



Claire McCaskill

Missouri State Auditor

December 2006

Reynolds County, Missouri

Years Ended

December 31, 2005 and 2004



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2006

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

- The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by \$36,878 and \$475,850 for the years ended December 31, 2005 and 2004, respectively.
- Supporting documentation was not available to indicate Title III monies were spent as allowed by the Schools and Roads-Grants to States Program. Of the \$48,363 received by the county for Title III projects, it appears \$7,271 was expended for materials and supplies and \$1,069 was expended for payroll costs related to Title III projects. No other documentation is available to support Title III expenditures. As a result, we question costs of \$40,023.
- Actual disbursements exceeded budgeted amounts for several funds and an annual maintenance plan has not been prepared to document expected work on the county's roads and bridges.
- The county has no written policy regarding the commissioners' use of personal vehicles for county travel purposes and the commissioners are not required to maintain adequate records which detail vehicle usage. The county does not require employees to submit documentation to support all allowances or reimbursements and does not report this compensation on the employees' W-2 forms.
- Agendas were not posted for meetings held by the County Commission. In addition, the county does not have a policy regarding public access to records.
- The Senate Bill 40 Board did not ensure that a budget was prepared for its fund. In addition, board minutes are not consistently signed by the preparer and a board member to attest to their completeness and accuracy.
- The Senior Service Board minutes were not signed by the preparer and a board

YELLOW SHEET

member. Meeting notices and agendas were not posted for meetings held by the Senior Service Board.

- In the Health Center, passwords are not periodically changed to access the accounting software, some employees who handle receipts are not bonded, general capital asset record keeping and annual inventory duties are not segregated, and the general capital asset listing is not complete. In addition, Health Center minutes did not include a reason for going into closed session, decisions made during closed session were not disclosed in the open session minutes and the minutes were not always signed by the preparer and a board member.

The report also includes comments related to the property tax system and the Sheriff's and the Prosecuting Attorney's accounting controls and procedures.

All reports are available on our Web site: auditor.mo.gov

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 AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Reynolds County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Reynolds County, Missouri, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Reynolds County, Missouri, as of December 31, 2005 and 2004, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of 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, 2005 and 2004, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 28, 2006, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

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 financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

September 28, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Kate E. Petschonek, CPA
Audit Staff:	Zeb Tharp
	Jonathan P. Edwards
	Jeanette M. Samson



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Reynolds County, Missouri

We have audited the financial statements of various funds of Reynolds County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Reynolds County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

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

Claire McCaskill
State Auditor

September 28, 2006 (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, 2005

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 440,419	789,903	961,207	269,115
Special Road and Bridge	195,481	1,240,625	1,369,767	66,339
Assessment	3,478	108,035	106,456	5,057
Law Enforcement Training	844	2,060	2,585	319
Prosecuting Attorney Training	188	362	383	167
Recorder's User Fees	18,792	5,487	5,414	18,865
Children's Trust	15	316	0	331
Sweetwater Cemetery Trust	4,417	206	176	4,447
Sheriff's Civil Fees	10,520	6,277	10,000	6,797
Sound Recording	1,348	340	0	1,688
Prosecuting Attorney Bad Check	2,976	910	2,745	1,141
Election Services	227	489	6	710
Collector's Tax Maintenance	5,880	7,371	3,980	9,271
County Law Enforcement Restitution	0	23,540	0	23,540
Circuit Clerk Interest	584	113	0	697
Associate Circuit Court Interest	588	81	0	669
Senior Services Board	7,561	28,687	32,078	4,170
Health Center	91,475	380,298	406,740	65,033
Sheriff's Revolving	2,285	1,697	803	3,179
HAVA Grant	15,000	6,089	6,024	15,065
Law Library	3,119	2,025	2,845	2,299
Senate Bill 40 Board	19,735	95,616	98,977	16,374
Sheriff's Calendar	844	590	445	989
Passport	0	420	0	420
Total	\$ 825,776	2,701,537	3,010,631	516,682

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, 2004

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 311,840	1,083,142	954,563	440,419
Special Road and Bridge	165,999	1,659,122	1,629,640	195,481
Assessment	15,673	170,973	183,168	3,478
Law Enforcement Training	432	1,991	1,579	844
Prosecuting Attorney Training	147	331	290	188
Recorder's User Fees	26,782	5,809	13,799	18,792
Children's Trust	67	315	367	15
Sweetwater Cemetery Trust	4,486	132	201	4,417
Sheriff's Civil Fees	5,716	4,804	0	10,520
Sound Recording	973	389	14	1,348
Prosecuting Attorney Bad Check	2,064	1,031	119	2,976
Election Services	410	810	993	227
Collector's Tax Maintenance	5,588	6,246	5,954	5,880
Circuit Clerk Interest	631	135	182	584
Associate Circuit Court Interest	547	83	42	588
Senior Services Board	3,891	27,703	24,033	7,561
Health Center	96,146	298,341	303,012	91,475
Sheriff's Revolving	0	2,980	695	2,285
HAVA Grant	0	17,490	2,490	15,000
Law Library	1,244	1,875	0	3,119
Senate Bill 40 Board	21,221	92,144	93,630	19,735
Sheriff's Calendar	867	731	754	844
Total	\$ 664,724	3,376,577	3,215,525	825,776

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 FUND

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 2,804,581	2,604,911	(199,670)	2,866,144	3,261,357	395,213
DISBURSEMENTS	3,004,560	2,911,209	93,351	3,120,082	3,117,956	2,126
RECEIPTS OVER (UNDER) DISBURSEMENTS	(199,979)	(306,298)	(106,319)	(253,938)	143,401	397,339
CASH, JANUARY 1	716,920	805,197	88,277	649,576	641,392	(8,184)
CASH, DECEMBER 31	516,941	498,899	(18,042)	395,638	784,793	389,155
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	166,000	123,173	(42,827)	217,772	193,043	(24,729)
Sales taxes	183,912	190,863	6,951	170,003	183,912	13,909
Intergovernmental	306,178	285,575	(20,603)	341,094	510,880	169,786
Charges for services	140,746	141,454	708	149,215	139,098	(10,117)
Interest	15,900	16,326	426	15,000	16,532	1,532
Other	38,902	17,512	(21,390)	24,265	25,745	1,480
Transfers in	10,000	15,000	5,000	35,989	13,932	(22,057)
Total Receipts	861,638	789,903	(71,735)	953,338	1,083,142	129,804
DISBURSEMENTS						
County Commissioner	71,897	82,989	(11,092)	65,950	69,059	(3,109)
County Clerk	51,541	51,745	(204)	50,116	49,782	334
Elections	10,750	9,615	1,135	41,924	34,926	6,998
Buildings and grounds	51,528	55,590	(4,062)	41,390	49,797	(8,407)
Employee fringe benefit	77,658	81,637	(3,979)	45,858	46,791	(933)
County Treasurer	23,465	23,646	(181)	22,990	22,228	762
County Collector	57,091	52,763	4,328	53,693	53,931	(238)
Circuit Clerk	21,894	20,640	1,254	19,920	19,656	264
Associate Circuit Court	3,526	2,494	1,032	3,836	1,536	2,300
Associate Circuit (Probate)	850	2,163	(1,313)	825	916	(91)
Court administration	5,939	4,271	1,668	5,784	3,883	1,901
Public Administrator	17,930	18,163	(233)	15,929	15,237	692
Sheriff	351,920	346,503	5,417	352,377	346,740	5,637
Jail	8,100	10,101	(2,001)	15,250	6,789	8,461
Prosecuting Attorney	75,748	73,659	2,089	67,825	67,732	93
Juvenile Offices	17,767	17,716	51	14,686	14,686	0
County Coroner	9,575	10,939	(1,364)	9,000	9,278	(278)
FEMA disaster relief	5,833	6,295	(462)	11,968	14,010	(2,042)
Hospital dissolution	0	89	(89)	0	0	0
Emergency Shelter Grant	18,000	16,142	1,858	18,000	18,997	(997)
University Extensior	12,000	11,609	391	13,000	11,610	1,390
Other	89,460	32,886	56,574	133,080	89,060	44,020
Transfers out	20,000	29,552	(9,552)	8,000	7,919	81
Emergency Fund	0	0	0	30,000	0	30,000
Total Disbursements	1,002,472	961,207	41,265	1,041,401	954,563	86,838
RECEIPTS OVER (UNDER) DISBURSEMENTS	(140,834)	(171,304)	(30,470)	(88,063)	128,579	216,642
CASH, JANUARY 1	325,828	440,419	114,591	311,840	311,840	0
CASH, DECEMBER 31	184,994	269,115	84,121	223,777	440,419	216,642

