



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Reynolds County, Missouri

The Office of the State Auditor, in cooperation with Reynolds County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 2009
Report No. 2009-07

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

THE COUNTY OF REYNOLDS, MISSOURI
 CENTERVILLE, MISSOURI
 (the Primary Government)

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THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)

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THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)

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**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITORS' REPORT

To the County Commission
The County of Reynolds, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Reynolds, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to the financial audit contained in the *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 from 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 opinions.

The financial statements referred to above include only the primary government of Primary Government, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of The Primary Government, as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Reynolds County, and the Reynolds County Agency for Developmental Disabilities, have issued separate reporting entity financial statements. For information on these component units, please contact the Reynolds County Health Department, or the Agency for Developmental Disabilities.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2007 and 2006 for the years then ended in conformity with the basis of accounting described in Note 1.

The Primary Government has not presented the management’s discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 28, 2008 on our consideration for the Primary Government’s internal control over financial reporting and 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.

The Schedules of Revenues, Expenditures and Change in Fund Balance – cash Basis – Budget and Actual and related notes on pages 24 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government’s basic financial statements. The combining and individual non-major funds financial statements on pages 30 through 37 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

July 28, 2008

BASIC FINANCIAL STATEMENTS

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 STATEMENT OF NET ASSETS - CASH BASIS
 FOR THE YEARS ENDED

ASSETS	December 31, 2007 Total Governmental Activities	December 31, 2006 Total Governmental Activities
Cash and cash equivalents	320,135.75	299,915.12
Investments	-	-
	<hr/>	<hr/>
TOTAL ASSETS	<u>320,135.75</u>	<u>299,915.12</u>
NET ASSETS:		
Restricted for a Specific Purpose	295,440.24	181,164.35
Unrestricted	24,695.51	118,750.77
	<hr/>	<hr/>
Total Net Assets	<u>320,135.75</u>	<u>299,915.12</u>
TOTAL FUND BALANCE	<u>320,135.75</u>	<u>299,915.12</u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 STATEMENT OF ACTIVITIES - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Total Governmental Activities	
GOVERNMENTAL ACTIVITIES:					
General county government	534,866.44	358,019.41	516,749.55	55,064.31	394,966.83
Road & bridge	1,106,750.39	-	-	-	(1,106,750.39)
Financial administration	93,975.13	-	-	-	(93,975.13)
Other offices & grants	61,260.11	-	-	-	(61,260.11)
Health and welfare	30,131.49	-	-	-	(30,131.49)
Property valuation and recording	-	-	-	-	-
Administration of justice and law enforcement	613,874.67	120,656.70	-	-	(493,217.97)
Special Services	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest and Fiscal charges	-	-	-	-	-
Capital Outlay:	-	-	-	-	-
Construction of roads and bridges	-	-	-	-	-
Property, equipment and buildings	188,234.75	-	-	-	(188,234.75)
TOTAL GOVERNMENTAL ACTIVITIES	2,629,092.98	478,676.11	516,749.55	55,064.31	(1,578,603.01)

General Revenues:	
Taxes	
Property taxes, levied	479,624.36
Sales tax	246,580.73
Other taxes	842,446.54
Investment income	28,331.04
Sale of Bonds	-
Miscellaneous	1,840.97
TOTAL GENERAL REVENUES	1,598,823.64
CHANGE IN NET ASSETS	20,220.63
NET ASSETS, BEGINNING OF YEAR	299,915.12
NET ASSETS, END OF YEAR	320,135.75

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 STATEMENT OF ACTIVITIES - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Total Governmental Activities	
GOVERNMENTAL ACTIVITIES:					
General county government	438,722.59	262,094.50	422,815.97	180,942.16	427,130.04
Road & bridge	916,983.97	-	-	-	(916,983.97)
Financial administration	77,212.93	-	-	-	(77,212.93)
Other offices & grants	97,591.10	-	-	-	(97,591.10)
Health and welfare	-	-	-	-	-
Property valuation and recording	-	-	-	-	-
Administration of justice and law enforcement	541,324.70	-	-	-	(541,324.70)
Special Services	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Other	-	-	-	-	-
Debt Service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest and Fiscal charges	-	-	-	-	-
Capital Outlay:	-	-	-	-	-
Construction of roads and bridges	-	-	-	-	-
Property, equipment and buildings	327,686.43	-	-	-	(327,686.43)
TOTAL GOVERNMENTAL ACTIVITIES	<u>2,399,521.72</u>	<u>262,094.50</u>	<u>422,815.97</u>	<u>180,942.16</u>	<u>(1,533,669.09)</u>

General Revenues:	
Taxes	
Property taxes, levied	438,295.39
Sales tax	212,680.70
Other taxes	834,861.23
Investment income	34,297.99
Miscellaneous	2,134.43
TOTAL GENERAL REVENUES	<u>1,522,269.74</u>
CHANGE IN NET ASSETS	<u>(11,399.35)</u>
NET ASSETS, BEGINNING OF YEAR	<u>311,314.47</u>
NET ASSETS, END OF YEAR	<u>299,915.12</u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 BALANCE SHEET - CASH BASIS
 ALL GOVERNMENTAL FUNDS

	DECEMBER 31, 2007					DECEMBER 31, 2006				
	General	Special Road and Bridge Fund	911 Fund	Nonmajor Governmental Funds	Total Governmental Funds	General	Special Road and Bridge Fund	911 Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS										
Cash and Cash Equivalents	24,695.51	31,234.61	120,656.70	143,548.93	320,135.75	118,750.77	63,953.51	-	117,210.84	299,915.12
Investments	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>24,695.51</u>	<u>31,234.61</u>	<u>120,656.70</u>	<u>143,548.93</u>	<u>320,135.75</u>	<u>118,750.77</u>	<u>63,953.51</u>	<u>-</u>	<u>117,210.84</u>	<u>299,915.12</u>
FUND BALANCES										
FUND BALANCES:										
Unreserved:										
General Fund	24,695.51	-	-	-	24,695.51	118,750.77	-	-	-	118,750.77
Special revenue funds	-	31,234.61	120,656.70	143,548.93	295,440.24	-	63,953.51	-	117,210.84	181,164.35
Total Fund Balances	<u>24,695.51</u>	<u>31,234.61</u>	<u>120,656.70</u>	<u>143,548.93</u>	<u>320,135.75</u>	<u>118,750.77</u>	<u>63,953.51</u>	<u>-</u>	<u>117,210.84</u>	<u>299,915.12</u>
TOTAL FUND BALANCES	<u>24,695.51</u>	<u>31,234.61</u>	<u>120,656.70</u>	<u>143,548.93</u>	<u>320,135.75</u>	<u>118,750.77</u>	<u>63,953.51</u>	<u>-</u>	<u>117,210.84</u>	<u>299,915.12</u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CASH BASIS
 ALL GOVERNMENTAL FUNDS
 FOR THE YEARS ENDED

