessor's office should issue receipt slips to individuals only when monies are received to ensure monies received are accounted for properly.

- D. Receipts are not transmitted to the County Treasurer on a timely basis. Transmittals to the County Treasurer are typically made only once a month and average over \$200. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted to the County Treasurer daily or when accumulated receipts exceed \$100.
- E. The Assessor allows his employees to cash personal checks from receipts. To ensure all receipts are accounted for and transmitted to the County Treasurer intact, personal checks should not be cashed with official receipts.

Conditions A, C, and D were noted in our prior report.

**WE RECOMMEND** the County Assessor:

- A. Adequately segregate duties among available employees and/or establish a documented periodic review of the accounting records by an independent person.
- B. Issue prenumbered receipt slips for all monies received.
- C. Ensure receipt slips are issued to individuals only when monies are received.
- D. Transmit all monies to the County Treasurer daily or when accumulated receipts exceed \$100.
- E. Discontinue the practice of cashing personal checks for employees.

**AUDITEE'S RESPONSE**

- A. *I will perform a monthly review of the accounting records to ensure cash/check compositions of receipts agree to cash/check composition of monies transmitted to the County Treasurer.*
- B. *I want prenumbered receipt slips to be issued for all monies received. This was just an oversight in not issuing a receipt slip for these monies.*
- C. *This has been implemented. An invoice system has been set up for accounts receivable so that receipt slips are only written when monies are received.*

- D. *Receipts will be transmitted to the County Treasurer when receipts exceed \$100.*
- E. *I will no longer allow personal checks to be cashed.*

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| <b>8. Prosecuting Attorney's Accounting Controls and Procedures</b> |
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The Prosecuting Attorney's office collects bad check monies and fees and restitution. The Prosecuting Attorney normally requires bad check offenders to remit two money orders or cashier's checks, one payable to the merchant for restitution and bank fees, and one payable to the County Treasurer for bad check fees. The restitution monies ordered by the court are deposited into a bank account. During our review of the Prosecuting Attorney's accounting controls and procedures related to the handling of these monies, we noted the following concerns:

- A. Prenumbered receipt slips are not issued for bad check monies received. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, prenumbered receipt slips should be issued for all monies received.
- B. Restitution receipts are not deposited on a timely basis. We noted \$151 in restitution monies received on August 3, 2001 was not deposited until September 24, 2001. The total deposit was \$616 and included all receipts from August 3 to September 24. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.
- C. An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of these bad checks has not been established. Currently, Reynolds County merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection. The complaint forms, and information regarding the handling of each case, is maintained in individual case files. The Prosecuting Attorney's office has not established procedures to ensure the disposition of bad checks has been accounted for.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received and a log should be maintained showing each bad check and its disposition. The log should contain information such as the assigned number, the merchant, the issuer of the check, the amount of the check, the amount of the bad check fee, and the disposition of the bad check, including date payment was received and transmitted to the merchant or the criminal case in which charges were filed or other disposition.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Issue prenumbered receipt slips for all monies received.
- B. Deposit receipts daily or when accumulated receipts exceed \$100.
- C. Implement procedures to adequately account for bad checks received, as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form or bad check received and a log to account for the numerical sequence and disposition of each bad check.

#### **AUDITEE'S RESPONSE**

- A. *This has been implemented.*
- B. *We have started making deposits more often and we will continue to try and deposit monies more frequently.*
- C. *A new log has been implemented which will allow for tracking of all bad checks received as well as the ultimate disposition.*

|           |                                                     |
|-----------|-----------------------------------------------------|
| <b>9.</b> | <b>Sheriff's Accounting Controls and Procedures</b> |
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The Sheriff collects various criminal and civil fees, bonds, gun permit fees, phone commissions, and reimbursements for boarding and transporting prisoners.

- A. During our review, we noted the following concerns related to receipts:
  - 1. Accounting duties are not adequately segregated. One individual is responsible for receiving, depositing and disbursing monies, and maintaining the accounting records. There is no documentation that an independent review of deposits and accounting records is performed.  
  
Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.
  - 2. Receipts are not deposited intact on a timely basis. Receipts are deposited approximately twice a month and are not always deposited in the order received. Separate deposits are made for gun permit monies and for bonds as these monies are deposited separately from other receipts. Deposits made during the months reviewed were always over \$400.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse

of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100.

3. Procedures for following up on prisoner boarding and paper service billings were not adequate. The Sheriff's department maintains a monthly log by deputy of paper service billings and also maintains the original billing for board bills, but does not ensure that billings submitted have been collected. The Sheriff's department was unsure of costs due to them from other counties or the state.

- B. Formal bank reconciliations are not prepared on a monthly basis. As of August 2002, monthly bank reconciliations for the Sheriff's account had not been completed since December 1999. As a result of the lack of formal bank reconciliations, the Sheriff had \$302 in old outstanding checks that were over a year old. Of these old outstanding checks, \$270 pertain to a check written in December 1998. No documentation existed that indicated that the payees of these checks have been notified.

Monthly bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to ensure sufficient cash is available to cover liabilities. Failure to prepare formal bank reconciliations in a timely manner increases the risk that errors or irregularities will not be detected on a timely basis. In addition, procedures should be adopted to routinely follow-up on old outstanding checks. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

- C. The Sheriff's office was unable to locate bank statements and the check register for the year ended December 31, 2000. Retention of records is necessary to ensure the validity of transactions and provide an audit trail and account for all monies received. Section 109.270, RSMo 2000, provides that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

Conditions A1 and A2 were noted in our prior report.

**WE RECOMMEND** the Sheriff:

- A.1. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.
2. Deposit receipts intact daily or when accumulated receipts exceed \$100.
3. Establish adequate procedures to monitor and collect accrued costs.
- B. Ensure formal bank reconciliations are prepared on a timely basis and attempt to

resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.

C. Retain records in a secure location in accordance with state law.

**AUDITEE'S RESPONSE**

- A.1. *I will review the accounting records on a monthly basis.*
2. *This has been implemented.*
3. *A log has been established to monitor and collect accrued costs. This will allow for knowing what bills have been sent and which bills have been paid.*
- B. *Bank reconciliations are currently being performed. We will review the old outstanding checks and determine the proper disposition of those checks.*
- C. *We attempted to locate the records and were unable to find them. We were able to obtain copies of the bank statements from the bank and these bank statements were used by the auditors in their audit. We intend to retain all records as necessary but somehow these records got lost. We will ensure all records are retained as appropriate.*

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| <b>10. Health Center</b> |
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The Health Center does not have adequate procedures to monitor budgeted and actual expenditures. As a result, expenditures exceeded board approved budgets by \$19,966 for the year ended December 31, 2001. This was mainly due to increases in salaries for the environmental sanitarian and funding consultant. 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, 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. Also, Section 50.622, RSMo 2000, provides county boards may amend the annual budget during any year in which the board receives additional funds which could not be estimated when the budget was adopted and that the board shall follow the same procedures required for adoption of the annual budget to amend the budget.

This condition was noted in our two prior reports.

**WE RECOMMEND** the Health Center Board 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.

## **AUDITEE'S RESPONSE**

*We will compare actual expenditures to budgeted expenditures more frequently. We will determine based on this analysis and new information if it is necessary to file an amended budget to ensure actual expenditures do not exceed budgeted expenditures. If an amended budget is necessary, the budget will be amended and filed with the State Auditor's office.*

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| <b>11. Senate Bill 40 Board</b> |
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In accordance with Section 205.971, RSMo 2000, the Senate Bill 40 Board provides funding from the proceeds of a property tax levy for goods and services to individuals whom are developmentally disabled. During our review, we noted the following concerns:

- A. The Senate Bill 40 Board does not have adequate procedures to monitor and ensure monies in their various bank accounts are sufficiently collateralized. The Senate Bill 40 Board deposits were under collateralized by \$23,615 during January 2001. This occurred due to a higher than normal year end cash balance and the receipt of property tax monies in January causing the balance to exceed FDIC coverage. Section 110.020, RSMo 2000, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount of deposit less the amount insured by the FDIC. Inadequate collateral securities leave Senate Bill 40 Board funds unsecured and subject to loss in the event of a bank failure.
- B. The Senate Bill 40 Board does not have adequate procedures to monitor budgeted and actual expenditures. As a result, expenditures exceeded board approved budgets by \$6,372 and \$548 for the years ended December 31, 2001 and 2000, respectively. 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, 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. Also, Section 50.622, RSMo 2000, provides county boards may amend the annual budget during any year in which the board receives additional funds which could not be estimated when the budget was adopted and that the board shall follow the same procedures required for adoption of the annual budget to amend the budget.