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	145,904	154,933	9,029	147,295	145,905	(1,390)
Intergovernmental	950,182	883,655	(66,527)	1,184,384	1,451,293	266,909
Charges for services	0	0	0	5,000	4,613	(387)
Interest	8,317	6,260	(2,057)	16,500	8,317	(8,183)
Grader buy back	210,000	100,500	(109,500)	0	0	0
Loan proceeds	40,000	58,843	18,843	40,000	40,000	0
Other	9,700	6,882	(2,818)	27,000	4,922	(22,078)
Transfers in	4,000	29,552	25,552	8,500	4,072	(4,428)
Total Receipts	1,368,103	1,240,625	(127,478)	1,428,679	1,659,122	230,443
DISBURSEMENTS						
Salaries	411,308	355,088	56,220	411,308	404,206	7,102
Employee fringe benefit	133,014	131,202	1,812	106,014	105,306	708
Supplies	190,500	184,159	6,341	147,500	140,568	6,932
Insurance	27,000	29,157	(2,157)	27,000	25,916	1,084
Road and bridge materials	222,000	125,713	96,287	233,872	160,966	72,906
Equipment repairs	60,000	65,025	(5,025)	60,000	48,959	11,041
Equipment purchases	215,000	347,301	(132,301)	210,000	188,699	21,301
Construction, repair, and maintenance	105,000	105,423	(423)	325,319	523,542	(198,223)
Other	26,818	26,699	119	26,818	27,555	(737)
Transfers out	0	0	0	35,989	3,923	32,066
Total Disbursements	1,390,640	1,369,767	20,873	1,583,820	1,629,640	(45,820)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(22,537)	(129,142)	(106,605)	(155,141)	29,482	184,623
CASH, JANUARY 1	194,762	195,481	719	165,999	165,999	0
CASH, DECEMBER 31	172,225	66,339	(105,886)	10,858	195,481	184,623
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	106,202	103,223	(2,979)	91,682	83,456	(8,226)
Charges for services	3,550	4,160	610	4,501	4,021	(480)
Interest	450	517	67	729	471	(258)
Tax appeal reimbursement	0	0	0	0	74,684	74,684
Other	0	135	135	0	571	571
Transfers in	16,054	0	(16,054)	50,000	7,770	(42,230)
Total Receipts	126,256	108,035	(18,221)	146,912	170,973	24,061
DISBURSEMENTS						
Assessor	121,587	101,456	20,131	146,516	169,236	(22,720)
Transfers out	5,000	5,000	0	1,000	13,932	(12,932)
Total Disbursements	126,587	106,456	20,131	147,516	183,168	(35,652)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(331)	1,579	1,910	(604)	(12,195)	(11,591)
CASH, JANUARY 1	3,478	3,478	0	15,673	15,673	0
CASH, DECEMBER 31	3,147	5,057	1,910	15,069	3,478	(11,591)

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	643	0	(643)
Charges for service:	1,991	2,060	69	1,494	1,991	497
Total Receipts	1,991	2,060	69	2,137	1,991	(146)
DISBURSEMENTS						
Sheriff	2,143	2,585	(442)	2,143	1,579	564
Total Disbursements	2,143	2,585	(442)	2,143	1,579	564
RECEIPTS OVER (UNDER) DISBURSEMENTS	(152)	(525)	(373)	(6)	412	418
CASH, JANUARY 1	844	844	0	432	432	0
CASH, DECEMBER 31	692	319	(373)	426	844	418
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	331	362	31	575	331	(244)
Total Receipts	331	362	31	575	331	(244)
DISBURSEMENTS						
Prosecuting Attorney	567	383	184	567	290	277
Total Disbursements	567	383	184	567	290	277
RECEIPTS OVER (UNDER) DISBURSEMENTS	(236)	(21)	215	8	41	33
CASH, JANUARY 1	188	188	0	147	147	0
CASH, DECEMBER 31	(48)	167	215	155	188	33
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for service:	5,808	1,847	(3,961)	6,200	1,983	(4,217)
Interest	0	3,640	3,640	0	3,826	3,826
Total Receipts	5,808	5,487	(321)	6,200	5,809	(391)
DISBURSEMENTS						
Recorder of Deeds	1,600	5,414	(3,814)	1,600	13,799	(12,199)
Total Disbursements	1,600	5,414	(3,814)	1,600	13,799	(12,199)
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,208	73	(4,135)	4,600	(7,990)	(12,590)
CASH, JANUARY 1	18,792	18,792	0	26,782	26,782	0
CASH, DECEMBER 31	23,000	18,865	(4,135)	31,382	18,792	(12,590)
<u>CHILDREN'S TRUST FUND</u>						
RECEIPTS						
Charges for service:	315	316	1	400	315	(85)
Total Receipts	315	316	1	400	315	(85)
DISBURSEMENTS						
Whole Health Outreach	400	0	400	400	367	33
Total Disbursements	400	0	400	400	367	33
RECEIPTS OVER (UNDER) DISBURSEMENTS	(85)	316	401	0	(52)	(52)
CASH, JANUARY 1	15	15	0	67	67	0
CASH, DECEMBER 31	(70)	331	401	67	15	(52)

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SWEETWATER CEMETERY TRUST FUND</u>						
RECEIPTS						
Interest	132	206	74	135	132	(3)
Total Receipts	132	206	74	135	132	(3)
DISBURSEMENTS						
Maintenance	140	176	(36)	161	201	(40)
Total Disbursements	140	176	(36)	161	201	(40)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8)	30	38	(26)	(69)	(43)
CASH, JANUARY 1	4,417	4,417	0	4,486	4,486	0
CASH, DECEMBER 31	4,409	4,447	38	4,460	4,417	(43)
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for service:	0	6,277	6,277	5,700	4,804	(896)
Total Receipts	0	6,277	6,277	5,700	4,804	(896)
DISBURSEMENTS						
Transfers out	10,000	10,000	0	5,700	0	5,700
Total Disbursements	10,000	10,000	0	5,700	0	5,700
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,000)	(3,723)	6,277	0	4,804	4,804
CASH, JANUARY 1	10,520	10,520	0	5,716	5,716	0
CASH, DECEMBER 31	520	6,797	6,277	5,716	10,520	4,804
<u>SOUND RECORDING FUND</u>						
RECEIPTS						
Charges for service:	400	340	(60)	450	389	(61)
Total Receipts	400	340	(60)	450	389	(61)
DISBURSEMENTS						
Sound recording	200	0	200	0	14	(14)
Total Disbursements	200	0	200	0	14	(14)
RECEIPTS OVER (UNDER) DISBURSEMENTS	200	340	140	450	375	(75)
CASH, JANUARY 1	1,348	1,348	0	973	973	0
CASH, DECEMBER 31	1,548	1,688	140	1,423	1,348	(75)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	3,805	910	(2,895)	1,000	1,031	31
Total Receipts	3,805	910	(2,895)	1,000	1,031	31
DISBURSEMENTS						
Prosecuting Attorney	100	2,745	(2,645)	26	119	(93)
Total Disbursements	100	2,745	(2,645)	26	119	(93)
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,705	(1,835)	(5,540)	974	912	(62)
CASH, JANUARY 1	2,976	2,976	0	2,064	2,064	0
CASH, DECEMBER 31	6,681	1,141	(5,540)	3,038	2,976	(62)