	DECEMBER 31, 2007					DECEMBER 31, 2006				
	General	Special Road and Bridge Fund	911 Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge Fund	911 Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:										
Property tax	156,770.32	292,393.15	-	30,460.89	479,624.36	198,396.10	209,491.92	-	30,407.37	438,295.39
Sales tax	246,580.73	-	-	-	246,580.73	212,680.70	-	-	-	212,680.70
Other taxes	113,807.37	668,491.21	-	60,147.96	842,446.54	106,796.12	670,466.26	-	57,598.85	834,861.23
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-
Charges for Services	135,653.73	-	-	6,999.14	142,652.87	131,553.34	-	-	7,223.51	138,776.85
Grants	52,787.93	-	-	2,276.38	55,064.31	48,914.71	-	-	132,027.45	180,942.16
Reimbursements	159,926.97	259,945.80	-	96,876.78	516,749.55	186,605.88	182,963.84	-	53,246.25	422,815.97
Fees, licenses and permits	153,144.48	-	120,656.70	62,222.06	336,023.24	70,820.19	-	-	52,497.46	123,317.65
Interest	12,748.34	12,163.86	-	3,418.84	28,331.04	24,409.79	8,647.14	-	1,241.06	34,297.99
Contributions	-	-	-	-	-	-	-	-	-	-
Sale of Bonds	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	1,840.97	1,840.97	-	-	-	2,134.43	2,134.43
Total Revenues	1,031,419.87	1,232,994.02	120,656.70	264,243.02	2,649,313.61	980,176.83	1,071,569.16	-	336,376.38	2,388,122.37
EXPENDITURES:										
Current:										
General county government	358,181.96	-	-	176,684.48	534,866.44	320,716.10	-	-	118,006.49	438,722.59
Road & Bridge	-	1,106,750.39	-	-	1,106,750.39	-	912,076.62	-	4,907.35	916,983.97
Financial Administration	93,975.13	-	-	-	93,975.13	77,212.93	-	-	-	77,212.93
Other offices & grants	61,260.11	-	-	-	61,260.11	73,183.10	-	-	24,408.00	97,591.10
Health & welfare	-	-	-	30,131.49	30,131.49	-	-	-	-	-
Planning & Zoning	-	-	-	-	-	-	-	-	-	-
Property Valuation and Recording:	-	-	-	-	-	-	-	-	-	-
Administration of Justice and Law	612,057.93	-	-	1,816.74	613,874.67	541,324.70	-	-	-	541,324.70
Capital Outlay:										
Property, equipment and buildings	-	158,962.53	-	29,272.22	188,234.75	-	161,878.30	-	165,808.13	327,686.43
Debt Service:										
Principal payments	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,125,475.13	1,265,712.92	-	237,904.93	2,629,092.98	1,012,436.83	1,073,954.92	-	313,129.97	2,399,521.72
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(94,055.26)	(32,718.90)	120,656.70	26,338.09	20,220.63	(32,260.00)	(2,385.76)	-	23,246.41	(11,399.35)
OTHER FINANCING SOURCES (USES):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (uses)	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(94,055.26)	(32,718.90)	120,656.70	26,338.09	20,220.63	(32,260.00)	(2,385.76)	-	23,246.41	(11,399.35)
FUND BALANCE - BEGINNING OF YEAR	118,750.77	63,953.51	-	117,210.84	299,915.12	151,010.77	66,339.27	-	93,964.43	311,314.47
FUND BALANCE - END OF YEAR	24,695.51	31,234.61	120,656.70	143,548.93	320,135.75	118,750.77	63,953.51	-	117,210.84	299,915.12

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE COUNTY WIDE
STATEMENT OF ACTIVITIES
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Total net change in fund balances – governmental funds	\$ (11,399.35)
There are no items of reconciliation	<u> -</u>
Change in net assets of governmental activities	<u>\$ (11,399.35)</u>

See accompanying notes to the financial statements

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 STATEMENT OF FIDUCIARY NET ASSETS
 CASH BASIS - AGENCY FUNDS

	December 31, 2007 Agency Funds	December 31, 2006 Agency Funds
ASSETS		
Cash and Cash equivalents	<u>4,620,210.09</u>	<u>3,845,496.32</u>
TOTAL ASSETS	<u><u>4,620,210.09</u></u>	<u><u>3,845,496.32</u></u>
LIABILITIES		
Due to other funds	<u>4,620,210.09</u>	<u>3,845,496.32</u>
TOTAL LIABILITIES	<u><u>4,620,210.09</u></u>	<u><u>3,845,496.32</u></u>

See accompanying notes to financial statements

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Reynolds, Missouri (“County”), which is governed by a three-member board of commissioners, was established in 1845 by an Act of the Missouri Territory. In addition to the three board members, there are six elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, and Prosecuting Attorney.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the County.

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

The financial statements referred to above include only the primary government of Reynolds County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County’s legal entity. The financial statements do not include financial data for the County’s legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County’s primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Reynolds County as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Reynolds County, Missouri, and the Reynolds County Agency for Developmental Disabilities has issued separate reporting entity financial statements. For information on these component units, please contact the Reynolds County Health Department at (573) 648-2498 (or write to P.O. Box 40 Centerville, MO 63633), or the Agency for Developmental Disabilities at (573)663-2394 (or write to P.O. Box 474, Ellington, MO 63638).

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Reynolds County only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The County does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government of Reynolds County at year-end. The statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the County has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, 911 Fund, and Road and Bridge are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

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

The following are the County's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – A Special Revenue Fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

911 Fund – A Special Revenue Fund used to account for the County money received to setup and maintain the 911 emergency system.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

THE COUNTY OF REYNOLDS, MISSOURI
 CENTERVILLE, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	2007	2006
Real Estate	\$ 99,140,038	\$73,212,564
Personal Property	22,436,765	23,932,253
Railroad and Utilities	5,721,036	5,811,807
	\$ 127,297,839	\$ 102,956,624

THE COUNTY OF REYNOLDS, MISSOURI
 CENTERVILLE, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (continued)

During 2007 and 2006, the County Commission approved a \$0.4648 and \$0.4393 respectively tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	2007	2006
General Revenue Fund	\$.2037	\$.1480
Road and Bridge	.2611	.2913
	\$ 0.4648	\$ 0.4393

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – cash basis – Governmental fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Transactions (continued)

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance reserves have been established for capital projects.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposit with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$320,135.75 and \$299,915.12, the bank balance was \$595,209.06 and \$586,165.51 respectively. As of December 31, 2007 and 2006, 100% of the County's investments were guaranteed by the U. S. Government.

THE COUNTY OF REYNOLDS, MISSOURI
 CENTERVILLE, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007 & 2006

2. DEPOSITS AND INVESTMENTS (continued)

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 320,135.75
Investments	-
Restricted cash	-
Total Deposits & Investments as of December 31, 2007	\$ <u>320,135.75</u>

The carrying values of deposits and investments at December 31, 2006, are as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 299,915.12
Investments	-
Restricted cash	-
Total Cash & Investment as of December 31, 2006	\$ <u>299,915.12</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The County’s investment policy does not include custodial credit risk requirements. The County’s deposits were not exposed to custodial credit risk for the year end December 31, 2007 & 2006.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government’s name. The County does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the County or of a type that are not exposed to custodial credit risk.

THE COUNTY OF REYNOLDS, MISSOURI
 CENTERVILLE, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007 & 2006

2. DEPOSITS AND INVESTMENTS (concluded)

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The county does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2007 & 2006.

3. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

	Tractor Loan
Long-Term Debt – January 1, 2007	\$ 0.00
Add-issued	86,347.00
Less Payments	<u>(4,367.95)</u>
Long-Term Debt – December 31, 2007	<u>\$ 81,979.05</u>

Tractor Loan at December 31, 2007, consists of:

The tractor loan is for a new Case tractor. The loan matures on 11/1/2010, the original principle balance was \$86,347, and the interest rate is fixed 5.4% with Sun Security Bank.

