



**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Reynolds County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Reynolds County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2009, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, Certified Public Accountants, is attached.

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

Susan Montee, JD, CPA  
State Auditor

November 2010  
Report No. 2010-142

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS  
AND SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2009 AND 2008

**THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
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## **FINANCIAL SECTION**



**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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INDEPENDENT AUDITOR'S REPORT

To the County Commission  
The County of Reynolds, Missouri

We were engaged to audit the accompanying statements of receipts, disbursements, and changes in cash of the County of Reynolds, Missouri, as of and for the years ended December 31, 2009 and 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management.

Based on our assessment of fraud risk, we determined the risk of fraud to be too high, and we were unable to apply other procedures to overcome this fraud risk. A County officeholder communicated to us that there was potential fraud somewhere within the County. Due to inadequate identification of whom, how much, what department the fraud occurred in, or even if there really truly is fraud, documentation was not made available to the auditors during the scope of the 2009, 2008 audits. Specifically, documentation was not made available to obtain support for fraud or allegations of fraud in the fund balances as described in Note XI. Accordingly, it was not practicable for us to extend our audit of such data beyond amounts recorded.

Because we were unable to satisfy ourselves concerning the assessed level of fraud risk and the amount of cash contributions, as explained in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial statements referred to in the first paragraph.

As described in Note X, Reynolds County has converted from a modified cash (GASB 34) basis of accounting to the Regulatory basis of accounting which differs from accounting principles generally accepted in the United States of America, as of and for the years ended December 31, 2009 and December 31, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2010 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Daniel Jones & Associates*

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

July 19, 2010

## **FINANCIAL STATEMENTS**

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH -  
 ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEAR ENDED DECEMBER 31, 2009

FUND	CASH JANUARY 1, 2009	RECEIPTS 2009	DISBURSEMENTS 2009	CASH DECEMBER 31, 2009
General Revenue	\$ 33,161.16	\$ 1,124,695.05	\$ 1,081,883.82	\$ 75,972.39
Special Road & Bridge	469,219.67	1,480,615.82	1,798,923.81	150,911.68
Assessment	1,228.39	183,329.20	150,054.94	34,502.65
Sheriff's Training Fund	272.02	1,688.00	1,314.56	645.46
Prosecuting Attorney Fund	249.97	248.08	-	498.05
Recorder User Fund	16,175.94	4,426.28	4,237.38	16,364.84
Childrens Trust	42.00	293.00	-	335.00
Senior Services Fund	9,147.68	42,295.60	36,767.20	14,676.08
Senate Bill 40 Fund	34,917.20	141,794.07	166,989.00	9,722.27
Sound Recording Fund	1,753.72	765.37	743.26	1,775.83
Prosecuting Attorney Bad Check Fund	6,173.20	4,915.02	7,425.64	3,662.58
Sheriff Revolving Fund	466.16	3,509.17	-	3,975.33
HAVA Grant Fund	-	5,457.86	5,457.86	-
County Law Enforcement Fund	29,389.05	26,595.99	27,481.84	28,503.20
Election Services	4,370.34	2,723.38	5,585.78	1,507.94
Tax Maintenance Fund	21,705.52	9,266.55	8,834.95	22,137.12
Sheriff Civil Fund	9,482.43	35,447.92	30,607.63	14,322.72
911 Fund	111,980.87	117,497.58	76,674.21	152,804.24
LEPC	-	17,827.47	-	17,827.47
<b>TOTAL</b>	<b>\$ 749,735.32</b>	<b>\$ 3,203,391.41</b>	<b>\$ 3,402,981.88</b>	<b>\$ 550,144.85</b>

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -  
 ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEAR ENDED DECEMBER 31, 2008

FUND	CASH JANUARY 1, 2008	RECEIPTS 2008	DISBURSEMENTS 2008	CASH DECEMBER 31, 2008
General Revenue	\$ 24,695.51	\$ 1,085,222.40	\$ 1,076,756.75	\$ 33,161.16
Special Road & Bridge	31,234.61	2,195,308.91	1,757,323.85	469,219.67
Assessment	28,863.18	136,382.90	164,017.69	1,228.39
Sheriff's Training Fund	120.07	1,170.00	1,018.05	272.02
Prosecuting Attorney Fund	81.76	168.21	-	249.97
Recorder User Fund	26,672.93	5,145.91	15,642.90	16,175.94
Childrens Trust	75.00	325.00	358.00	42.00
Senior Services Fund	12,395.36	34,083.89	37,331.57	9,147.68
Senate Bill 40 Fund	38,011.79	111,404.11	114,498.70	34,917.20
Sound Recording Fund	1,667.18	794.41	707.87	1,753.72
Prosecuting Attorney Bad Check Fund	4,118.87	3,736.88	1,682.55	6,173.20
Sheriff Revolving Fund	1,116.82	3,383.10	4,033.76	466.16
HAVA Grant Fund	-	6,131.82	6,131.82	-
County Law Enforcement Fund	29,938.85	19,450.20	20,000.00	29,389.05
Election Services	2,961.80	1,657.79	249.25	4,370.34
Tax Maintenance Fund	24,629.47	9,045.48	11,969.43	21,705.52
Sheriff Civil Fund	6,857.83	8,624.60	6,000.00	9,482.43
911 Fund	120,656.70	6,094.31	14,770.14	111,980.87
LEPC	-	-	-	-
<b>TOTAL</b>	<b>\$ 354,097.73</b>	<b>\$ 3,628,129.92</b>	<b>\$ 3,232,492.33</b>	<b>\$ 749,735.32</b>