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	538	489	(49)	700	810	110
Total Receipts	538	489	(49)	700	810	110
DISBURSEMENTS						
Elections	600	6	594	700	993	(293)
Total Disbursements	600	6	594	700	993	(293)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(62)	483	545	0	(183)	(183)
CASH, JANUARY 1	227	227	0	410	410	0
CASH, DECEMBER 31	165	710	545	410	227	(183)
<u>COLLECTOR'S TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	9,000	7,371	(1,629)	7,200	6,246	(954)
Total Receipts	9,000	7,371	(1,629)	7,200	6,246	(954)
DISBURSEMENTS						
County Collector	9,000	3,980	5,020	7,200	5,954	1,246
Total Disbursements	9,000	3,980	5,020	7,200	5,954	1,246
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,391	3,391	0	292	292
CASH, JANUARY 1	5,880	5,880	0	5,588	5,588	0
CASH, DECEMBER 31	5,880	9,271	3,391	5,588	5,880	292
<u>COUNTY LAW ENFORCEMENT RESTITUTION FUND</u>						
RECEIPTS						
Charges for service:	8,000	23,540	15,540			
Total Receipts	8,000	23,540	15,540			
DISBURSEMENTS						
Transfers out	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,000	23,540	15,540			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	8,000	23,540	15,540			
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	150	113	(37)	35	135	100
Total Receipts	150	113	(37)	35	135	100
DISBURSEMENTS						
Circuit Clerk	150	0	150	200	182	18
Total Disbursements	150	0	150	200	182	18
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	113	113	(165)	(47)	118
CASH, JANUARY 1	597	584	(13)	631	631	0
CASH, DECEMBER 31	597	697	100	466	584	118

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE CIRCUIT COURT INTEREST FUND</u>						
RECEIPTS						
Interest	588	81	(507)	0	83	83
Total Receipts	588	81	(507)	0	83	83
DISBURSEMENTS						
Associate Circuit Court	0	0	0	0	42	(42)
Total Disbursements	0	0	0	0	42	(42)
RECEIPTS OVER (UNDER) DISBURSEMENTS	588	81	(507)	0	41	41
CASH, JANUARY 1	29,872	588	(29,284)	8,701	547	(8,154)
CASH, DECEMBER 31	30,460	669	(29,791)	8,701	588	(8,113)
<u>SENIOR SERVICES BOARD FUND</u>						
RECEIPTS						
Property Taxes	26,651	28,553	1,902	20,330	27,622	7,292
Interest	80	134	54	100	81	(19)
Total Receipts	26,731	28,687	1,956	20,430	27,703	7,273
DISBURSEMENTS						
Services for senior citizen	30,300	30,300	0	23,700	23,700	0
Other	2,408	1,778	630	333	333	0
Total Disbursements	32,708	32,078	630	24,033	24,033	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,977)	(3,391)	2,586	(3,603)	3,670	7,273
CASH, JANUARY 1	7,561	7,561	0	3,891	3,891	0
CASH, DECEMBER 31	1,584	4,170	2,586	288	7,561	7,273
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	93,000	95,246	2,246	89,000	92,121	3,121
Intergovernmental	274,299	271,573	(2,726)	190,103	194,105	4,002
Charges for services	7,000	7,902	902	4,800	5,588	788
Interest	1,800	1,816	16	1,500	985	(515)
Other	9,396	3,761	(5,635)	6,850	5,542	(1,308)
Total Receipts	385,495	380,298	(5,197)	292,253	298,341	6,088
DISBURSEMENTS						
Salaries	271,856	272,599	(743)	224,971	230,084	(5,113)
Mileage and training	9,940	9,610	330	6,550	8,193	(1,643)
Office expenditures:	27,827	28,196	(369)	15,450	17,394	(1,944)
Equipment	872	873	(1)	1,325	802	523
Contracted labor	14,994	14,831	163	0	652	(652)
Program costs	76,248	74,657	1,591	41,114	31,630	9,484
Other	5,216	5,974	(758)	15,205	14,257	948
Total Disbursements	406,953	406,740	213	304,615	303,012	1,603
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,458)	(26,442)	(4,984)	(12,362)	(4,671)	7,691
CASH, JANUARY 1	91,475	91,475	0	96,176	96,146	(30)
CASH, DECEMBER 31	70,017	65,033	(4,984)	83,814	91,475	7,661

Exhibit B

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

	Year Ended December 31,					
	2005			2004		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S REVOLVING FUND</u>						
RECEIPTS						
Charges for services:	2,800	1,697	(1,103)			
Total Receipts	2,800	1,697	(1,103)			
DISBURSEMENTS						
Sheriff	2,800	803	1,997			
Total Disbursements	2,800	803	1,997			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	894	894			
CASH, JANUARY 1	2,285	2,285	0			
CASH, DECEMBER 31	2,285	3,179	894			
<u>HAVA GRANT</u>						
RECEIPTS						
Intergovernmental	0	5,615	5,615			
Interest	0	474	474			
Total Receipts	0	6,089	6,089			
DISBURSEMENTS						
County Clerk	15,000	6,024	8,976			
Total Disbursements	15,000	6,024	8,976			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,000)	65	15,065			
CASH, JANUARY 1	15,000	15,000	0			
CASH, DECEMBER 31	0	15,065	15,065			
<u>LAW LIBRARY</u>						
RECEIPTS						
Charges for services:	2,500	2,025	(475)			
Total Receipts	2,500	2,025	(475)			
DISBURSEMENTS						
Office expenditures:	2,500	2,845	(345)			
Total Disbursements	2,500	2,845	(345)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(820)	(820)			
CASH, JANUARY 1	855	3,119	2,264			
CASH, DECEMBER 31	855	2,299	1,444			

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 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 Service 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, 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>
Sheriff's Revolving Fund	2004
HAVA Grant Fund	2004
Law Library Fund	2004
Senate Bill 40 Board Fund	2005 and 2004
Sheriff's Calendar	2005 and 2004
Passport Fund	2005

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

<u>Fund</u>	<u>Years Ended December 31,</u>
Special Road and Bridge Fund	2004
Assessment Fund	2004
Law Enforcement Training Fund	2005
Recorder's User Fees Fund	2005 and 2004
Sweetwater Cemetery Trust Fund	2005 and 2004
Sound Recording Fund	2004
Prosecuting Attorney Bad Check Fund	2005 and 2004
Election Services Fund	2004
Associate Circuit Court Interest Fund	2004
Law Library Fund	2005

Although Section 50.740, RSMo, requires a balanced budget, deficit balances were budgeted for the Prosecuting Attorney Training Fund and the Children's Trust Fund for the year ended December 31, 2005.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo, 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	2005 and 2004
Associate Circuit Court Interest Fund	2005 and 2004
Law Library Fund	2005 and 2004
Sheriff Calendar Sales Fund	2005 and 2004
Passport Fund	2005

In addition, the county's published financial statements included only those amounts that passed through the County Treasurer for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Senior Services Board Fund	2005 and 2004
Senate Bill 40 Board Fund	2005 and 2004

The county's published financial statements for the years ended December 31, 2005 and 2004, did not disclose beginning and ending balances and disbursement detail by vendor for the Health Center Fund. In addition, the published financial statements did not disclose disbursement detail by vendor or sources of revenues for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2005 and 2004
Prosecuting Attorney Training Fund	2005 and 2004
Recorder's User Fund	2005 and 2004
Children's Trust Fund	2005 and 2004
Sweetwater Cemetery Fund	2005 and 2004
Sheriff's Civil Fund	2005 and 2004
Sound Recording Fund	2005 and 2004
Prosecuting Attorney Bad Check Fund	2005 and 2004
Election Services Fund	2005 and 2004
Tax Maintenance Fund	2005 and 2004
County Law Enforcement Restitution Fund	2005
Sheriff's Revolving Fund	2005 and 2004
HAVA Grant Fund	2005

2. Cash

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. 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. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270,

RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Reynolds County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The county's deposits at December 31, 2005 and 2004, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's custodial 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, 2005 and 2004, were entirely covered by federal depository insurance.