Total Long-Term Debt

	<u>\$ 81,979.05</u>
	<u>\$ 81,979.05</u>

THE COUNTY OF REYNOLDS, MISSOURI
 CENTERVILLE, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007 & 2006

3. CHANGES IN LONG-TERM DEBT (CONCLUDED)

The annual requirements to amortize all Loans outstanding as of December 31, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 25,210.62	\$ 3,499.38	\$ 28,710.00
2009	28,965.39	2,354.61	31,320.00
2010	<u>27,803.04</u>	<u>751.87</u>	<u>28,554.91</u>
Totals	<u>\$ 81,979.05</u>	<u>\$ 6,605.86</u>	<u>\$ 88,584.91</u>

4. INTERFUND TRANSFERS

There were no transfers between funds for the year ended December 31, 2007 and 2006.

5. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

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

A. Plan Description

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

B. Pension Benefits

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

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

5. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (Concluded)

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

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

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of approximately for \$49,726.19 and \$43,509.59, respectively, for the years then ended.

6. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 and \$2,444, respectively, for the years ended December 31, 2007 and 2006.

7. POST EMPLOYMENT BENEFITS

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

8. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is involved in a lawsuit at this time, all damages should be covered by the counties insurance, or the case will be dropped.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 & 2006

8. CLAIMS COMMITMENTS AND CONTINGENCIES (Concluded)

B. Compensated Absences

The County provides employees with up to four weeks of paid vacation based upon the number of years of continuing service. This ranges from getting one week after the first year of service, and four weeks after fifteen years of service. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime if applicable. County employees receive two personal days when they start, after one year they get five days. An employee is not reimbursed for unused personal time upon termination of employment. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

9. RISK MANAGEMENT

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

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

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

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON GAAP BUDGET BASIS AND ACTUAL - CASH BASIS -
 GENERAL FUND - UNAUDITED
 FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property taxes	187,000.00	187,000.00	156,770.32	(30,229.68)	213,000.00	213,000.00	198,396.10	(14,603.90)
Sales tax	212,699.00	212,699.00	246,580.73	33,881.73	190,845.00	190,845.00	212,680.70	21,835.70
Other taxes	110,000.00	110,000.00	113,807.37	3,807.37	113,000.00	113,000.00	106,796.12	(6,203.88)
Intergovernmental revenues	-	-	-	-	-	-	-	-
Charges for services	134,693.70	134,693.70	135,653.73	960.03	153,756.00	153,756.00	131,553.34	(22,202.66)
Grants	62,941.00	62,941.00	52,787.93	(10,153.07)	182,837.12	182,837.12	48,914.71	(133,922.41)
Reimbursements	182,825.00	182,825.00	159,926.97	(22,898.03)	114,177.56	114,177.56	186,605.88	72,428.32
Fees, licenses and permits	78,192.00	78,192.00	153,144.48	74,952.48	40,433.00	40,433.00	70,820.19	30,387.19
Interests	24,000.00	24,000.00	12,748.34	(11,251.66)	12,800.00	12,800.00	24,409.79	11,609.79
Other	-	-	-	-	-	-	-	-
Total Revenues	992,350.70	992,350.70	1,031,419.87	39,069.17	1,020,848.68	1,020,848.68	980,176.83	(40,671.85)
EXPENDITURES:								
Current:								
General county government	295,953.00	295,953.00	358,181.96	62,228.96	323,938.42	323,938.42	320,716.10	(3,222.32)
Financial Administration:	93,936.67	93,936.67	93,975.13	38.46	79,085.00	79,085.00	77,212.93	(1,872.07)
Other offices & grants	66,640.00	66,640.00	61,260.11	(5,379.89)	73,150.00	73,150.00	73,183.10	33.10
Health and Welfare	-	-	-	-	-	-	-	-
Property Valuation and Recording:	-	-	-	-	-	-	-	-
Administration of Justice and Law	591,225.99	591,225.99	612,057.93	20,831.94	548,428.02	548,428.02	541,324.70	(7,103.32)
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
Total Expenditures	1,047,755.66	1,047,755.66	1,125,475.13	77,719.47	1,024,601.44	1,024,601.44	1,012,436.83	(12,164.61)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(55,404.96)	(55,404.96)	(94,055.26)	(38,650.30)	(3,752.76)	(3,752.76)	(32,260.00)	(28,507.24)
OTHER FINANCING SOURCES (USES):								
Transfers in	10,000.00	10,000.00	-	(10,000.00)	6,000.00	6,000.00	-	(6,000.00)
Transfers out	-	-	-	-	-	-	-	-
Debt Service								
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	10,000.00	10,000.00	-	(10,000.00)	6,000.00	6,000.00	-	(6,000.00)
NET CHANGE IN FUND BALANCE	(45,404.96)	(45,404.96)	(94,055.26)	(48,650.30)	2,247.24	2,247.24	(32,260.00)	(34,507.24)
FUND BALANCE - BEGIN OF YEAR	118,750.77	118,750.77	118,750.77	-	151,010.77	151,010.77	151,010.77	-
FUND BALANCE - END OF YEAR	73,345.81	73,345.81	24,695.51	(48,650.30)	153,258.01	153,258.01	118,750.77	(34,507.24)

See accompanying independent auditors' report

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 DEPARTMENTAL SCHEDULE OF EXPEDITURES
 NON GAAP BUDGET BASIS AND ACTUAL - CASH BASIS -
 GENERAL FUND - UNAUDITED
 FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
EXPENDITURES:								
Current:								
General County Government:								
County Commission	\$ 72,160.00	72,160.00	116,272.95	\$ 44,112.95	\$ 73,172.62	73,172.62	69,511.72	\$ (3,660.90)
County Clerk	72,933.00	72,933.00	72,199.97	(733.03)	65,150.80	65,150.80	67,840.32	2,689.52
Elections	16,150.00	16,150.00	14,373.71	(1,776.29)	31,130.00	31,130.00	46,231.70	15,101.70
Buildings and grounds	44,310.00	44,310.00	70,077.26	25,767.26	59,650.00	59,650.00	49,735.60	(9,914.40)
Employee fringe benefits	90,400.00	90,400.00	85,258.07	(5,141.93)	94,835.00	94,835.00	87,396.76	(7,438.24)
Other Expenses	-	-	-	-	-	-	-	-
	<u>295,953.00</u>	<u>295,953.00</u>	<u>358,181.96</u>	<u>62,228.96</u>	<u>323,938.42</u>	<u>323,938.42</u>	<u>320,716.10</u>	<u>(3,222.32)</u>
Financial Administration:								
Collector	59,706.67	59,706.67	60,418.16	711.49	56,070.00	56,070.00	55,014.92	1,055.08
Treasurer	34,230.00	34,230.00	33,556.97	(673.03)	23,015.00	23,015.00	22,198.01	(816.99)
	<u>93,936.67</u>	<u>93,936.67</u>	<u>93,975.13</u>	<u>38.46</u>	<u>79,085.00</u>	<u>79,085.00</u>	<u>77,212.93</u>	<u>238.09</u>
Other Offices & Grants								
Other Offices & Grants	66,640.00	66,640.00	61,260.11	(5,379.89)	73,150.00	73,150.00	73,183.10	(33.10)
	<u>66,640.00</u>	<u>66,640.00</u>	<u>61,260.11</u>	<u>(5,379.89)</u>	<u>73,150.00</u>	<u>73,150.00</u>	<u>73,183.10</u>	<u>(33.10)</u>
Health & Welfare								
Public Health and Welfare	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying independent auditors' report