Condition B was noted in our two prior reports.

**WE RECOMMEND** the Senate Bill 40 Board:

- A. Develop procedures to monitor and ensure adequate collateral securities are pledged

by the depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.

- 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.

### **AUDITEE'S RESPONSE**

- A. *We will obtain collateral securities when necessary to ensure the Senate Bill 40 monies are adequately insured.*
- B. *We will monitor expenses more closely and amend the budget once we realize actual expenditures will exceed budgeted expenditures. An amended budget will be filed with the State Auditor's office.*

|                                  |
|----------------------------------|
| <b>12. Senior Services Board</b> |
|----------------------------------|

The Senior Services Board receives approximately \$30,000 annually from a property tax levy. The tax receipts are used to fund meals programs and transportation for senior citizens. During our review, we noted the following concerns:

- A. Checks issued on the senior services' bank account require signatures of both the senior service's treasurer and the board's chairperson; however, blank checks are sometimes signed in advance by the chairperson. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.

To adequately safeguard assets, checks should not be signed until all pertinent information is completed and supporting documentation for the disbursement is reviewed and approved by the board.

- B. The Senior Services Board does not have adequate procedures to monitor budgeted and actual expenditures. As a result, expenditures exceeded board approved budgets by \$8 and \$91 for the years ended December 31, 2001 and 2000, respectively. 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, 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. Also, Section 50.622 RSMo 2000, provides county boards may amend the annual budget during any year in which the board receives additional

funds which could not be estimated when the budget was adopted and that the board shall follow the same procedures required for adoption of the annual budget to amend the budget.

- C. The approved budget did not adequately project the Senior Services Board's anticipated financial condition for either of the two years ended December 31, 2001. The beginning cash balance was not included in the budget for the year ended December 31, 2001 while an incorrect beginning cash balance was indicated in the budget for the year ended December 31, 2000. As a result, the anticipated financial condition was understated.

To be of maximum assistance to the board and to adequately inform the public, the budgets should accurately reflect the anticipated beginning cash balance, receipts, expenditures, and ending cash balance.

**WE RECOMMEND** the Senior Services Board:

- A. Discontinue the practice of signing checks in advance.
- 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. Ensure that accurate beginning cash balances are included on budgets so that the budgets present a reasonable estimate of the board's financial plan and ending balances.

**AUDITEE'S RESPONSE**

- A. *This has been implemented.*
- B. *We will monitor expenditures more closely to ensure expenditures do not exceed budgeted expenditures amounts. If necessary, for expenditures to exceed the amounts budgeted, the budget will be amended and filed with the State Auditor's office.*
- C. *We will be more careful when budgeting to ensure the correct beginning cash amount is presented.*

This report is intended for the information of the management of Reynolds County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## REYNOLDS 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 Reynolds County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1997.

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. Computer Controls

- A. Access to the property tax programs and data files was not adequately restricted and changes to data were not routinely monitored.
- B. The county had no formal contingency plan for the computer system, and had not formally negotiated arrangements for backup facilities in the event of a disaster.

#### Recommendation:

The County Commission ensure:

- A. Access to specific computer programs/data files is restricted to authorized individuals through a system of passwords and security codes. Passwords should be unique by individual and changed periodically. Additionally, procedures should be implemented to monitor changes made to the property tax system.
- B. A formal contingency plan for the county's computer system is developed.

#### Status:

Not implemented. See MAR finding number 1.

### 2. Budgetary Practices

- A. Formal budgets were not prepared for various county funds.
- B. Disbursements were issued in excess of approved budgeted expenditures.

#### Recommendation:

The County Commission:

- A. Ensure budgets are prepared or obtained for all county funds.
- B. Not authorize disbursements in excess of budgeted expenditures.