Investments

Section 110.270, RSMo, 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. At December 31, 2005 and 2004, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Prior Period Adjustments

The General Revenue Fund's and Special Road and Bridge Fund's cash balances at January 1, 2004, as previously stated have been increased by \$18,838 and \$33,490, respectively, to reflect disbursements that were overstated due to a computer error.

The following funds cash balance at January 1, 2004, were not previously reported but have been added:

<u>Fund</u>	<u>Balance at January 1, 2004</u>
Sweetwater Cemetery Fund	\$ 4,486
Circuit Clerk Interest Fund	631
Associate Circuit Court Interest Fund	547
Senior Service Fund	3,891
Health Center Fund	96,146
Senate Bill 40 Board Fund	21,221
Law Library Fund	1,244

Sheriff's Calendar Sales Fund

867

The following funds cash balance at January 1, 2004 were previously reported but have been removed:

<u>Fund</u>	<u>Balance at January 1, 2004</u>
Overplus Fund	26,739
School Capital Fund	5,203
Unclaimed Fees Fund	86
County Retirement Fund	3,208

4. Subsequent Event

As a result of the breach of the Taum Sauk Reservoir in December 2005, the locally assessed valuation of railroad and utilities may decrease significantly until the plant is rebuilt. If and when the plant is rebuilt, the assessed valuation will likely increase significantly. Ameren UE has verbally agreed to pay taxes for 2006 and 2007 at the current assessed valuation.

Supplementary Schedule

Schedule

REYNOLDS COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2005	2004
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-5190	\$ 20,840	23,778
10.559	Summer Food Service Program for Children	ERS146-5190	350	455
Office of Administration				
10.665	Schools and Roads - Grants to State	N/A	0	395,885
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Social Services -				
14.231	Emergency Shelter Grants Program	N/A	16,142	18,978
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety				
16.554	National Criminal History Improvement Program	N/A	3,679	665
16.575	Crime Victim Assistance	2002VOCA-0064	28,543	24,918
Cape Girardeau County -				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	MOSMART	43,971	44,816
State Department of Public Safety				
16.592	Local Law Enforcement Block Grants Program	Forest Meth	13,718	7,935
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,009	1,481
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-090	47,546	465,377

Schedule

REYNOLDS COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2005	2004
Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	N/A	3,122	1,624
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State				
90.401*	Help America Vote Act Requirements Payment	HAVA2002Fed	6,024	2,490
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Preventior and Surveillance of Blood Lead Levels in Childre	ERS146-5190L	1,000	441
93.268	Immunization Grants	4300581201	2,850	0
		3304-A	0	150
	Nonmonetary	43600581201	19,672	34,681
	Program Total		<u>22,522</u>	<u>34,831</u>
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	N/A	3,500	9,255
Department of Health and Senior Services -				
93.575	Child Care and Development Block Gran	PGA067-5790S	80	160
		PGA067-6190C	1,000	0
	Program Total		<u>1,080</u>	<u>160</u>
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-5190M	19,103	14,408
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.036	Public Assistance Grants	N/A	993	28,881
	Total Expenditures of Federal Award:		\$ <u><u>233,142</u></u>	<u><u>1,076,378</u></u>

N/A - Not applicable

*-Includes awards under CFDA # 39.011

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

REYNOLDS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Reynolds County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Immunization Grants (CFDA number 93.268) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2005 and 2004.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Reynolds County, Missouri

Compliance

We have audited the compliance of Reynolds County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

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

As described in finding number 05-2 in the accompanying Schedule of Findings and Questioned Costs, Reynolds County, Missouri, did not comply with requirements regarding activities allowed or unallowed costs and allowable costs/cost principles that are applicable to its Schools and

Roads - Grants to States program. Compliance with such requirements is necessary, in our opinion, for Reynolds County, Missouri, to comply with the requirements of that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Reynolds County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2005. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-1.

Internal Control Over Compliance

The management of Reynolds County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 05-1 and 05-2.

A material weakness is a reportable 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 noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers 05-1 and 05-2 to be material weaknesses.

This report is intended for the information and use of the management of Reynolds County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

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

Claire McCaskill
State Auditor

September 28, 2006 (fieldwork completion date)

Schedule

REYNOLDS COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2004 AND 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no
- Reportable condition identified that is not considered to be a material weakness? yes x none reported

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? x yes no
- Reportable conditions identified that are not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for major programs: Unqualified for CFDA Number 20.205
Qualified for CFDA Number 10.665

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.665	Schools and Roads-Grants to States
20.205	Highway Planning and Construction

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's office as a part of the annual budget.

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. For example, in 2004 the County Clerk failed to include federal monies of \$395,885 for Schools and Roads-Grants to States and \$28,881 for Public Assistance Grants. Expenditures for the Crime Victim Assistance Program, which totaled \$24,918 in 2004 and \$28,543 in 2005, were also not included on the SEFA. The County Clerk indicated he was not aware these monies were required to be reported. In addition, expenditures of \$23,778 for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) were not included on the SEFA in 2004 due to an oversight made by the Health Center Administrator.

For both years, several small federal grants were not included on the SEFA and incorrect amounts were reported for other grants. In addition, two grants were included under the wrong Catalog of Federal Domestic Assistance (CFDA) numbers. Monies expended both years under the Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program were erroneously shown under CFDA 16.592 rather than 16.580. In addition, the value of non-monetary vaccines received was shown under CFDA number 93.283 instead of 93.268 for 2004.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Commission, County Clerk, and Health Center Administrator work to ensure the SEFA is complete and accurate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk provided the following response:

We will try to ensure all expenditures of federal funds are shown on the SEFA.

The Health Center Administrator provided the following response:

I will work on ensuring federal expenditures are included on the SEFA.

05-2.

Schools and Roads-Grants to States

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Office of Administration
Federal CFDA Number:	10.665
Program Title:	Schools and Roads-Grants to States
Pass-Through Entity Identifying Number:	Not applicable
Award Years:	2005 and 2004
Questioned Costs:	\$40,023

During the two years ended December 31, 2005, Reynolds County received \$395,885 through the Schools and Roads-Grants to States Program. The county retained \$48,363 for Title III projects. Seventy-five percent of the remaining amount was disbursed to the school districts in the county and 25 percent was retained for the Road and Bridge Fund.

Supporting documentation was not available to indicate Title III monies were spent as allowed by the Schools and Roads-Grants to States Program. The county received a letter from a National Forest Service ranger approving the use of the funds to gravel portions of county roads and to develop an emergency response system for the county. However, the county did not retain adequate supporting documentation to ensure all expenditures of Title III monies were for these two projects.