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 DEPARTMENTAL SCHEDULE OF EXPEDITURES
 NON GAAP BUDGET BASIS AND ACTUAL - CASH BASIS -
 GENERAL FUND (CONTINUED) - UNAUDITED
 FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
Property Valuation and Recording: Recorder of Deeds		-		-		-		-
Administration of Justice and Law Enforcement:								
Associate Circuit	4,526.00	4,526.00	3,015.88	(1,510.12)	4,526.00	4,526.00	4,028.21	(497.79)
Circuit Clerk	22,696.80	22,696.80	22,618.39	(78.41)	22,076.18	22,076.18	21,322.61	(753.57)
Surveyor		-		-		-		-
Assessor		-		-		-		-
Court Administrator	8,052.00	8,052.00	3,926.86	(4,125.14)	5,939.21	5,939.21	3,613.47	(2,325.74)
Dispatch		-		-		-		-
Special Services		-		-		-		-
Jail	10,500.00	10,500.00	8,162.59	(2,337.41)	9,800.00	9,800.00	10,237.90	437.90
Jury Script		-		-		-		-
Justice Center		-		-		-		-
Juvenile Office	19,967.70	19,967.70	19,946.79	(20.91)	19,722.70	19,722.70	19,722.72	0.02
Lincoln County Rescue Squad		-		-		-		-
Coroner's Office	19,500.00	19,500.00	18,546.44	(953.56)	13,280.00	13,280.00	20,126.04	6,846.04
Sheriffs Office	380,101.94	380,101.94	439,957.64	59,855.70	347,162.13	347,162.13	371,151.91	23,989.78
Drug Task Force		-		-		-		-
Emergency Fund	30,000.00	30,000.00		(30,000.00)	30,000.00	30,000.00		(30,000.00)
Prosecuting Attorney	74,637.55	74,637.55	75,205.79	568.24	75,327.80	75,327.80	71,120.85	(4,206.95)
Prosecuting Attorney Retirement	2,244.00	2,244.00	2,244.00		2,244.00	2,244.00	2,244.00	
Public Administrator	19,000.00	19,000.00	18,433.55	(566.45)	18,350.00	18,350.00	17,756.99	(593.01)
	<u>591,225.99</u>	<u>591,225.99</u>	<u>612,057.93</u>	<u>20,831.94</u>	<u>548,428.02</u>	<u>548,428.02</u>	<u>541,324.70</u>	<u>(7,103.32)</u>
Debt Service:								
Principal payments		-		-		-		-
Interest and fiscal charges		-		-		-		-
Other charges		-		-		-		-
		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
Capital Outlay:								
Property, Equipment & Buildings		-		-		-		-
		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
Total Expenditures	<u>\$ 1,047,755.66</u>	<u>1,047,755.66</u>	<u>1,125,475.13</u>	<u>77,719.47</u>	<u>\$ 1,024,601.44</u>	<u>1,024,601.44</u>	<u>1,012,436.83</u>	<u>(12,164.61)</u>

See accompanying independent auditors' report

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-GAAP BUDGET BASIS AND ACTUAL - CASH BASIS - SPECIAL REVENUE
 UNAUDITED - SPECIAL ROAD AND BRIDGE FUND
 FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over	Budgeted Amounts		Actual	Over
	Original	Final		(Under) Final Budget	Original	Final		(Under) Final Budget
REVENUES:								
Property tax	295,478.00	295,478.00	292,393.15	(3,084.85)	208,157.96	208,157.96	209,491.92	1,333.96
Sales tax	-	-	-	-	-	-	-	-
Other taxes	670,360.00	670,360.00	668,491.21	(1,868.79)	670,777.66	670,777.66	670,466.26	(311.40)
Intergovernmental revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Reimbursement	180,546.00	180,546.00	259,945.80	79,399.80	192,904.38	192,904.38	182,963.84	(9,940.54)
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	8,647.00	8,647.00	12,163.86	3,516.86	6,260.25	6,260.25	8,647.14	2,386.89
Other	-	-	-	-	-	-	-	-
Total Revenues	1,155,031.00	1,155,031.00	1,232,994.02	77,963.02	1,078,100.25	1,078,100.25	1,071,569.16	(6,531.09)
EXPENDITURES:								
Current:								
Maintenance of Roads:								
Salaries	340,000.00	340,000.00	377,134.46	37,134.46	365,000.00	365,000.00	332,856.30	(32,143.70)
Employee Benefits	118,800.00	118,800.00	119,148.75	348.75	100,580.00	100,580.00	115,155.53	14,575.53
Supplies	187,500.00	187,500.00	238,566.00	51,066.00	196,500.00	196,500.00	184,596.32	(11,903.68)
Insurance	30,000.00	30,000.00	24,584.68	(5,415.32)	30,000.00	30,000.00	28,215.52	(1,784.48)
Materials	193,000.00	193,000.00	251,912.65	58,912.65	193,000.00	193,000.00	153,602.25	(39,397.75)
Equipment Repairs	70,000.00	70,000.00	67,668.44	(2,331.56)	70,000.00	70,000.00	71,805.17	1,805.17
Rentals	-	-	-	-	-	-	-	-
Other Expenditures	26,000.00	26,000.00	27,735.41	1,735.41	27,150.00	27,150.00	25,845.53	(1,304.47)
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	7,000.00	7,000.00	-	(7,000.00)
Property, equipment & buildings	165,000.00	165,000.00	158,962.53	(6,037.47)	65,000.00	65,000.00	161,878.30	96,878.30
Total Expenditures	1,130,300.00	1,130,300.00	1,265,712.92	135,412.92	1,054,230.00	1,054,230.00	1,073,954.92	19,724.92
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,731.00	24,731.00	(32,718.90)	(57,449.90)	23,870.25	23,870.25	(2,385.76)	(26,256.01)
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	24,731.00	24,731.00	(32,718.90)	(57,449.90)	23,870.25	23,870.25	(2,385.76)	(26,256.01)
FUND BALANCE - BEGINNING OF YEAR	63,953.51	63,953.51	63,953.51	-	66,339.27	66,339.27	66,339.27	-
FUND BALANCE - END OF YEAR	88,684.51	88,684.51	31,234.61	(57,449.90)	90,209.52	90,209.52	63,953.51	(26,256.01)

See accompanying independent auditors' report

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-GAAP BUDGET BASIS AND ACTUAL - CASH BASIS - SPECIAL REVENUE FUND
 UNAUDITED - 911 FUND
 FOR THE YEARS ENDED

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over	Budgeted Amounts		Actual	Over
	Original	Final		(Under)	Original	Final		(Under)
			Final Budget				Final Budget	
REVENUES:								
Property tax	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	120,656.70	120,656.70	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Revenues	-	-	120,656.70	120,656.70	-	-	-	-
EXPENDITURES:								
Current:								
Administration of Justice and Law:								
Salaries	-	-	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-	-	-
Office Supplies	-	-	-	-	-	-	-	-
Jail and Kitchen	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	120,656.70	120,656.70	-	-	-	-
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	120,656.70	120,656.70	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-	-	-	-	-
FUND BALANCE - END OF YEAR	-	-	120,656.70	120,656.70	-	-	-	-

THE COUNTY OF REYNOLDS
CENTERVILLE, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007 & 2006

Budgets and Budgetary Accounting

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

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. During the year December 31, 2007, there was an instance of noncompliance because the actual expenditures exceeded the budgeted expenditures in the General Fund and the Special Road and Bridge Fund. During the year December 31, 2006, there was an instance of noncompliance because the actual expenditures exceeded the budgeted expenditures in the Special Road and Bridge Fund.