Status:

Not implemented. See MAR finding number 2.

3. Elected Officials' Bonds

Reynolds County did not appear to have adequate bond coverage for several elected officials.

Recommendation:

The County Commission require all elected officials to be bonded as required by statute.

Status:

Implemented.

4. Elected Official's Salary

The County Coroner did not file a training certificate for 1997 with the county, nor did he provide an exemption from the training as allowed by statute resulting in an salary overpayment of \$1,000.

Recommendation:

The County Commission require the County Coroner to provide certification that he completed applicable classroom training in 1997 or an exemption from training. If a training certification or an exemption cannot be provided, the County Commission should pursue reimbursement of \$1,000 from the County Coroner. In addition, the County Commission and County Clerk should require the County Coroner to provide certification of applicable classroom training before the \$1,000 training allowance is paid.

Status:

Partially implemented. The County Coroner provided the training certification for 2001 and 2000. However, the County Coroner did not provide a training certificate for 1997 and the County Commission did not pursue the \$1,000 reimbursement from the County Coroner for 1997. Although not repeated in the current report, our recommendation remains as stated above.

5. Assessor's Accounting Controls and Procedures

- A. Accounting duties for the Assessor's office were not adequately segregated.
- B. The Assessor's office issued two-part prenumbered receipt slips when individuals received plat books and/or maps whether or not the individuals paid at that time. Approximately \$700 was owed to the county for plat books.
- C. Receipts were not transmitted on a timely basis and checks were not restrictively endorsed until they were transmitted.
- D. The Assessor's office did not maintain inventory records accounting for plat books or maps.

Recommendation:

The County Assessor:

- A. Adequately segregate duties among available employees and/or establish a documented periodic review of the accounting records by an independent person.
- B. Ensure receipt slips are issued to individuals only when monies are received and maintain an accounts receivable ledger listing all individuals who owe the Assessor's office for plat books and maps.
- C. Restrictively endorse checks immediately upon receipt and ensure all receipts collected are transmitted to the County Treasurer in a timely manner.
- D. Maintain records of the number of plat books and maps sold, given away, or used by the county, and periodically reconcile the number of maps reported on the inventory to the number of plat books and maps on hand.

Status:

- A-C. Not implemented. See MAR finding number 7.
- D. Implemented.

6. County Clerk's Accounting Controls and Procedures

Prenumbered receipt slips were not issued for some monies received and other receipt slips issued did not always indicate the method of payment received. In addition, personal checks were occasionally cashed from cash collections.

Recommendation:

The County Clerk issue prenumbered receipt slips for all monies received, and indicate the method of payment on all receipt slips and reconcile the composition of receipt slips to the composition of the transmittals to the County Treasurer. In addition, the County Clerk's office should discontinue the practice of cashing personal checks.

Status:

Partially implemented. The County Clerk has discontinued the practice of cashing personal checks and does indicate the method of payment on all receipt slips. However, the County Clerk does not always issue prenumbered receipt slips for monies received or reconcile the composition of receipts slips to the composition of transmittals to the County Treasurer. Although not repeated in the current report, our recommendations remains as stated above.

7. Sheriff's Accounting Controls and Procedures

- A. Accounting, receipting, and disbursement duties were not adequately segregated.
- B. Receipts were not deposited on a timely basis.
- C. Personal checks were occasionally cashed from collections.

Recommendation:

The Sheriff:

- A. Ensure adequate segregation of accounting and receipting duties to the extent possible. At a minimum, the Sheriff should perform documented reviews of the work performed.
- B. Deposit receipts daily or when accumulated receipts exceed \$100.
- C. Reconcile the composition of receipt slips to the composition of the deposits. In addition, the Sheriff's office should discontinue the practice of cashing personal checks.

Status:

- A&B. Not implemented. See MAR finding number 9.
- C. Implemented.

8. Reynolds County Health Center

The Health Center approved expenditures in excess of budgeted amounts.

Recommendation:

The Health Center Board of Trustees not authorize disbursements in excess of budgeted expenditures.

Status:

Not implemented. See MAR finding number 10.

9. Reynolds County Senate Bill 40 Board

The Senate Bill 40 Board approved expenditures in excess of budgeted amounts.