During the two years ended December 31, 2005, the county purchased materials and supplies for Title III projects totaling \$7,271. The county maintained a log to indicate which employees worked on Title III projects during 2005. The log indicated one employee worked on Title III projects nine days during 2005. However, the county did not calculate the total payroll cost related to Title III projects. We estimated the costs related to payroll to be approximately \$1,069. No log was available to document the number of days the road and bridge employees worked on Title III projects during 2004.

Of the \$48,363 received by the county for Title III projects, it appears \$7,271 was expended for materials and supplies and \$1,069 was expended for payroll costs related to Title III projects. No other documentation is available to support Title III expenditures. As a result, we question costs of \$40,023 which represent Title III monies without adequate documentation. Without adequate supporting documentation, the county cannot ensure Title III monies were expended as allowed by federal guidelines.

WE RECOMMEND the county ensure Title III expenditures are supported by adequate documentation and work with the grantor agency to resolve the questioned costs.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following response:

We have started to keep records showing how Title III monies are spent.

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

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

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

REYNOLDS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2003, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

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 financial statements of various funds of Reynolds County, Missouri, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 28, 2006. We also have audited the compliance of Reynolds County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 28, 2006. That report expressed a qualified opinion on the county's compliance with those types of requirements.

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

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

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

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

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Reynolds County or of its compliance with the types of compliance requirements applicable to each of its major federal

programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Budgets and Planning

Actual disbursements exceeded budgeted amounts for several funds and an annual maintenance plan has not been prepared to document expected work on the county’s roads and bridges.

A. Actual disbursements exceeded budgeted amounts for several funds, as follows:

Fund	Year Ended December 31,	
	2005	2004
Special Road and Bridge Fund	\$ N/A	45,820
Assessment Fund	N/A	35,652
Law Enforcement Training Fund	442	N/A
Recorder’s User Fees Fund	3,814	12,199
Sweetwater Cemetery Trust Fund	36	40
Sound Recording Fund	N/A	14
Prosecuting Attorney Bad Check Fund	2,645	93
Election Services Fund	N/A	293
Associate Circuit Court Interest Fund	N/A	42
Law Library Fund	345	N/A

The County Commission reviews a budget to actual comparison report for county funds each month and officials receive a report quarterly. The County Commission will review the reports and determine if an amendment to the budget should be made. While the County Commission apparently reviewed the reports and made some amendments, it appears that the Commission did not adequately monitor the fund transactions. As a result, expenditures of several funds exceeded budgeted amounts.

The Associate Circuit Court Interest Fund and the Law Library Fund are held outside of the county treasury and are maintained by the Associate Circuit Clerk and the Prosecuting Attorney, respectively. These officials should periodically compare budget to actual amounts to ensure that actual expenditures do not exceed budgeted amounts.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), 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. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year.

- B. An annual maintenance plan has not been prepared to document expected work on the county's roads and bridges. More than \$1.3 and \$1.6 million in disbursements were processed through the county's Special Road and Bridge Fund during the years ended December 31, 2005 and 2004 respectively. However, the budget document presents proposed activities in general categories which contain significant dollar amounts and does not provide details regarding specific projects or plans. The County Commission indicated that they assess the maintenance required on the county roads and bridges throughout the year and will determine the work that is required. Specifics are not documented in a plan, the commission minutes, or the budget message and made available to the public.

A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads and bridges to be worked on, the type of work to be performed, cost estimates, the dates such work could begin, and other relevant information. The plan should be referred to in the budget message and approved by the County Commission. In addition, the County Commission should consider holding a public hearing to obtain input from residents. Such a plan would serve as a useful management tool, encourage greater input into the overall budgeting process, and provide a means to continually and more effectively monitor and evaluate the repair and maintenance projects throughout the year.

WE RECOMMEND the County Commission:

- A. And other county officials review budget to actual reports carefully and refrain from approving disbursements which exceed budgeted amounts.
- B. Develop a road and bridge maintenance plan in conjunction with the annual fiscal budgets.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will amend the budgets as necessary.*
- B. *We will develop a maintenance plan for the 2007 budget.*

The Prosecuting Attorney provided the following response:

- A. *I will monitor the Law Library Fund budget.*

2.**Payroll Records and Procedures**

The county has no written policy regarding the commissioners' use of personal vehicles for county travel purposes and the commissioners are not required to maintain adequate records which detail vehicle usage. The county does not require employees to submit documentation to support all allowances or reimbursements and does not report this compensation on the employees' W-2 forms.

- A. The county has no written policy regarding the commissioners' use of personal vehicles for county travel purposes and the commissioners are not required to maintain adequate records which detail vehicle usage. The county commissioners are each reimbursed for a maximum of 2,000 miles per month at a rate of \$.36 per mile. During the years ended December 31, 2005 and 2004, the maximum was paid each month resulting in total payments of \$51,840. The commissioners submit expense reimbursement requests showing the number of miles traveled each day; however, there is no reference as to the purpose of the trip and only one commissioner indicates the location.

Commissioners indicated that there are approximately 609 county road miles for which they are responsible to inspect; in addition, they must supervise road and bridge employees at job sites. The Presiding Commissioner stated that he must travel to Poplar Bluff and Winona, Missouri for meetings and for signing grant paperwork. To ensure mileage reimbursement requests are reasonable and represent valid expenditures, the requests for reimbursements should be adequately detailed, including the purpose and destination of each trip.

- B. The county does not require employees to submit documentation to support all allowances or reimbursements. In addition, this compensation is not reported on the employees' W-2 forms. The following are examples of allowances and reimbursements that were not supported by adequate documentation or reported on the employees' W-2 forms.
1. Uniform allowances of \$65 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 \$5,100 for both 2005 and 2004.
 2. Six road and bridge employees receive a mileage reimbursement of \$225 per month (in August of 2005 this was increased to \$300 per month) for traveling from the road and bridge shed to the job site. In addition, these employees are reimbursed \$100 per year for the additional insurance the county requires the employees to have on their vehicles. While these employees are required to show their insurance card, the cards do not indicate whether or not the employee has the required insurance. During the years ended December 31,

2005 and 2004 the county expended \$19,050 and \$16,800 respectively for these mileage and insurance reimbursements.

3. A female guard is required to accompany a female prisoner during transportation. As compensation, the county pays this guard the equivalent of the mileage reimbursement. During the years ended December 31, 2005 and 2004, the county expended approximately \$660 and \$790 respectively for guard reimbursements. It appears the guard should be compensated for her time through the county's normal payroll procedures and not reimbursed for mileage unless actual expenses are incurred.

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. Therefore, these allowances should be considered gross income to the employees. Alternatively, the County Commission could require employees to submit documentation of actual expenses as they are incurred. In addition, all guards should be compensated for their time through the county's normal payroll procedures.

Similar conditions to parts A and B.1 were noted in our prior audit report.

WE AGAIN RECOMMEND the County Commission:

- A. Develop and enforce a mileage reimbursement policy which ensures mileage reimbursement requests are adequately detailed to include the purpose of each trip.
- B. Require all reimbursements and allowances to county employees be supported by adequate documentation or report these reimbursements and allowances as other income on the employees' W-2 forms. In addition, ensure all guards are paid through the county's normal payroll procedures.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will provide more detail on mileage reimbursement requests.*
- B.1. *We will require documentation for reimbursements.*
- B.2. *We will evaluate this situation and determine adequate documentation.*
- B.3. *We will discuss this situation with the Sheriff.*

Neither the County Commission nor the County Clerk adequately reviews the County Collector's settlements. In addition, the computerized property tax records are vulnerable to unauthorized use, modification or destruction.