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

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2009 AND 2008

	GENERAL REVENUE FUND			
	2009		2008	
	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>				
Property Taxes	\$ 410,000.00	\$ 434,029.26	\$ 260,800.00	\$ 257,024.39
Sales Taxes	200,000.00	182,320.26	246,580.00	271,318.63
Intergovernmental	198,202.00	183,849.77	190,059.03	203,941.54
Charges for Services	149,300.00	154,145.99	142,203.90	127,951.71
Interest	10,000.00	15,284.28	12,750.00	13,225.41
Other	106,190.00	131,565.49	152,585.14	151,060.72
Transfers In	43,598.58	23,500.00	71,800.00	60,700.00
<b>TOTAL RECEIPTS</b>	<b>1,117,290.58</b>	<b>1,124,695.05</b>	<b>1,076,778.07</b>	<b>1,085,222.40</b>
<b>DISBURSEMENTS</b>				
County Commission	79,412.00	84,145.37	72,893.91	81,304.73
County Clerk	59,010.00	58,087.54	54,109.00	54,155.68
Elections	14,500.00	18,887.60	54,438.00	58,755.82
Buildings and Grounds	58,671.60	64,787.57	56,201.00	56,940.96
Employee Fringe Benefits	83,192.92	80,973.55	90,343.00	86,871.41
County Treasurer	34,130.00	33,398.29	34,130.00	33,609.05
Collector	57,420.00	58,483.82	56,542.00	57,338.94
Recorder of Deeds	-	-	-	-
Circuit Clerk	26,200.00	26,268.07	25,042.48	24,477.77
Associate Circuit Court	1,000.00	985.56	1,000.00	1,198.93
Court Administration	7,239.21	4,309.51	7,250.00	4,386.77
Public Administrator	19,450.00	19,977.01	19,200.00	17,928.74
Sheriff	385,907.70	383,013.51	362,087.24	393,617.52
Jail	18,150.00	28,407.67	10,700.00	12,497.72
Prosecuting Attorney	79,695.61	76,977.99	76,551.22	77,299.47
Juvenile Officer	21,700.59	21,700.59	20,240.80	20,240.80
Coroner	20,300.00	13,106.12	21,800.00	18,509.42
Dispatch	-	-	-	-
Planning and Zoning	-	-	-	-
Other	100,830.62	108,374.05	62,800.00	77,623.02
Surveyor	-	-	-	-
Health and Welfare	-	-	-	-
Debt Service	-	-	-	-
Transfers Out	-	-	-	-
Emergency Fund	30,000.00	-	30,000.00	-
<b>TOTAL DISBURSEMENTS</b>	<b>1,096,810.25</b>	<b>1,081,883.82</b>	<b>1,055,328.65</b>	<b>1,076,756.75</b>
<b>RECEIPTS OVER (UNDER)</b>				
DISBURSEMENTS	20,480.33	42,811.23	21,449.42	8,465.65
<b>CASH, JANUARY 1</b>	<b>33,161.16</b>	<b>33,161.16</b>	<b>24,695.51</b>	<b>24,695.51</b>
<b>CASH, DECEMBER 31</b>	<b>\$ 53,641.49</b>	<b>\$ 75,972.39</b>	<b>\$ 46,144.93</b>	<b>\$ 33,161.16</b>