Recommendation:

The Senate Bill 40 Board not authorize expenditures in excess of budgeted expenditures. If valid reasons necessitate additional expenditures, the original budget should be formally amended and reasons thoroughly documented. In addition, the board should better monitor contractual obligations and budgeted expenditures.

Status:

Not implemented. See MAR finding number 11.

10. Reynolds County Senior Services Board

Contracts to four area agencies to provide meals and transportation for senior citizens were not adequate.

Recommendation:

The Senior Services Board review and revise its contract forms and procedures to establish that all essential terms are fixed and in writing to assure accountability and fairness in administering public funds.

Status:

Implemented.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

REYNOLDS COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1845, the county of Reynolds was named after Governor Thomas Reynolds. Reynolds County is a county-organized, third-class county and is part of the Forty-Second Judicial Circuit. The county seat is Centerville.

Reynolds 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 county roads and 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 of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Reynolds County received its money in 2001 and 2000 to support the county General Revenue and Special Road and Bridge Funds:

| SOURCE                    | 2001         |            | 2000      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| Property taxes            | \$ 463,905   | 26         | 464,990   | 29         |
| Sales taxes               | 11,398       | 1          | 0         | 0          |
| Federal and state aid     | 1,016,887    | 57         | 935,168   | 57         |
| Fees, interest, and other | 294,181      | 16         | 226,624   | 14         |
| Total                     | \$ 1,786,371 | 100        | 1,626,782 | 100        |

The following chart shows how Reynolds County spent monies in 2001 and 2000 from the General Revenue and Special Road and Bridge Funds:

| USE                       | 2001         |            | 2000      |            |
|---------------------------|--------------|------------|-----------|------------|
|                           | AMOUNT       | % OF TOTAL | AMOUNT    | % OF TOTAL |
| General county government | \$ 357,835   | 21         | 358,960   | 22         |
| Public safety             | 375,768      | 22         | 320,569   | 20         |
| Highways and roads        | 986,243      | 57         | 921,140   | 58         |
| Total                     | \$ 1,719,846 | 100        | 1,600,669 | 100        |

The county maintains approximately 61 county bridges and 563 miles of county roads.

The county's population was 6,106 in 1970 and 6,689 in 2000. The following chart shows the county's change in assessed valuation since 1970:

|                        |    | Year Ended December 31, |       |       |        |        |
|------------------------|----|-------------------------|-------|-------|--------|--------|
|                        |    | 2001                    | 2000  | 1985* | 1980** | 1970** |
|                        |    | (in millions)           |       |       |        |        |
| Real estate            | \$ | 68.7                    | 72.3  | 79.9  | 20.8   | 17.2   |
| Personal property      |    | 22.0                    | 24.2  | 9.9   | 7.1    | 2.0    |
| Railroad and utilities |    | 5.9                     | 6.5   | 13.6  | 10.2   | 1.1    |
| Total                  | \$ | 96.6                    | 103.0 | 103.4 | 38.1   | 20.3   |

\* First year of statewide reassessment.

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

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

|                              |    | Year Ended December 31, |       |
|------------------------------|----|-------------------------|-------|
|                              |    | 2001                    | 2000  |
| General Revenue Fund         | \$ | .2850                   | .3000 |
| Special Road and Bridge Fund |    | .1600                   | .1600 |
| Health Center Fund           |    | .1000                   | .1000 |
| Senate Bill 40 Board Fund    |    | .1000                   | .1000 |
| Senior Services Board        |    | .0300                   | .0300 |

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 bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