- A. Neither the County Commission nor the County Clerk provide an adequate review of the activities of the County Collector. The County Clerk maintains a spreadsheet indicating property tax additions and abatements for comparison to the annual settlement. However he does not maintain an account book or other records summarizing all property tax transactions, and there was no evidence to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts, should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes.

- B. The property tax system is vulnerable to unauthorized use, modification or destruction. Neither the County Assessor's office nor the County Collector's office requires a password to access the property tax system. This increases the risk of unauthorized access and changes to the computer systems and county data.

To establish individual responsibility and to help preserve the integrity of computer systems and data files, access should be limited to authorized individuals through the use of access controls such as passwords. Unauthorized access can result in the disclosure of confidential county information and the deletion or alteration of data files and programs. A unique password should be assigned to each user of the system and passwords should be kept confidential and changed periodically to help prevent unauthorized access to computer systems and data files.

A similar condition to part B was noted in prior reports.

WE RECOMMEND:

- A. The County Clerk maintain an account book or other records that summarize property tax system transactions and changes. In addition, the County Clerk and County Commission should monitor property tax system activities and perform a thorough review of the County Collector's annual settlements.
- B. The Collector and Assessor require unique passwords for all employees, which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

- A. *I will begin keeping spreadsheets of all the collections and will compare the spreadsheets to the annual settlement starting with the year ended February 28, 2007.*

The Collector provided the following response:

- B. *The office is never unattended. I did speak with the programmer who indicated that it would slow down operations. However, I will speak with the programmer again to see if a more efficient password system could be established.*

The Assessor provided the following response:

- B. *The vendor is on the state's approved vendor list, therefore the system is approved by the State Tax Commission. I will speak with the vendor about putting passwords on the system.*

4. County Commission Procedures
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Agendas were not posted for meetings held by the County Commission. In addition, the County does not have a policy regarding public access to records.

- A. Agendas were not posted for meetings held by the County Commission. While the commission indicated they post the time, date and place of the meetings, they do not post a tentative agenda. The Sunshine Law, Chapter 610, RSMo, requires a posting of the time, date and place of each meeting along with a tentative agenda of the matters to be discussed. Maintaining a complete file of the meeting notices and tentative agendas would allow the county to demonstrate compliance with the law.
- B. The county has not developed a policy regarding public access to records. The County Clerk indicated that he receives few requests for copies of public records. However when a request is received, he charges \$.10 per page. In addition, the Circuit Clerk charges \$2.00 per document for court documents, i.e. divorce decrees,

judgments, etc.; and the Assessor charges \$1.00 per copy for property record cards. The Circuit Clerk indicated that under court rule 21.01 (22) he can charge a reasonable fee for postage and per copied page and according to Section 109.190 RSMo he can charge a reasonable rate for services. However, there was no documentation determining the actual cost of research and duplication related to public requests for records.

The Sunshine Law, Chapter 610, RSMo, requires the county to provide copies of records upon request and allows the county to charge a fee for providing copies. The fees for copying public records shall not exceed ten cents per page, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body. Research time may be charged at the actual cost of time required to fulfill records requests.

WE RECOMMEND: the County Commission:

- A. Ensure meeting agendas are posted and maintained.
- B. And other officials establish a policy regarding public access to records, maintain documentation to support duplication and research time charges and establish fees for copying public records that comply with state law.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will work on posting an agenda.*
- B. *We will develop a policy.*

The Assessor provided the following response:

- B. *I will work with the County Commission to develop a policy.*

The Circuit Clerk provided the following response:

- B. *I will work with the County Commission to develop a policy.*

5. Sheriff Accounting Controls and Procedures
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The Sheriff's calendar advertising commissions were not turned over to the County Treasurer. In addition, the Sheriff's office does not reconcile meals purchased for inmates to the prisoner log.

- A. Calendar advertising commissions were not turned over to the County Treasurer. During the years ending December 31, 2005 and 2004, the Sheriff received

approximately \$590 and \$731, respectively, in calendar sale commissions and deposited these monies into his fee agent account. These monies are accountable fees and should be deposited into the county treasury and expended as provided for in the official county budget.

Section 50.370, RSMo, requires county officials to file a report with the County Commission and pay monies received for official services to the County Treasurer monthly. It also provides that the officials are liable for monies collected but not accounted for and paid into the county treasury as required.

- B. The Sheriff's office does not reconcile meals purchased for inmates to the prisoner log. The county purchased frozen dinners from a grocery store and meals from a local restaurant for prisoners temporarily housed in the county's holding cell. During the years ending December 31, 2005 and 2004, the Sheriff's office paid approximately \$6,814 and \$4,941, respectively, for prisoner meals. The meal invoices should be reconciled to the prisoner log to ensure the invoices are for actual prisoners.

WE RECOMMEND the Sheriff:

- A. Discontinue the practice of maintaining calendar sale monies outside the county treasury. These monies should be turned over to the county treasury on a periodic basis.
- B. Ensure the meal invoices are reconciled to the prisoner log.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *I will turn all calendar sale monies over to the County Treasurer to be put into a separate fund.*
- B. *I will try to coordinate with the County Clerk's office to reconcile invoices with prisoner records.*

6. Prosecuting Attorney Accounting Controls and Procedures

The Prosecuting Attorney's office does not prepare formal bank reconciliations of the restitution account. When a restitution receipt is received it is deposited into the restitution account and a check is written to the victim. As of December 31, 2005, the Prosecuting Attorney's restitution account had a bank balance of \$833 and a book balance of \$0. Although the bank balance appears to relate to checks that have been issued but have not

cleared the bank, a listing of outstanding checks was not prepared by the Prosecuting Attorney's office.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, and to allow old outstanding checks to be resolved more timely. The Prosecuting Attorney should investigate any differences noted and take appropriate action.

WE RECOMMEND the Prosecuting Attorney ensure a bank reconciliation is prepared on a monthly basis for the restitution account. The Prosecuting Attorney should investigate any old outstanding checks and unidentified monies or shortages.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following response:

Bank reconciliations will be performed beginning with the November bank statement.

7. Health Center

Passwords are not periodically changed to access the accounting software. Some employees who handle receipts are not bonded. Health Center minutes did not include a reason for going into closed session, decisions made during closed session were not disclosed in the open session minutes and the minutes were not always signed by the preparer and a board member. In addition, general capital asset record keeping and annual inventory duties are not segregated, and the general capital asset listing is not complete.

- A. The Health Center Administrator and her assistant do not periodically change the passwords they use to access the accounting software. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.
- B. The Chairwoman, Vice Chairman, Secretary/Treasurer, two board members, Administrative Assistant, and Administrator are each bonded for \$50,000. However, there are four other employees that also handle monies, but are not bonded. As a means of safeguarding assets and reducing the risk if a misappropriation of funds would occur, all employees handling monies should be adequately bonded.
- C. The Health Center Board's minutes did not provide a reason for going into closed session and decisions made during closed session were not disclosed in the open session minutes. In addition, the Health Center Board minutes were not always

signed by the preparer, who is usually the Board Secretary, and were not signed by another board member to attest to their completeness and accuracy.

The Sunshine Law, Chapter 610, RSMo, requires that the reason for going into closed session and decisions made during closed session be disclosed in open session. In addition, minutes should be signed by the board members to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

- D. The annual inventory of the general fixed assets and the record keeping duties are not adequately segregated. In addition, documentation of the annual inventory is not maintained. A Health Center clerk maintains the general capital asset property records. She identifies new property items as purchases are made, adds items to the property records, assigns tag numbers throughout the year, and puts the property tags on the items. Each year she will also perform physical inventories, and submit inventory reports to document these efforts.