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

	SPECIAL ROAD & BRIDGE FUND			
	2009		2008	
	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>				
Property Taxes	\$ 390,870.12	\$ 409,153.30	\$ 342,435.00	\$ 321,751.31
Sales Taxes	-	-	-	-
Intergovernmental	655,000.00	666,394.32	652,750.00	679,688.59
Reimbursements	-	24,689.19	-	764.76
Interest	13,000.00	26,295.91	12,000.00	16,275.20
Other	247,500.00	354,083.10	130,500.00	1,176,829.05
Transfers In	35,000.00	-	22,000.00	-
<b>TOTAL RECEIPTS</b>	<b>1,341,370.12</b>	<b>1,480,615.82</b>	<b>1,159,685.00</b>	<b>2,195,308.91</b>
<b>DISBURSEMENTS</b>				
Salaries	470,000.00	498,201.63	356,562.32	458,864.05
Employee Fringe Benefits	127,431.50	129,592.72	121,295.00	130,694.51
Supplies	266,500.00	237,628.36	239,785.00	289,829.84
Insurance	23,842.00	25,111.89	28,000.00	30,836.74
Road & Bridge Materials	273,000.00	318,055.67	154,000.00	390,342.90
Equipment Repairs	60,000.00	141,180.44	60,000.00	86,474.73
Rentals	-	-	-	-
Equipment Purchases	253,971.00	420,895.59	131,256.00	311,009.73
R&B Construction	-	-	-	-
Other Expenditures	25,300.00	28,257.51	27,700.00	24,571.35
Transfers Out	-	-	34,700.00	34,700.00
<b>TOTAL DISBURSEMENTS</b>	<b>1,500,044.50</b>	<b>1,798,923.81</b>	<b>1,153,298.32</b>	<b>1,757,323.85</b>
<b>RECEIPTS OVER (UNDER)</b>				
DISBURSEMENTS	(158,674.38)	(318,307.99)	6,386.68	437,985.06
<b>CASH, JANUARY 1</b>	<b>469,219.67</b>	<b>469,219.67</b>	<b>31,234.61</b>	<b>31,234.61</b>
<b>CASH, DECEMBER 31</b>	<b>\$ 310,545.29</b>	<b>\$ 150,911.68</b>	<b>\$ 37,621.29</b>	<b>\$ 469,219.67</b>

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

	ASSESSMENT FUND				SHERIFF'S TRAINING FUND			
	2009		2008		2009		2008	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>								
Intergovernmental	\$ 134,580.00	\$ 174,394.39	\$ 130,216.66	\$ 110,088.16	\$ -	\$ -	\$ -	\$ -
Charges for Services	8,000.00	6,038.74	9,400.00	8,815.94	-	-	-	-
Interest	2,224.00	2,483.39	850.00	2,303.80	-	-	-	-
Other	-	412.68	-	-	1,505.49	1,688.00	1,850.00	1,170.00
Reimbursements	14,460.00	-	13,783.34	15,175.00	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	<b>159,264.00</b>	<b>183,329.20</b>	<b>154,250.00</b>	<b>136,382.90</b>	<b>1,505.49</b>	<b>1,688.00</b>	<b>1,850.00</b>	<b>1,170.00</b>
<b>DISBURSEMENTS</b>								
Salaries	159,264.00	150,054.94	150,009.46	164,017.69	-	-	-	-
Training	-	-	-	-	1,500.00	1,314.56	1,500.00	1,018.05
Transfers Out	-	-	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>159,264.00</b>	<b>150,054.94</b>	<b>150,009.46</b>	<b>164,017.69</b>	<b>1,500.00</b>	<b>1,314.56</b>	<b>1,500.00</b>	<b>1,018.05</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>-</b>	<b>33,274.26</b>	<b>4,240.54</b>	<b>(27,634.79)</b>	<b>5.49</b>	<b>373.44</b>	<b>350.00</b>	<b>151.95</b>
<b>CASH, JANUARY 1</b>	<b>1,228.39</b>	<b>1,228.39</b>	<b>28,863.18</b>	<b>28,863.18</b>	<b>272.02</b>	<b>272.02</b>	<b>120.07</b>	<b>120.07</b>
<b>CASH, DECEMBER 31</b>	<b>\$ 1,228.39</b>	<b>\$ 34,502.65</b>	<b>\$ 33,103.72</b>	<b>\$ 1,228.39</b>	<b>\$ 277.51</b>	<b>\$ 645.46</b>	<b>\$ 470.07</b>	<b>\$ 272.02</b>

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

	PROSECUTING ATTORNEY FUND				RECORDER USER FUND			
	2009		2008		2009		2008	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	168.21	248.08	400.00	168.21	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	4,709.00	4,426.28	6,400.00	5,145.91
Transfers In	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	<b>168.21</b>	<b>248.08</b>	<b>400.00</b>	<b>168.21</b>	<b>4,709.00</b>	<b>4,426.28</b>	<b>6,400.00</b>	<b>5,145.91</b>
<b>DISBURSEMENTS</b>								
Office	-	-	-	-	3,462.37	4,237.38	12,553.91	15,642.90
Training	-	-	400.00	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>-</b>	<b>-</b>	<b>400.00</b>	<b>-</b>	<b>3,462.37</b>	<b>4,237.38</b>	<b>12,553.91</b>	<b>15,642.90</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>168.21</b>	<b>248.08</b>	<b>-</b>	<b>168.21</b>	<b>1,246.63</b>	<b>188.90</b>	<b>(6,153.91)</b>	<b>(10,496.99)</b>
<b>CASH, JANUARY 1</b>	<b>249.97</b>	<b>249.97</b>	<b>81.76</b>	<b>81.76</b>	<b>16,175.94</b>	<b>16,175.94</b>	<b>26,672.93</b>	<b>26,672.93</b>
<b>CASH, DECEMBER 31</b>	<b>\$ 418.18</b>	<b>\$ 498.05</b>	<b>\$ 81.76</b>	<b>\$ 249.97</b>	<b>\$ 17,422.57</b>	<b>\$ 16,364.84</b>	<b>\$ 20,519.02</b>	<b>\$ 16,175.94</b>