4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

SUPPLEMENTARY INFORMATION

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 COMBINING BALANCE SHEET - CASH BASIS -
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2007

	Assessment Fund	Sheriffs Training	Prosecuting Attorney Training Fund	Recorder User Fund	Childrens Trust Fund	Senior Services Fund	Circuit Clerk Interest	Associate Circuit Court Fund	Sheriff Civil Fund	Sound Recorder Fund
ASSETS										
Cash and Cash Equivalents	28,863.18	120.07	81.76	26,672.93	75.00	12,395.36	1,867.01	742.05	6,857.83	1,667.18
TOTAL ASSETS	<u>28,863.18</u>	<u>120.07</u>	<u>81.76</u>	<u>26,672.93</u>	<u>75.00</u>	<u>12,395.36</u>	<u>1,867.01</u>	<u>742.05</u>	<u>6,857.83</u>	<u>1,667.18</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	28,863.18	120.07	81.76	26,672.93	75.00	12,395.36	1,867.01	742.05	6,857.83	1,667.18
TOTAL LIABILITIES AND FUND BALANCES	<u>28,863.18</u>	<u>120.07</u>	<u>81.76</u>	<u>26,672.93</u>	<u>75.00</u>	<u>12,395.36</u>	<u>1,867.01</u>	<u>742.05</u>	<u>6,857.83</u>	<u>1,667.18</u>

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 COMBINING BALANCE SHEET - CASH BASIS -
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2007

	Prosecuting Attorney Bad Check Fund	Sheriffs Revolving Fund	HAVA Grant Fund	County Law Enforcement Fund	Election Services Fund	Tax Maintenance Fund	Law Library	Total
ASSETS								
Cash and Cash Equivalents	4,118.87	1,116.82	-	29,938.85	2,961.80	24,629.47	1,440.75	143,548.93
	<u>4,118.87</u>	<u>1,116.82</u>	<u>-</u>	<u>29,938.85</u>	<u>2,961.80</u>	<u>24,629.47</u>	<u>1,440.75</u>	<u>143,548.93</u>
TOTAL ASSETS	<u>4,118.87</u>	<u>1,116.82</u>	<u>-</u>	<u>29,938.85</u>	<u>2,961.80</u>	<u>24,629.47</u>	<u>1,440.75</u>	<u>143,548.93</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNRESERVED FUND BALANCES	<u>4,118.87</u>	<u>1,116.82</u>	<u>-</u>	<u>29,938.85</u>	<u>2,961.80</u>	<u>24,629.47</u>	<u>1,440.75</u>	<u>143,548.93</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>4,118.87</u>	<u>1,116.82</u>	<u>-</u>	<u>29,938.85</u>	<u>2,961.80</u>	<u>24,629.47</u>	<u>1,440.75</u>	<u>143,548.93</u>

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
 CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Assessment Fund	Sheriffs Training	Prosecuting Attorney Training Fund	Recorder User Fund	Childrens Trust Fund	Senior Services Fund	Circuit Clerk Interest	Associate Circuit Court Fund	Sheriff Civil Fund	Sound Recorder Fund
REVENUES:										
Property taxes	-	-	-	-	-	30,460.89	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-
Other taxes	60,147.96	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-
Charges for Services	3,471.65	-	-	-	310.00	-	-	-	-	373.76
Grants	-	-	-	-	-	-	-	-	-	-
Reimbursements	94,865.62	-	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	387.25	6,507.43	-	-	-	-	7,648.60	-
Interest	1,593.83	-	-	-	-	234.68	1,276.01	314.32	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Other	-	1,840.97	-	-	-	-	-	-	-	-
Total Revenues	160,079.06	1,840.97	387.25	6,507.43	310.00	30,695.57	1,276.01	314.32	7,648.60	373.76
EXPENDITURES										
General government	138,097.38	-	376.29	2,963.74	331.00	-	29.56	-	10,000.00	674.16
Public Safety	-	1,816.74	-	-	-	-	-	-	-	-
Highways and roads	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	30,131.49	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-
Debt Service										
Principal payment	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	138,097.38	1,816.74	376.29	2,963.74	331.00	30,131.49	29.56	-	10,000.00	674.16
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,981.68	24.23	10.96	3,543.69	(21.00)	564.08	1,246.45	314.32	(2,351.40)	(300.40)
OTHER FINANCING SOURCES (USES):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	21,981.68	24.23	10.96	3,543.69	(21.00)	564.08	1,246.45	314.32	(2,351.40)	(300.40)
FUND BALANCES - BEGINNING OF YEAR	6,881.50	95.84	70.80	23,129.24	96.00	11,831.28	620.56	427.73	9,209.23	1,967.58
FUND BALANCES - END OF YEAR	28,863.18	120.07	81.76	26,672.93	75.00	12,395.36	1,867.01	742.05	6,857.83	1,667.18

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
 CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Prosecuting Attorney Bad Check Fund	Sheriffs Revolving Fund	HAVA Grant Fund	County Law Enforcement Fund	Election Services Fund	Tax Maintenance Fund	Law Library	Total
REVENUES:								
Property taxes	-	-	-	-	-	-	-	30,460.89
Sales tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	60,147.96
Intergovernmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	2,843.73	-	-	-	-	-	6,999.14
Grants	-	-	2,276.38	-	-	-	-	2,276.38
Reimbursements	-	-	-	-	2,011.16	-	-	96,876.78
Fees, licenses and permits	3,329.43	-	-	32,911.86	-	8,895.49	2,542.00	62,222.06
Interest	-	-	-	-	-	-	-	3,418.84
Contributions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,840.97
Total Revenues	3,329.43	2,843.73	2,276.38	32,911.86	2,011.16	8,895.49	2,542.00	264,243.02
EXPENDITURES								
General government	1,066.91	4,056.49	16,357.99	-	337.95	2,393.01	-	176,684.48
Public Safety	-	-	-	-	-	-	-	1,816.74
Highways and roads	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	30,131.49
Capital outlay	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	25,872.22	-	-	3,400.00	29,272.22
Debt Service								
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
Total Expenditures	1,066.91	4,056.49	16,357.99	25,872.22	337.95	2,393.01	3,400.00	237,904.93
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,262.52	(1,212.76)	(14,081.61)	7,039.64	1,673.21	6,502.48	(858.00)	26,338.09
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	2,262.52	(1,212.76)	(14,081.61)	7,039.64	1,673.21	6,502.48	(858.00)	26,338.09
FUND BALANCES - BEGINNING OF YEAR	1,856.35	2,329.58	14,081.61	22,899.21	1,288.59	18,126.99	2,298.75	117,210.84
FUND BALANCES - END OF YEAR	4,118.87	1,116.82	-	29,938.85	2,961.80	24,629.47	1,440.75	143,548.93

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 COMBINING BALANCE SHEET -CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2006

	Assessment Fund	Sheriffs Training	Prosecuting Attorney Training Fund	Recorder User Fund	Childrens Trust Fund	Senior Services Fund	Circuit Clerk Interest	Associate Circuit Court Fund	Sheriff Civil Fund	Sound Recorder Fund
ASSETS										
Cash and Cash Equivalents	6,881.50	95.84	70.80	23,129.24	96.00	11,831.28	620.56	427.73	9,209.23	1,967.58
TOTAL ASSETS	<u>6,881.50</u>	<u>95.84</u>	<u>70.80</u>	<u>23,129.24</u>	<u>96.00</u>	<u>11,831.28</u>	<u>620.56</u>	<u>427.73</u>	<u>9,209.23</u>	<u>1,967.58</u>
LIABILITIES AND FUND BALANCES										
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	6,881.50	95.84	70.80	23,129.24	96.00	11,831.28	620.56	427.73	9,209.23	1,967.58
TOTAL LIABILITIES AND FUND BALANCES	<u>6,881.50</u>	<u>95.84</u>	<u>70.80</u>	<u>23,129.24</u>	<u>96.00</u>	<u>11,831.28</u>	<u>620.56</u>	<u>427.73</u>	<u>9,209.23</u>	<u>1,967.58</u>