Internal controls would be improved by segregating the duties of maintaining the general capital asset property records and performing the annual inventory. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- E. The Health Center clerk does not always identify additions as they occur and ensure the property items are tagged and recorded in the overall county property records. There were several inventory items that were not tagged and some items that were tagged, but the property tag number was not recorded on the inventory listing. In addition, a difibulator costing \$1,543, purchased in October 2005, was not included on the listing, and the inventory listing did not include the value of all general capital assets.

Section 49.093, RSMo requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records.

Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

WE RECOMMEND the Health Center Board:

- A. Ensure passwords are changed periodically to prevent unauthorized access to the Health Center's computer systems and data.
- B. Ensure any employees that handle monies are adequately bonded.

- C. Ensure board minutes document a reason for going into closed session and decisions made during closed session. In addition, ensure that minutes are signed by the board to attest to their completeness and accuracy.
- D. Ensure that the annual inventory of the general fixed assets and the record keeping duties are adequately segregated.
- E. Ensure the general capital asset list is complete and all property purchases are tagged.

AUDITEE’S RESPONSE

The Health Center Administrator provided the following responses:

- A. *Passwords are now changed monthly and maintained by the Security Officer in a locked cabinet. The Administrator and her assistant have access to the cabinet.*
- B. *All employees accepting money are now bonded.*
- C. *This has already been implemented with the October minutes.*
- D&E. *These recommendations have already been implemented.*

8.	Senate Bill 40 Board
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The Senate Bill 40 Board did not ensure that a budget was prepared for its fund. In addition, board minutes are not consistently signed by the preparer and a board member to attest to their completeness and accuracy.

- A. The Senate Bill 40 Board did not ensure that a budget was prepared for its fund. Receipts and disbursements of approximately \$95,000 and \$92,000 were not budgeted for the years 2005 and 2004, respectively. These amounts represent approximately 3 percent of the county’s actual receipts and disbursements for each year.

The Senate Bill 40 Board has not complied with statutory provisions and cannot effectively monitor expenditures or fund balances without a comprehensive budget document.

Sections 50.525 to 50.745, RSMo (the county budget law), requires counties to prepare annual budgets for all funds, describes details to be provided in budget documents, provides timeframes for the completion of certain aspects of the budgetary process, and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor’s office.

By preparing or obtaining budgets for all county funds, the County Commission, county boards, and other county officials present a complete financial plan to the county citizens, can more effectively monitor and evaluate all county financial resources, can ensure compliance with statutory provisions, and can prepare complete financial statements.

- B. Senate Bill 40 Board minutes are not consistently signed by the preparer. In addition, the minutes are not signed by a board member to attest to their completeness and accuracy. Minutes should be signed by the board members to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.

WE RECOMMEND the Senate Bill 40 Board:

- A. Ensure a budget is prepared for its fund.
- B. Ensure the minutes are signed by the preparer and the board to attest to their completeness and accuracy.

AUDITEE'S RESPONSE

The Senate Bill 40 Board provided the following responses:

- A. *We will prepare a budget for 2007.*
- B. *This will be implemented beginning with the December 2006 meeting minutes.*

9. Senior Service Board Minutes
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The Senior Service Board minutes were not signed by the preparer and a board member. Meeting notices and agendas were not posted for meetings held by the Senior Service Board.

- A. The Senior Service Board minutes are not signed by the preparer and a board member to attest to their completeness and accuracy. Minutes should be signed by the board members to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the previous meeting.
- B. Meeting notices and agendas were not posted for meetings held by the Senior Service Board. The Sunshine Law, Chapter 610, RSMo, requires a posting of the time, date and place of each meeting along with a tentative agenda of the matters to be discussed. Maintaining a complete file of the meeting notices and tentative agendas would allow the county to demonstrate compliance with the law.

WE RECOMMEND the Senior Service Board:

- A. Ensure the minutes are signed by the preparer and the board to attest to their completeness and accuracy.
- B. Ensure meeting notices and agendas are posted and maintained.

AUDITEE'S RESPONSE

The Senior Service Board provided the following responses:

- A. *Minutes are now signed by the preparer and a board member.*
- B. *This will be implemented with the January 2007 meeting.*

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 the audit report issued for the two years ended December 31, 2001.

Any 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 emergency contingency plan for the computer system, and had not formally negotiated arrangements for backup facilities in the event of 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:

- A. Partially implemented. Passwords are not utilized by the County Assessor and the County Collector. However, additions and abatements are entered into the computer system by the Assessor and approved by the County Commission. See MAR finding number 3.
- B. Partially implemented. Although a formal contingency plan has not been developed, computer records are backed up once a month and backups are stored at an off site location. Although not repeated in the current report, our recommendation remains as stated above.

2. Budgetary Practices

- A. Formal budgets were not prepared for various county funds.
- B. Disbursements were issued in excess of approved budgeted expenditures.
- C. The annual published financial statements of the county did not include some of the financial activity of some county funds.

Recommendation:

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.

Status:

- A. Partially implemented. Budgets were not obtained or prepared for the Sheriff's Revolving Fund, the HAVA Grant Fund, and the Passport Fund the first year they were established. In addition, budgets were not obtained for the Law Library Fund for 2004 and the Sheriff's Calendar Fund for 2004 and 2005. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Not implemented. See MAR finding number 1.
- C. Not implemented. The County Commission has indicated that this would not be cost beneficial for the county. The county included the sources of receipts and detail of disbursements for the General Revenue Fund, the Special Road and Bridge Fund and the Assessment Fund. For smaller funds held in the county treasury, only the beginning balances, total receipts, total disbursements, and ending balances were published. Although receipts and disbursements by category were published for the Health Center Fund, the beginning and ending balances were not published. In addition, the following funds were not included in the published financial statements: Circuit Clerk Interest Fund, Associate Circuit Court Interest Fund, Law Library Fund, Sheriff Calendar Sales Fund, and Passport Fund. Although not repeated in the current MAR, our recommendation remains as stated above.

3. County Officials' Compensation

- A. In 1999 the Associate County Commissioners' salaries were each increased approximately \$7,110 yearly, however, based on a Supreme Court ruling, the mid-term salary increases were deemed unconstitutional. The County Commission indicated it had discussed this situation with the Prosecuting Attorney and he was working on a legal opinion regarding the collection of the salary overpayments.
- B. An official received a salary increase during the third year of a four year term, which was in violation of the Missouri Constitution.

Recommendation:

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 action of the salary commission. In addition, written legal opinions should be obtained from the Prosecuting Attorney to support the decisions of the salary commission.

Status:

- A. Not implemented. The County Commission has verbally agreed the mid-term salary increases given to the Associate Commissioners will not be paid back to the county because the raises were authorized by Section 50.333.13 and approved by the Reynolds County Salary Commission. However, there is no formal documentation supporting this decision. The County Commission indicated they did inquire of legal counsel but did not receive a response. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented. We did not note any mid term salary increases during the audit period. The mid term salary increase was not paid back. The County Commission indicated they inquired of legal counsel, but did not receive a response.

4. Personnel Policies and Procedures

- A. Detailed records of vacation leave, sick leave or compensatory time earned, taken, or accumulated were not maintained.
- B. Time sheets prepared by employees of the Sheriff's department did not always indicate actual hours worked.

Recommendation:

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.

Status:

- A. Partially implemented. Although the deputy county clerk maintains leave balances for all county employees, we noted several small errors with these records, including balances not carrying forward correctly and other mathematical errors. Although not repeated in the current MAR, our recommendation remains as stated as above.
- B. Implemented.