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

	CHILDRENS TRUST FUND				SENIOR SERVICES FUND			
	2009		2008		2009		2008	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>								
Charges for Services	\$ 215.00	\$ 293.00	\$ 400.00	\$ 325.00	\$ -	\$ -	\$ -	\$ -
Property Tax Revenues	-	-	-	-	39,858.00	42,222.50	35,900.00	\$ 33,955.37
Interest	140.00	-	-	-	140.00	73.10	250.00	128.52
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	<b>355.00</b>	<b>293.00</b>	<b>400.00</b>	<b>325.00</b>	<b>39,998.00</b>	<b>42,295.60</b>	<b>36,150.00</b>	<b>34,083.89</b>
<b>DISBURSEMENTS</b>								
Salaries	-	-	-	-	-	-	-	-
Office	257.00	-	400.00	358.00	5,408.00	767.20	5,408.00	1,331.57
Nutrition Centers	-	-	-	-	36,000.00	36,000.00	36,000.00	36,000.00
Transfers Out	-	-	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>257.00</b>	<b>-</b>	<b>400.00</b>	<b>358.00</b>	<b>41,408.00</b>	<b>36,767.20</b>	<b>41,408.00</b>	<b>37,331.57</b>
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	98.00	293.00	-	(33.00)	(1,410.00)	5,528.40	(5,258.00)	(3,247.68)
<b>CASH, JANUARY 1</b>	<b>42.00</b>	<b>42.00</b>	<b>75.00</b>	<b>75.00</b>	<b>9,147.68</b>	<b>9,147.68</b>	<b>12,395.36</b>	<b>12,395.36</b>
<b>CASH, DECEMBER 31</b>	<b>\$ 140.00</b>	<b>\$ 335.00</b>	<b>\$ 75.00</b>	<b>\$ 42.00</b>	<b>\$ 7,737.68</b>	<b>\$ 14,676.08</b>	<b>\$ 7,137.36</b>	<b>\$ 9,147.68</b>

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

	SENATE BILL 40 BOARD				SOUND RECORDING FUND			
	2009		2008		2009		2008	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ 141,264.00	\$ 141,632.93	\$ 101,585.00	\$ 111,240.49	\$ -	\$ -	\$ -	\$ -
Charges for Service	-	-	-	-	750.00	765.37	525.00	794.41
Interest	180.00	161.14	115.00	163.62	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	141,444.00	141,794.07	101,700.00	111,404.11	750.00	765.37	525.00	794.41
DISBURSEMENTS								
Office	115,700.00	166,989.00	110,000.00	114,498.70	750.00	743.26	700.00	707.87
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	115,700.00	166,989.00	110,000.00	114,498.70	750.00	743.26	700.00	707.87
RECEIPTS OVER (UNDER) DISBURSEMENTS	25,744.00	(25,194.93)	(8,300.00)	(3,094.59)	-	22.11	(175.00)	86.54
CASH, JANUARY 1	34,917.20	34,917.20	38,011.79	38,011.79	1,753.72	1,753.72	1,667.18	1,667.18
CASH, DECEMBER 31	\$ 60,661.20	\$ 9,722.27	\$ 29,711.79	\$ 34,917.20	\$ 1,753.72	\$ 1,775.83	\$ 1,492.18	\$ 1,753.72

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

	PA BAD CHECK				SHERIFFS REVOLVING FUND			
	2009		2008		2009		2008	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	3,700.00	4,915.02	3,000.00	3,736.88	3,113.42	3,509.17	2,500.00	3,383.10
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	<b>3,700.00</b>	<b>4,915.02</b>	<b>3,000.00</b>	<b>3,736.88</b>	<b>3,113.42</b>	<b>3,509.17</b>	<b>2,500.00</b>	<b>3,383.10</b>
<b>DISBURSEMENTS</b>								
Salaries	-	-	-	-	-	-	-	-
Office Expenditures	5,150.00	7,425.64	5,150.00	1,682.55	3,000.00	-	2,000.00	4,033.76
Computer Expenditures	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-
Capital Improvement	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>5,150.00</b>	<b>7,425.64</b>	<b>5,150.00</b>	<b>1,682.55</b>	<b>3,000.00</b>	<b>-</b>	<b>2,000.00</b>	<b>4,033.76</b>
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	(1,450.00)	(2,510.62)	(2,150.00)	2,054.33	113.42	3,509.17	500.00	(650.66)
<b>CASH, JANUARY 1</b>	<b>6,173.20</b>	<b>6,173.20</b>	<b>4,118.87</b>	<b>4,118.87</b>	<b>466.16</b>	<b>466.16</b>	<b>1,116.82</b>	<b>1,116.82</b>
<b>CASH, DECEMBER 31</b>	<b>\$ 4,723.20</b>	<b>\$ 3,662.58</b>	<b>\$ 1,968.87</b>	<b>\$ 6,173.20</b>	<b>\$ 579.58</b>	<b>\$ 3,975.33</b>	<b>\$ 1,616.82</b>	<b>\$ 466.16</b>