|                              | Year Ended February 28, |                  |
|------------------------------|-------------------------|------------------|
|                              | 2002                    | 2001             |
| State of Missouri            | \$ 28,804               | 30,503           |
| General Revenue Fund         | 304,167                 | 332,305          |
| Special Road and Bridge Fund | 152,544                 | 162,740          |
| Assessment Fund              | 42,500                  | 43,566           |
| Health Center Fund           | 95,012                  | 100,711          |
| Senate Bill 40 Board Fund    | 94,927                  | 100,619          |
| Senior Services Board Fund   | 28,480                  | 30,187           |
| School districts             | 2,945,028               | 2,942,410        |
| Library district             | 114,078                 | 120,922          |
| Ambulance district           | 114,024                 | 120,821          |
| Hospital district            | 106,421                 | 150,698          |
| Fire districts               | 13,224                  | 12,561           |
| Overplus Fund                | 5,789                   | 8,640            |
| Cities                       | 365                     | 470              |
| County Clerk                 | 525                     | 573              |
| County Employees' Retirement | 16,813                  | 16,066           |
| Commissions and fees:        |                         |                  |
| General Revenue Fund         | 65,429                  | 66,634           |
| Total                        | \$ <u>4,128,130</u>     | <u>4,240,426</u> |

Percentages of current taxes collected were as follows:

|                        | Year Ended February 28, |      |
|------------------------|-------------------------|------|
|                        | 2002                    | 2001 |
| Real estate            | 94 %                    | 95 % |
| Personal property      | 91                      | 92   |
| Railroad and utilities | 100                     | 100  |

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

|         | Rate     | Expiration<br>Date | Required                  |
|---------|----------|--------------------|---------------------------|
|         |          |                    | Property<br>Tax Reduction |
| General | \$ .0050 | None               | 50%                       |

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

| Officeholder                                               | 2002   | 2001   | 2000   |
|------------------------------------------------------------|--------|--------|--------|
| County-Paid Officials:                                     |        |        |        |
| Paul W. Wood, Presiding Commissioner                       | \$     | 18,810 | 18,810 |
| John D. Warren, Associate Commissioner                     |        | 18,810 | 0      |
| Donald Barnes, Associate Commissioner                      |        | 0      | 18,810 |
| Wayne Henson, Associate Commissioner                       |        | 18,810 | 18,810 |
| Mike Harper, County Clerk                                  |        | 28,500 | 28,500 |
| Robert A. Johnson, Prosecuting Attorney                    |        | 33,750 | 33,750 |
| Gary Barton, Sheriff                                       |        | 31,500 | 20,880 |
| Elaine Albert, County Treasurer                            |        | 21,090 | 21,090 |
| Jeffrey N. McSpadden, County Coroner                       |        | 8,250  | 3,850  |
| Opal McNail, Public Administrator (1)                      |        | 19,500 | 5,521  |
| Judy Cook, County Collector,<br>year ended February 28,    | 28,500 | 28,500 |        |
| Rick Parker, County Assessor (2), year ended<br>August 31, |        | 28,500 | 28,500 |
| Sid Nickelson, County Surveyor (3)                         |        | 0      | 0      |

- (1) In addition to fees received from probate cases, a salary of \$4,000 was received in 2000 and a salary of \$15,000 was received in 2001.
- (2) Includes \$900 annual compensation received from the state.
- (3) Compensation on a fee basis.

State-Paid Officials:

|                                                                   |        |        |
|-------------------------------------------------------------------|--------|--------|
| Randy L. Cowin, Circuit Clerk and<br>Ex Officio Recorder of Deeds | 47,300 | 46,127 |
| Edith R. Rutter, Associate Circuit Judge                          | 96,000 | 97,382 |

A breakdown of employees (excluding the elected officials) by office at December 31, 2001, is as follows:

| Office                                         | Number of Employees Paid by |          |
|------------------------------------------------|-----------------------------|----------|
|                                                | County                      | State    |
| County Commission                              | 1                           | 0        |
| Circuit Clerk and Ex Officio Recorder of Deeds | 1                           | 1        |
| County Clerk                                   | 2                           | 0        |
| Prosecuting Attorney (1)                       | 2                           | 0        |
| Sheriff (2)                                    | 13                          | 0        |
| County Collector (1)                           | 2                           | 0        |
| County Assessor                                | 3                           | 0        |
| Associate/Probate Division                     | 0                           | 2        |
| Road and Bridge                                | 15                          | 0        |
| Health Center (3)                              | 9                           | 0        |
| Total                                          | <u>48</u>                   | <u>3</u> |

- (1) Includes one part-time clerk.
- (2) Includes three part-time dispatchers.
- (3) Includes four part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Reynolds County's share of the Forty-Second Judicial Circuit's expenses is 9.78 percent.