5. County Expenditures

- A. Mileage reimbursement requests were not always adequate for claims submitted.
- B. The county was overpaying its share of juvenile office expenditures.
- C. The Sheriff and deputies were not required to submit invoices or an itemized expense report to support uniform allowances, nor were these allowances reported on W-2 forms.

Recommendation:

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.

Status:

A&C. Not implemented. See MAR finding number 2.

B. Implemented.

6. Fixed Assets

Additions or deletions were not always recorded on the fixed asset records as they occurred. The County Clerk did not periodically reconcile equipment purchases with additions to the fixed asset records. The county did not have formal procedures for disposing of county owned property.

Recommendation:

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.

Status:

Partially implemented. The county has established a fixed asset listing for recording asset information for each office, which is signed by the office holder. While equipment and vehicles are not included on this listing they are included on the county's insurance documents. Although not repeated in the current MAR, our recommendation remains as stated as above.

7. Assessor's Accounting Controls and Procedures

- A. Accounting duties were not adequately segregated.
- B. Receipt slips were not issued for some monies received.
- C. The Assessor issued receipt slips prior to payment.
- D. Receipts were not transmitted to the County Treasurer on a timely basis.
- E. The Assessor allowed his employees to cash personal checks.

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. 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.

Status:

A-E. Implemented.

8. Prosecuting Attorney's Accounting Controls and Procedures

- A. Prenumbered receipt slips were not issued for bad check monies received.
- B. Restitution receipts were not deposited on a timely basis.
- 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 had not been established.

Recommendation:

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.

Status:

A&B. Implemented.

C. Partially implemented. The Prosecuting Attorney accounts for bad checks received using a log. However the ultimate disposition of the bad check is not documented on the log. Although not repeated in the current MAR, our recommendation remains as stated above.

9. Sheriff's Accounting Controls and Procedures

A.1. Accounting duties were not adequately segregated.

2. Receipts were not deposited intact on a timely basis.

3. Procedures for following up on prisoner boarding and paper service billings were not adequate.

B. Formal bank reconciliations were not prepared on a monthly basis.

C. The Sheriff's office was unable to locate some bank statements and check registers.

Recommendation:

The Sheriff:

A.1. Adequately segregate accounting duties or ensure periodic 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.

Status:

A.1. Partially implemented. The Sheriff documents his review, but he does not compare receipt slips to the receipt ledger and ensure they are accurately deposited. Although not repeated in the current MAR, our recommendation remains as stated above.

A.2.,

A.3.,
B&C Implemented.

10. Health Center

The Health Center did not have adequate procedures to monitor budgeted and actual expenditures and the expenditures exceeded board approved budgets.

Recommendation:

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.

Status:

Implemented.

11. Senate Bill 40 Board

- A. The Senate Bill 40 Board did not have adequate procedures to monitor and ensure monies in their various bank accounts were sufficiently collateralized.
- B. The Senate Bill 40 Board did not have adequate procedures to monitor budgeted and actual expenditures and expenditures exceeded board approved budgets.

Recommendation

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.

Status:

- A. Partially implemented. The board treasurer periodically monitors the bank balances, and works with the depository bank to ensure that adequate securities are pledged. However, the board's bank balances did not exceed the \$100,000 FDIC insured amount during 2004 and 2005.
- B. Not implemented. The Senate Bill 40 Board did not submit a budget for 2005 or 2004. See MAR finding number 8.

12. Senior Services Board

- A. Blank checks were sometimes signed in advance by the board's chairperson.
- B. The Senior Services Board did not have adequate procedures to monitor budgeted and actual expenditures and the expenditures exceeded board approved budgets.
- C. The approved budget had not adequately projected the Senior Services Board's anticipated financial condition.

Recommendation:

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.

Status:

A-C. 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 approximately 609 miles of county roads and 61 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 7,230 in 1980 and 6,689 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2005	2004	2003	2002	1985*	1980**
		(in millions)					
Real estate	\$	73.0	67.9	69.8	69.2	79.9	20.8
Personal property		23.1	20.5	21.4	21.6	9.9	7.1
Railroad and utilities		5.9	5.7	5.5	5.6	13.6	10.2
Total	\$	102.0	94.1	96.7	96.4	103.4	38.1

* 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,			
		2005	2004	2003	2002
General Revenue Fund	\$.2040	.1200	.2200	.2500
Special Road and Bridge Fund *		.2000	.1600	.1600	.1600
Health Center Fund		.1000	.1000	.1000	.1000
Senate Bill 40 Board Fund		.1000	.1000	.1000	.1000
Senior Services Board Fund		.0300	.0300	.0300	.0300

* The county retains all tax proceeds from areas not within road districts. The county has one road district that receives four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth.

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 (29),			
	2006	2005	2004	2003
State of Missouri	\$ 30,587	31,386	25,286	28,838
General Revenue Fund	233,823	172,537	217,138	270,581
Special Road and Bridge Fund	199,462	165,536	133,620	152,656
Assessment Fund	56,970	54,132	37,957	42,741
Health Center Fund	100,673	103,342	83,436	95,162
Senate Bill 40 Board Fund	100,480	103,239	83,372	94,840
Senior Services	30,148	30,977	25,014	28,455
School districts	3,278,218	3,252,925	2,700,140	3,007,387
Library district	120,960	124,088	100,172	114,258
Ambulance district	139,721	124,037	100,139	114,216
Hospital district	1,617	17,094	92,221	105,388
Fire districts	16,085	16,182	14,857	13,785
Overplus Fund	34,410	20,763	4,324	846
Cities	306	343	313	380
County Clerk	591	606	192	594
County Employee's Retirement	20,811	19,651	19,808	17,185
Tax Maintenance Fund	7,421	7,300	5,915	0
Commissions and fees:				
General Revenue Fund	70,993	69,427	58,323	66,468
Total	\$ 4,443,276	4,313,565	3,702,227	4,153,780

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2006	2005	2004	2003	
Real estate	95	95	75	94	%
Personal property	93	92	86	91	
Railroad and utilities	99	100	100	100	

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

	Rate	Expiration Date	Required Property 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	2006	2005	2004	2003	2002
County-Paid Officials:	\$				
Donald Barnes, Presiding Commissioner		20,810	20,810	20,810	
Paul Wood, Presiding Commissioner					18,810
Doug Warren, Associate Commissioner		20,196	18,810	18,810	18,810
Wayne Henson, Associate Commissioner		20,196	18,810	18,810	18,810
Mike Harper, County Clerk		28,500	28,500	28,500	28,500
Robert A. Johnson, Prosecuting Attorney		33,750	33,750	33,750	33,750
Gary Barton, Sheriff		34,000	31,500	31,500	31,500
Elaine Albert, County Treasurer		21,090	21,090	21,090	21,090
Jeffrey N. McSpadden, County Coroner		8,500	8,250	8,250	8,250
Brenda Ridenhower, Public Administrator		17,000			
Opal McNail, Public Administrator			15,000	15,000	15,000
Judy A. Cook, County Collector, Year ended February 28 (29),	28,500	28,500	28,500	28,500	
Rick Parker, County Assessor (1), year ended August 31,		29,188	29,265	29,400	29,400
Sid Nickelson, County Surveyor (2)			N/A	N/A	N/A

(1) Includes \$688, \$765, \$900 and \$900 annual compensation received from the state for years ended August 31, 2005, 2004, 2003 and 2002 respectively.

(2) Compensation on a fee basis. The County Surveyor's term expired in 2004.

State-Paid Officials:

Randy L. Cowin, Circuit Clerk and Ex Officio Recorder of Deeds	48,500	47,815	47,300	47,300
Edith Rutter, Associate Circuit Judge	96,000	96,000	96,000	96,000