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

	HAVA GRANT FUND				COUNTY LAW ENFORCEMENT RESTITUTION			
	2009		2008		2009		2008	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	3,116.00	5,457.86	11,375.00	6,131.82	-	-	-	-
Fees	-	-	-	-	26,181.03	26,595.99	20,000.00	19,450.20
Charges for Service	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	3,116.00	5,457.86	11,375.00	6,131.82	26,181.03	26,595.99	20,000.00	19,450.20
DISBURSEMENTS								
Equipment	3,116.00	5,457.86	11,375.00	6,131.82	-	21,481.84	-	-
Transfers Out	-	-	-	-	12,300.00	6,000.00	30,000.00	20,000.00
TOTAL DISBURSEMENTS	3,116.00	5,457.86	11,375.00	6,131.82	12,300.00	27,481.84	30,000.00	20,000.00
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-	13,881.03	(885.85)	(10,000.00)	(549.80)
CASH, JANUARY 1	-	-	-	-	29,389.05	29,389.05	29,938.85	29,938.85
CASH, DECEMBER 31	\$ -	\$ -	\$ -	\$ -	\$ 43,270.08	\$ 28,503.20	\$ 19,938.85	\$ 29,389.05

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

	ELECTION SERVICES FUND				TAX MAINTENANCE FUND			
	2009		2008		2009		2008	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>								
Intergovernmental	\$ 650.00	\$ 2,723.38	\$ 800.00	\$ 1,657.79	\$ -	\$ -	\$ -	\$ -
Fees	-	-	-	-	9,000.00	9,266.55	25,000.00	9,045.48
Other	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	<b>650.00</b>	<b>2,723.38</b>	<b>800.00</b>	<b>1,657.79</b>	<b>9,000.00</b>	<b>9,266.55</b>	<b>25,000.00</b>	<b>9,045.48</b>
<b>DISBURSEMENTS</b>								
Office	1,463.38	5,585.78	500.00	249.25	-	-	-	-
Equipment	-	-	-	-	25,000.00	8,834.95	25,000.00	11,969.43
Salaries	-	-	-	-	5,000.00	-	5,000.00	-
Transfers Out	-	-	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>1,463.38</b>	<b>5,585.78</b>	<b>500.00</b>	<b>249.25</b>	<b>30,000.00</b>	<b>8,834.95</b>	<b>30,000.00</b>	<b>11,969.43</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(813.38)</b>	<b>(2,862.40)</b>	<b>300.00</b>	<b>1,408.54</b>	<b>(21,000.00)</b>	<b>431.60</b>	<b>(5,000.00)</b>	<b>(2,923.95)</b>
<b>CASH, JANUARY 1</b>	<b>4,370.34</b>	<b>4,370.34</b>	<b>2,961.80</b>	<b>2,961.80</b>	<b>21,705.52</b>	<b>21,705.52</b>	<b>24,629.47</b>	<b>24,629.47</b>
<b>CASH, DECEMBER 31</b>	<b>\$ 3,556.96</b>	<b>\$ 1,507.94</b>	<b>\$ 3,261.80</b>	<b>\$ 4,370.34</b>	<b>\$ 705.52</b>	<b>\$ 22,137.12</b>	<b>\$ 19,629.47</b>	<b>\$ 21,705.52</b>

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

	SHERIFF CIVIL FEES				911 FUND			
	2009		2008		2009		2008	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>								
Sales Tax Revenue	\$ -	\$ -	\$ -	\$ -	\$ 120,000.00	\$ 117,497.58	\$ -	\$ -
Other	8,136.60	35,447.92	8,000.00	8,624.60	-	-	-	-
Interest Income	-	-	-	-	-	-	-	6,094.31
Transfers In	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	<b>8,136.60</b>	<b>35,447.92</b>	<b>8,000.00</b>	<b>8,624.60</b>	<b>120,000.00</b>	<b>117,497.58</b>	<b>-</b>	<b>6,094.31</b>
<b>DISBURSEMENTS</b>								
Salaries	-	-	-	-	45,000.00	42,958.04	-	14,770.14
Reimbursements	-	30,607.63	-	-	-	-	-	-
Office Expense	-	-	-	-	20,000.00	16,216.17	-	-
Transfers Out	1,298.58	-	7,100.00	6,000.00	20,000.00	17,500.00	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>1,298.58</b>	<b>30,607.63</b>	<b>7,100.00</b>	<b>6,000.00</b>	<b>85,000.00</b>	<b>76,674.21</b>	<b>-</b>	<b>14,770.14</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>6,838.02</b>	<b>4,840.29</b>	<b>900.00</b>	<b>2,624.60</b>	<b>35,000.00</b>	<b>40,823.37</b>	<b>-</b>	<b>(8,675.83)</b>
<b>CASH, JANUARY 1</b>	<b>9,482.43</b>	<b>9,482.43</b>	<b>6,857.83</b>	<b>6,857.83</b>	<b>111,980.87</b>	<b>111,980.87</b>	<b>-</b>	<b>120,656.70</b>
<b>CASH, DECEMBER 31</b>	<b>\$ 16,320.45</b>	<b>\$ 14,322.72</b>	<b>\$ 7,757.83</b>	<b>\$ 9,482.43</b>	<b>\$ 146,980.87</b>	<b>\$ 152,804.24</b>	<b>\$ -</b>	<b>\$ 111,980.87</b>