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 COMBINING BALANCE SHEET -CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2006

	Prosecuting Attorney Bad Check Fund	Sheriffs Revolving Fund	HAVA Grant Fund	County Law Enforcement Fund	Election Services Fund	Tax Maintenance Fund	Law Library	Total
ASSETS								
Cash and Cash Equivalents	1,856.35	2,329.58	14,081.61	22,899.21	1,288.59	18,126.99	2,298.75	117,210.84
	<u>1,856.35</u>	<u>2,329.58</u>	<u>14,081.61</u>	<u>22,899.21</u>	<u>1,288.59</u>	<u>18,126.99</u>	<u>2,298.75</u>	<u>117,210.84</u>
TOTAL ASSETS	<u>1,856.35</u>	<u>2,329.58</u>	<u>14,081.61</u>	<u>22,899.21</u>	<u>1,288.59</u>	<u>18,126.99</u>	<u>2,298.75</u>	<u>117,210.84</u>
LIABILITIES AND FUND BALANCES								
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>1,856.35</u>	<u>2,329.58</u>	<u>14,081.61</u>	<u>22,899.21</u>	<u>1,288.59</u>	<u>18,126.99</u>	<u>2,298.75</u>	<u>117,210.84</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,856.35</u>	<u>2,329.58</u>	<u>14,081.61</u>	<u>22,899.21</u>	<u>1,288.59</u>	<u>18,126.99</u>	<u>2,298.75</u>	<u>117,210.84</u>

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
 CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Assessment Fund	Sheriffs Training	Prosecuting Attorney Training Fund	Recorder User Fund	Childrens Trust Fund	Senior Services Fund	Circuit Clerk Interest	Associate Circuit Court Fund	Sheriff Civil Fund	Sound Recorder Fund
REVENUES:										
Property taxes	-	-	-	-	-	30,407.37	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-
Other taxes	57,598.85	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-
Charges for Services	4,965.65	-	280.81	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-
Reimbursements	51,184.32	-	-	-	-	1,483.23	-	-	-	-
Fees, licenses and permits	-	-	-	5,964.39	304.00	-	-	-	9,209.23	280.00
Interest	863.27	-	-	-	-	178.16	130.50	69.13	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Other	276.13	1,858.30	-	-	-	-	-	-	-	-
Total Revenues	114,888.22	1,858.30	280.81	5,964.39	304.00	32,068.76	130.50	69.13	9,209.23	280.00
EXPENDITURES										
General government	113,064.40	-	376.29	1,700.00	539.00	-	207.00	310.00	-	-
Public Safety	-	2,081.29	-	-	-	-	-	-	-	-
Highways and roads	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	24,408.00	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	6,796.69	-
Debt Service										
Principal payment	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	113,064.40	2,081.29	376.29	1,700.00	539.00	24,408.00	207.00	310.00	6,796.69	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,823.82	(222.99)	(95.48)	4,264.39	(235.00)	7,660.76	(76.50)	(240.87)	2,412.54	280.00
OTHER FINANCING SOURCES (USES):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	1,823.82	(222.99)	(95.48)	4,264.39	(235.00)	7,660.76	(76.50)	(240.87)	2,412.54	280.00
FUND BALANCES - BEGINNING OF YEAR	5,057.68	318.83	166.28	18,864.85	331.00	4,170.52	697.06	668.60	6,796.69	1,687.58
FUND BALANCES - END OF YEAR	6,881.50	95.84	70.80	23,129.24	96.00	11,831.28	620.56	427.73	9,209.23	1,967.58

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF REVENUE, EXPEDITURES AND CHANGES IN FUND BALANCES
 CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Prosecuting Attorney Bad Check Fund	Sheriffs Revolving Fund	HAVA Grant Fund	County Law Enforcement Fund	Election Services Fund	Tax Maintenance Fund	Law Library	Total
REVENUES:								
Property taxes	-	-	-	-	-	-	-	30,407.37
Sales tax	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	57,598.85
Intergovernmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	1,977.05	-	-	-	-	-	7,223.51
Grants	-	-	132,027.45	-	-	-	-	132,027.45
Reimbursements	-	-	-	-	578.70	-	-	53,246.25
Fees, licenses and permits	1,794.38	-	-	22,359.00	-	9,586.46	3,000.00	52,497.46
Interest	-	-	-	-	-	-	-	1,241.06
Contributions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	2,134.43
Total Revenues	<u>1,794.38</u>	<u>1,977.05</u>	<u>132,027.45</u>	<u>22,359.00</u>	<u>578.70</u>	<u>9,586.46</u>	<u>3,000.00</u>	<u>336,376.38</u>
EXPENDITURES								
General government	1,079.00	-	-	-	-	730.80	-	118,006.49
Public Safety	-	2,826.06	-	-	-	-	-	4,907.35
Highways and roads	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	24,408.00
Capital outlay	-	-	-	-	-	-	-	-
Principal, interest and fiscal fees	-	-	-	-	-	-	-	-
Capital Outlay:								
Construction of roads and bridges	-	-	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	133,011.44	23,000.00	-	-	3,000.00	165,808.13
Debt Service								
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,079.00</u>	<u>2,826.06</u>	<u>133,011.44</u>	<u>23,000.00</u>	<u>-</u>	<u>730.80</u>	<u>3,000.00</u>	<u>313,129.97</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	715.38	(849.01)	(983.99)	(641.00)	578.70	8,855.66	-	23,246.41
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	715.38	(849.01)	(983.99)	(641.00)	578.70	8,855.66	-	23,246.41
FUND BALANCES - BEGINNING OF YEAR	<u>1,140.97</u>	<u>3,178.59</u>	<u>15,065.60</u>	<u>23,540.21</u>	<u>709.89</u>	<u>9,271.33</u>	<u>2,298.75</u>	<u>93,964.43</u>
FUND BALANCES - END OF YEAR	<u><u>1,856.35</u></u>	<u><u>2,329.58</u></u>	<u><u>14,081.61</u></u>	<u><u>22,899.21</u></u>	<u><u>1,288.59</u></u>	<u><u>18,126.99</u></u>	<u><u>2,298.75</u></u>	<u><u>117,210.84</u></u>

THE COUNTY OF REYNOLDS
 CENTERVILLE MISSOURI
 (the Primary Government)
 COMBINING STATEMENTS OF FIDUCIARY NET ASSETS - CASH BASIS
 DECEMBER 31, 2007