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

	LEPC FUND			
	2009		2008	
	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>				
Charges For Service	\$ -	\$ 17,827.47	\$ -	\$ -
Interest	-	-	-	-
Other	-	-	-	-
Transfers In	-	-	-	-
<b>TOTAL RECEIPTS</b>	<b>-</b>	<b>17,827.47</b>	<b>-</b>	<b>-</b>
<b>DISBURSEMENTS</b>				
Office	-	-	-	-
Other	-	-	-	-
Transfers Out	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>RECEIPTS OVER (UNDER)</b>				
<b>DISBURSEMENTS</b>	<b>-</b>	<b>17,827.47</b>	<b>-</b>	<b>-</b>
<b>CASH, JANUARY 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH, DECEMBER 31</b>	<b>\$ -</b>	<b>\$ 17,827.47</b>	<b>\$ -</b>	<b>\$ -</b>

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
 AGENCY FUNDS - REGULATORY BASIS  
 DECEMBER 31, 2009

	2009					
	Collector Accounts	Recorder	Sheriff	Law Library	Prosecuting Attorney	Overplus Fund
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,506,964.90	\$ 891.00	\$ 298.98	\$ 625.50	\$ 20.00	\$ 59,283.79
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	1,506,964.90	891.00	298.98	625.50	20.00	59,283.79
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	1,506,964.90	891.00	298.98	625.50	20.00	59,283.79
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,506,964.90	\$ 891.00	\$ 298.98	\$ 625.50	\$ 20.00	\$ 59,283.79

	Capital School	Ambulance	School	Unclaimed Fees	Healthcenter Fund	Sweetwater Cemetery
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,504.04	\$ 1.33	\$ 8,744.59	\$ 10.00	\$ 0.93	\$ 4,771.66
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	1,504.04	1.33	8,744.59	10.00	0.93	4,771.66
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	1,504.04	1.33	8,744.59	10.00	0.93	4,771.66
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,504.04	\$ 1.33	\$ 8,744.59	\$ 10.00	\$ 0.93	\$ 4,771.66

	CERF	Library Fund	Sheltered Workshop	Senior Services	Total Fiduciary Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,906.05	\$ 1.18	\$ 0.93	\$ 0.28	\$ 1,587,025.16
Investments					
Other Investments	-	-	-	-	-
Total Investments	-	-	-	-	-
Total Assets	3,906.05	1.18	0.93	0.28	1,587,025.16
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	3,906.05	1.18	0.93	0.28	1,587,025.16
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,906.05	\$ 1.18	\$ 0.93	\$ 0.28	\$ 1,587,025.16

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

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
 AGENCY FUNDS - REGULATORY BASIS  
 DECEMBER 31, 2008

	2008					
	Collector Accounts	Recorder	Sheriff	Law Library	Prosecuting Attorney	Overplus Fund
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,569,648.63	\$ -	\$ 13,204.22	\$ 485.79	\$ 20.00	\$ 47,696.68
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	1,569,648.63	-	13,204.22	485.79	20.00	47,696.68
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	1,569,648.63	-	13,204.22	485.79	20.00	47,696.68
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,569,648.63</u>	<u>\$ -</u>	<u>\$ 13,204.22</u>	<u>\$ 485.79</u>	<u>\$ 20.00</u>	<u>\$ 47,696.68</u>

	Capital School	Ambulance	School	Unclaimed Fees	Healthcenter Fund	Sweetwater Cemetery
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,363.50	\$ 0.69	\$ -	\$ 925.38	\$ 0.48	\$ 4,699.95
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	1,363.50	0.69	-	925.38	0.48	4,699.95
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	1,363.50	0.69	-	925.38	0.48	4,699.95
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,363.50</u>	<u>\$ 0.69</u>	<u>\$ -</u>	<u>\$ 925.38</u>	<u>\$ 0.48</u>	<u>\$ 4,699.95</u>

	CERF	Library Fund	Sheltered Workshop	Senior Services	Total Fiduciary Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,904.55	\$ 0.61	\$ 0.48	\$ 0.14	\$ 1,641,951.10
Investments					
Other Investments	-	-	-	-	-
Total Investments	-	-	-	-	-
Total Assets	3,904.55	0.61	0.48	0.14	1,641,951.10
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	3,904.55	0.61	0.48	0.14	1,641,951.10
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,904.55</u>	<u>\$ 0.61</u>	<u>\$ 0.48</u>	<u>\$ 0.14</u>	<u>\$ 1,641,951.10</u>

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

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Reynolds, Missouri (“County”), which is governed by a three-member board of commissioners, was established in 1818 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 I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory 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 protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include financial data for 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.

B. Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by the Missouri State Auditor’s Office, which include a Statement of Receipts, Disbursements and Changes in Cash– All Governmental Funds, a Comparative Statement of Receipts and Disbursements and changes in cash – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. 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 are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2009 AND 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

C. **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The financial statements are prepared on the regulatory basis of accounting, this basis of accounting recognizes amounts when received or disbursed in cash and differs from accounting principles generally accepted in the United States of America.

As a result of the use of this regulatory 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. **Budget 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.

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2009 AND 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting (concluded)

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 noncompliant with Missouri budgetary state statute Chapter 50 RSMo.
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 regulatory basis of accounting.

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2009 AND 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Excess of Expenditures Over Appropriations

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2009, and 2008:

	2009	2008
General Fund	\$ N/A	\$ 21,428.10
Special Road & Bridge Fund	298,879.31	604,025.53
Assessment Fund	N/A	14,008.23
Recorder User Fund	775.01	3,088.99
Senate Bill 40 Board	51,289.00	4,498.70
Sound Recording Fund	N/A	7.87
PA Bad Check	2,275.64	N/A
Sheriff's Revolving Fund	N/A	2,033.76
HAVA Grant Fund	2,341.86	N/A
County Law Enforcement Restitution	15,181.84	N/A
Election Services Fund	4,122.40	N/A
Sheriff Civil Fee Fund	29,309.05	N/A
911 Fund	N/A	14,770.14

The excess expenditures were covered by available fund balance in the funds.

F. 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 2009 and 2008, for purposes of taxation was:

	2009	2008
Real Estate	\$ 90,121,263	\$ 88,921,839
Personal Property	86,751,093	55,171,104
Railroad and Utilities	5,672,231	5,551,371
	\$ 182,544,587	\$ 149,644,314

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2009 AND 2008

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Property Taxes

During 2009 and 2008, the County Commission approved a \$0.5888 and \$0.5668 tax levy respectively per \$100 of assessed valuation of tangible taxable property for the calendar year 2009 and 2008, for purpose of County taxation, as follows:

	2009	2008
General Revenue Fund	\$ 0.3148	\$ 0.2917
Road and Bridge	0.2740	0.2751
	\$ 0.5888	\$ 0.5668

G. 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 II.

H. 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 – Regulatory Basis – Governmental Fund.

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

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

I. 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 is unrestricted at December 31, 2009 and 2008.

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2009 AND 2008

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II. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed 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, 2009 and 2008, the carrying amount of the County's deposits was \$605,144.02 and \$752,994.01, and the bank balance was \$623,691.56 and \$942,811.04 respectively. As of December 31, 2009, 100% of the County's investments were guaranteed by the U. S. Government.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2009, as follows:

Included in the following fund financial statement captions:

<u>Assets and Liabilities – Government Funds</u>	
Deposits	\$ 550,144.85
Investments	<u>-</u>
Total Deposits and Investments as of December 31, 2009	<u>\$ 550,144.85</u>

The carrying values of deposits and investments at December 31, 2008, are as follows:

Included in the following fund financial statement captions:

<u>Assets and Liabilities – Government Funds</u>	
Deposits	\$ 749,735.32
Investments	<u>-</u>
Total Deposits and Investments as of December 31, 2008	<u>\$ 749,735.32</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 years ended December 31, 2009 and 2008.

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.

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2009 AND 2008

II. DEPOSITS AND INVESTMENTS (concluded)

Custodial Credit Risk – Investments (concluded)

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.

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 investment 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 years ended December 31, 2009 and 2008.

III. LONG-TERM DEBT

On November 1, 2007, Reynolds County, Missouri, obtained \$86,442 of Fixed Rate Nondisclosure Loan to a Government Entity through Sun Security Bank to be used for the purchase of a new tractor and boom mower to be used by the county. The principle payments are due in varying installments each November 1, through November 1, 2010. The interest rate is fixed at 5.4%.

On January 20, 2009, Reynolds County, Missouri, obtained \$82,359.00 of Fixed Rate Nondisclosure Loan to a Government Entity through Sun Security Bank to be used for the purchase of a new 2008 Case 621E Wheel Loader to be used by the county. The principle payments are due in varying installments each January 3 and July 3, 2009, through January 3, 2011. The interest rate is fixed at 3.65%.