	Sheriff Calender	Prosecuting Attorney Restitution	Sur-Charge Fund	Overplus Fund	Capital School Fund	Unclaimed Fees	CERF Retirement	Hospital Escrow	Sweet Water Cemetery	Collectors Funds	Total
ASSETS											
Cash and Cash Equivalents	1,006.38	257.50	-	63,483.00	6,559.36	1,095.68	3,658.36	-	4,591.56	4,539,558.25	4,620,210.09
TOTAL ASSETS	<u>1,006.38</u>	<u>257.50</u>	<u>-</u>	<u>63,483.00</u>	<u>6,559.36</u>	<u>1,095.68</u>	<u>3,658.36</u>	<u>-</u>	<u>4,591.56</u>	<u>4,539,558.25</u>	<u>4,620,210.09</u>
LIABILITIES AND FUND BALANCES											
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	1,006.38	257.50	-	63,483.00	6,559.36	1,095.68	3,658.36	-	4,591.56	4,539,558.25	4,620,210.09
TOTAL LIABILITIES AND FUND BALANCES	<u>1,006.38</u>	<u>257.50</u>	<u>-</u>	<u>63,483.00</u>	<u>6,559.36</u>	<u>1,095.68</u>	<u>3,658.36</u>	<u>-</u>	<u>4,591.56</u>	<u>4,539,558.25</u>	<u>4,620,210.09</u>

THE COUNTY OF REYNOLDS
 CENTERVILLE, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -CASH BASIS
 DECEMBER 31, 2006

	Sheriff Calender	Prosecuting Attorney Restitution	Sur-Charge Fund	Overplus Fund	Capital School Fund	Unclaimed Fees	CERF Retirement	Hospital Escrow	Sweet Water Cemetery	Collectors Funds	Total
ASSETS											
Cash and Cash Equivalents	367.28	507.50	-	64,550.93	12,113.07	658.50	3,088.43	57,008.60	4,635.65	3,702,566.36	3,845,496.32
TOTAL ASSETS	<u>367.28</u>	<u>507.50</u>	<u>-</u>	<u>64,550.93</u>	<u>12,113.07</u>	<u>658.50</u>	<u>3,088.43</u>	<u>57,008.60</u>	<u>4,635.65</u>	<u>3,702,566.36</u>	<u>3,845,496.32</u>
LIABILITIES AND FUND BALANCES											
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	367.28	507.50	-	64,550.93	12,113.07	658.50	3,088.43	57,008.60	4,635.65	3,702,566.36	3,845,496.32
TOTAL LIABILITIES AND FUND BALANCES	<u>367.28</u>	<u>507.50</u>	<u>-</u>	<u>64,550.93</u>	<u>12,113.07</u>	<u>658.50</u>	<u>3,088.43</u>	<u>57,008.60</u>	<u>4,635.65</u>	<u>3,702,566.36</u>	<u>3,845,496.32</u>

STATE COMPLIANCE SECTION

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2007 & 2006

SCHEDULE OF STATE FINDINGS:

- I. During the year December 31, 2007, there was an instance of noncompliance because the actual expenditures exceeded the budgeted expenditures in the General Fund and the Special Road and Bridge Fund.
- II. During the year December 31, 2006, there was an instance of noncompliance because the actual expenditures exceeded the budgeted expenditures in the Special Road and Bridge Fund.

FEDERAL COMPLIANCE SECTION



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
The County of Reynolds, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Reynolds, (the Primary Government), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the basic financial statements of the County's primary government, and have issued our cash basis report thereon dated July 28, 2008.

Our report which was modified because the Primary Government prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. 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, we considered the Primary Government's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01, 06/07-02, and 06/07-03 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of the County in a separate report dated July 28, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Primary Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

July 28, 2008

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings

06/07-01

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

THE COUNTY OF REYNOLDS, MISSOURI
CENTERVILLE, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings (Concluded)

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

06/07-03

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters in an Audit, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

II. Follow-Up Prior Year Financial Statement Findings and Questioned Costs

There were no prior year findings and questioned costs related to Government Auditing Standards for an audit of financial statements For the years ended 12/31/04 and 12/31/05.



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

July 28, 2008

To the County Commissioners
Reynolds County of Missouri

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated July 28, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

As part of our audit, we considered the internal control of the Reynolds County of Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Reynolds County of Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Reynolds County of Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 28, 2008.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

REYNOLDS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF REYNOLDS COUNTY, MISSOURI)
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITORS' REPORTS
DECEMBER 31, 2007 & 2006

REYNOLDS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF REYNOLDS COUNTY, MISSOURI)
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**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Reynolds County Senate Bill 40
of Missouri

We have audited the accompanying basic financial statements of the Reynolds County Senate Bill 40 of Missouri, a component unit of Reynolds County, as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Senate Bill 40's financial statements as listed in the table of contents. These financial statements are the responsibility of the Reynolds County Senate Bill 40'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 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 opinions.

As described in Note I, the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note II the SB 40 has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, "*Deposit and Investment Risk Disclosures*," as of and for the year ended December 31, 2006.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the Reynolds County Senate Bill 40 of Missouri as of December 31, 2007 and December 31, 2006, and the respective changes in financial position-cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I.

The SB 40 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, as applicable to the cash basis of accounting, has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2008, on our consideration of the Reynolds County Senate Bill 40 of Missouri's internal control over financial reporting and 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.

The accompanying required supplementary information, the budgetary comparisons on pages 11 and 12 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The budgetary comparison information has been subjected to auditing procedures applied in the audit of the basic financial statements and , in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

August 12, 2008



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

Board of Trustees
Reynolds County Senate Bill 40 of Missouri

We have audited the basic financial statements of the Reynolds County Senate Bill 40 of Missouri, as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated August 12, 2008, which was modified because the SB 40 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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, we considered the Reynolds County Senate Bill 40 of Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01, 06/07-02, and 06/07-03, described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that

might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of Reynolds County Senate Bill 40 of Missouri in a separate report dated August 12, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Reynolds County Senate Bill 40 of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Trustees and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants, P.C.

August 12, 2008

BASIC FINANCIAL STATEMENTS

REYNOLDS COUNT SENATE BILL 40
 (A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE - CASH BASIS
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

ASSETS

	2007	2006
Cash	\$ 15,275.87	\$ 15,153.75
Certificates of Deposit	-	-
Total Assets	15,275.87	15,153.75

LIABILITIES AND FUND BALANCE

Liabilities	\$ -	\$ -
Total Liabilities	-	-
Fund Balance		
Unrestricted	\$ 15,275.87	\$ 15,153.75
Total Fund Balance	15,275.87	15,153.75
Total Liabilities and Fund Balance	15,275.87	15,153.75

The notes to the financial statements are an integral part of this statement.

REYNOLDS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
REVENUES		
Property Tax Revenues	\$ 101,508.42	\$ 101,341.41
TOTAL REVENUES	101,508.42	101,341.41
EXPENDITURES		
Senior Services Expenses	101,508.42	101,341.41
Other Expenses		
TOTAL EXPENDITURES	101,508.42	101,341.41
REVENUES COLLECTED OVER (UNDER) EXPENDITURES	0.00	0.00
OTHER FINANCING SOURCES (USES)		
Interest	122.12	109.75
Miscellaneous	0.00	5,100.00
Rents	0.00	0.00
Donations		
TOTAL OTHER FINANCING SOURCES (USES)	122.12	5,209.75
REVENUE COLLECTED AND OTHER SOURCES UNDER EXPENDITURES PAID AND OTHER USES	122.12	5,209.75
FUND BALANCE - BEGINNING OF YEAR	15,153.75	9,944.00
FUND BALANCE - END OF YEAR	\$ 15,275.87	\$ 15,153.75

The notes to the financial statements are an integral part of this statement.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reynolds County Senate Bill 40 (“SB 40”), which is governed by a nine-member board of directors, was established by an Act of the Senate Bill 40.

As discussed further in Note 1, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the cash basis of accounting, these financial statements present financial accountability of the SB 40.

The SB 40 has developed criteria to determine whether outside agencies with activities which benefit the clients of the SB 40, should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the SB 40 exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financing relationships.

The SB 40 has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the SB 40's financial statements. However, Reynolds County Senate Bill 40 is a component unit of Reynolds County, Missouri. The SB 40 has not been included in the County's financial statements as a discretely presented component unit.

B. Basis of Presentation

The Governmental Funds Statement of Assets, Liabilities and Fund Balance and Statement of Revenues, Expenses, and Changes in Fund Balance combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain SB 40 functions or activities. Major individual governmental funds are reported as separate columns in the fund financial statements.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The major fund consists of the general fund.

Governmental Fund Type - The General Fund is the general operating fund of the SB 40 and accounts for all revenues and expenditures of the SB 40. All general tax revenues and other receipts are accounted for in this fund.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The fund financial statements are prepared using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the SB 40 utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting.

D. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the funds are pooled and invested to the extent possible. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par.

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the SB 40's name at third-party banking institutions. Details of these cash balances are presented in Note II.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the SB 40 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

All other net assets are reported as unrestricted. The SB 40 applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

F. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The SB 40's investment policy does not include custodial credit risk requirements. The SB 40's deposits were not exposed to custodial credit risk at year end.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Missouri or its agencies and instrumentalities that have a market value of not less than the principle amount of the deposits.

The SB 40's deposits, including certificates of deposit, were fully insured or collateralized as required by state statutes at December 31, 2007 and December 31, 2006. At December 31, 2007, the carrying amount of the District's deposits was \$ 15,275.87 with respective bank balances totaling \$ 15,275.87. At December 31, 2006, the carrying amount of the District's deposits was \$15,153.75 with respective bank balances totaling \$15,153.75. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$100,000 for each year. The remainder was covered by collateral held by the Federal Reserve Bank in the SB 40's name under a joint safekeeping agreement for both years.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

II. DEPOSITS AND INVESTMENTS (concluded)

The Deposits held at December 31, 2007 and reported at cost, are as follows:

BALANCE AT DECEMBER 31, 2007		
	Maturity Date	Cost
Deposits:		
Checking Account	N/A	15,275.87
 Total Deposits		\$ 15,275.87

The Deposits held at December 31, 2006 and reported cost, are as follows:

BALANCE AT DECEMBER 31, 2006		
	Maturity Date	Cost
Deposits:		
Checking Account	N/A	\$ 15,153.75
 Total Deposits		\$ 15,153.75

III. TAXES

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The County collects the property tax and remits it to the SB 40 the month following collection.

The assessed valuation of the tangible taxable property for the calendar years 2007 and 2006 for purposes of local taxation was \$127,297,839 and \$127,105,221 respectively. The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2007 and 2006 for purposes of local taxation was .0896 and .0896 respectively.

IV. RISK MANAGEMENT

The SB 40 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The SB 40 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the SB 40. Settled claims have not exceeded this commercial coverage in any of the past three years.

V. LITIGATION

The SB 40 is not a defendant in any litigation as of December 31, 2007 or December 31, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

REYNOLDS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 98,000.00	101,341.41	\$ 3,341.41
TOTAL REVENUES	98,000.00	101,341.41	3,341.41
 EXPENDITURES			
Senior Services Expenses	98,000.00	101,341.41	3,341.41
Other Expenses	0.00	0.00	0.00
TOTAL EXPENDITURES	98,000.00	101,341.41	3,341.41
 REVENUES COLLECTED OVER (UNDER) EXPENDITURES	 0.00	 0.00	 0.00
 OTHER FINANCING SOURCES (USES)			
Interest	0.00	109.75	109.75
Miscellaneous	0.00	5,100.00	5,100.00
Rents	0.00	0.00	0.00
Donations	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	0.00	5,209.75	5,209.75
 REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	 0.00	 5,209.75	 5,209.75
 FUND BALANCE BEGINNING OF YEAR	 9,944.00	 9,944.00	 -
FUND BALANCE END OF YEAR	\$ 9,944.00	\$ 15,153.75	\$ 5,209.75

REYNOLDS COUNTY SENATE BILL 40
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
STATEMENT OF REVENUES AND EXPENDITURES BUDGET TO ACTUAL NON GAAP - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original And Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES			
Property Tax Revenues	\$ 101,500.00	\$ 101,508.42	\$ 8.42
TOTAL REVENUES	101,500.00	101,508.42	8.42
 EXPENDITURES			
Senior Services Expenses	101,500.00	101,508.42	8.42
Other Expenses	0.00	0.00	0.00
TOTAL EXPENDITURES	101,500.00	101,508.42	8.42
 REVENUES COLLECTED OVER (UNDER) EXPENDITURES	 0.00	 0.00	 0.00
 OTHER FINANCING SOURCES (USES)			
Interest	2,100.00	122.12	(1,977.88)
Miscellaneous	0.00	0.00	
Rents	0.00	0.00	0.00
Donations	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	2,100.00	122.12	(1,977.88)
 REVENUES COLLECTED AND OTHER SOURCES OVER EXPENDITURES PAID AND OTHER USES	 2,100.00	 122.12	 (1,977.88)
 FUND BALANCE BEGINNING OF YEAR	 15,153.75	 15,153.75	 -
FUND BALANCE END OF YEAR	\$ 17,253.75	\$ 15,275.87	\$ (1,977.88)

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006

Budgets and Budgetary Accounting

The SB 40 follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 67 RSMo, the District adopts a budget for each fund.
2. Prior to December, the Director, who serves as the budget officer, submits to the Senate Bill 40 Board a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures for all SB 40 funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Prior to its approval by the Senate Bill 40 Board, the budget document is available for public inspection.
4. Prior to January 1, the budget is legally enacted by a vote of the Senate Bill 40 Board.
5. Subsequent to its formal approval of the budget, the Senate Bill 40 Board has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are prepared and adopted on the cash basis of accounting.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
SCHEDULE OF QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings

06/07-01 **Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 will consider the auditors' recommendation.

06/07-02 **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2007, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the Senate Bill 40's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Senate Bill 40 may not be able to ensure that controls are in place, communicated and operating effectively.

REYNOLDS COUNTY SENATE BILL 40 OF MISSOURI
(A COMPONENT UNIT OF REYNOLDS COUNTY MISSOURI)
SCHEDULE OF QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

I. Financial Statement Findings (Concluded)

Cause: Due to the short time frame for the implementation of the new SAS requirements, the Senate Bill 40 did not prepare the required documentation.

Recommendation: We recommend that the Senate Bill 40 develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Senate Bill 40 will consider the auditors' recommendation.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Senate Bill 40's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Senate Bill 40 address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Senate Bill 40 will consider the auditors' recommendation.

II. Follow-Up Prior Year Financial Statement Findings and Questioned Costs

There were no prior year findings and questioned costs related to Government Auditing Standards for an audit of financial statements.



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

August 12, 2008

To the Board of Directors
Reynolds County Senate Bill 40 of Missouri

In planning and performing our audit of the basic financial statements of the Reynolds County Senate Bill 40 of Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

Board's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the region, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the Senate Bill 40 assisted with the preparation of the financial statements and the notes to financial statements.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Senate Bill 40 may wish to consider alternatives available that would eliminate this situation.

Management's Response: The Senate Bill 40 is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the board's annual budget document and annual financial statement. The board was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the board's internal controls has not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the Board may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the Board develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

Management's Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The Board was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by Board's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the Board address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The Board is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated August 12, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)

As part of our audit, we considered the internal control of the Reynolds County Senate Bill 40 of Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Reynolds County Senate Bill 40 of Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Reynolds County Senate Bill 40 of Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 12, 2008.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.