On February 17, 2009, the Reynolds County, Missouri, obtained a \$25,844.00 Truck Lease purchase through Ford Motor Company to be used for a new Ford F150 to be used by the county. The principle payments are due in three consecutive annual payments in advance of \$9,195.42 from February 17, 2009 through February 17, 2011. The interest rate is fixed at 6.90%.

	<u>2009</u>				
	<u>Balance at</u>	<u>Amount</u>	<u>Amount</u>	<u>Balance at</u>	<u>Interest Paid</u>
	<u>December 31, 2008</u>	<u>Borrowed</u>	<u>Repaid</u>	<u>December 31, 2009</u>	<u>During Year</u>
Loans payable	\$ 54,416.03	\$ 108,203.00	(\$79,977.07)	\$ 82,641.96	\$ 3,564.04
Totals	<u>\$ 54,416.03</u>	<u>\$ 108,203.00</u>	<u>(\$79,977.07)</u>	<u>\$ 82,641.96</u>	<u>\$ 3,564.04</u>

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2009 AND 2008

III. LONG-TERM DEBT (continued)

	<u>2008</u>				
	<u>Balance at</u>	<u>Amount</u>	<u>Amount</u>	<u>Balance at</u>	<u>Interest Paid</u>
	<u>December 31, 2007</u>	<u>Borrowed</u>	<u>Repaid</u>	<u>December 31, 2008</u>	<u>During Year</u>
Loans payable	\$81,979.05	\$ -	(\$27,563.02)	\$54,416.03	\$ 3,756.98
Totals	<u>\$81,979.05</u>	<u>\$ -</u>	<u>(\$27,563.02)</u>	<u>\$54,416.03</u>	<u>\$ 3,756.98</u>

Loans payable at December 31, 2009, consist of:

\$86,347.00 Fixed Rate Nondisclosure Loan to a Government Entity due in varying annual installments each from November 1, 2007 through November 1, 2010, fixed interest rate at 5.40%.	\$ 25,315.66
\$82,359.00 Fixed Rate Nondisclosure Loan to a Government Entity due in varying annual installments each from January 3 and July 3, 2009 through January 3, 2011, fixed interest rate at 3.65%.	40,677.72
\$25,844.00 Truck Lease purchase due in three consecutive annual payments in advance of \$9,195.42 from February 17, 2009 through February 17, 2011, fixed interest rate at 6.90%.	<u>16,648.58</u>
Total	<u>\$82,641.96</u>

Loans payable at December 31, 2008, consist of:

\$86,347.00 Fixed Rate Nondisclosure Loan to a Government Entity due in varying annual installments each from November 1, 2007 through November 1, 2010, fixed interest rate at 5.40%.	<u>\$ 54,416.03</u>
Total	<u>\$ 54,416.03</u>

2009 Amortizations

Fiscal Year Ending December 31,	Principal	Interest	Total
2010	\$ 54,138.90	\$ 2,510.64	\$ 56,649.54
2011	28,503.06	959.69	29,462.75
TOTALS	<u>\$ 82,641.96</u>	<u>\$ 3,470.33</u>	<u>\$ 86,112.29</u>

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2009 AND 2008

III. LONG-TERM DEBT (concluded)

2008 Amortizations

Fiscal Year Ending December 31,	Principal	Interest	Total
2009	\$ 29,100.37	\$ 2,219.64	\$ 31,320.01
2010	25,315.66	625.62	25,941.28
<b>TOTALS</b>	<b>\$ 54,416.03</b>	<b>\$ 2,845.26</b>	<b>\$ 57,261.29</b>

IV. INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2009 and 2008 are as follows:

FUNDS	2009		2008	
	TRANSFERS IN	TRANSFERS OUT	TRANSFERS IN	TRANSFERS OUT
	General	\$ 23,500.00	\$ -	\$ 60,700.00
Road & Bridge	-	-	-	34,700.00
Sheriff's Civil	-	-	-	20,000.00
Law Enforcement	-	6,000.00	-	6,000.00
911 Fund	-	17,500.00	-	-
	\$ 23,500.00	\$ 23,500.00	\$ 60,700.00	\$ 60,700.00

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use restricted receipts in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

V. COUNTY EMPLOYEE'S RETIREMENT FUND (CERF)

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

1. Plan Description

CERF was established by an act of the Missouri General Assembly effective August, 28 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in CERF, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2009 AND 2008

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V. COUNTY EMPLOYEE'S RETIREMENT FUND (CERF) (concluded)

1. Plan Description (Concluded)

CERF is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000 could opt out of the system. CERF is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1% are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of funds of the system.

2. Contributions

Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, in addition to the prior contributions requirements, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of the Missouri Legislation.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

3. Funding Policy

In accordance with State Statutes, the Plan is 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 annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2009 and 2008, the County collected and remitted to CERF, employee contributions of approximately \$62,879.13 and \$64,879.44, respectively, for the years then ended.

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2009 AND 2008

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VI. 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 \$2,057 and \$2,444, respectively, for the years ended December 31, 2009 and 2008.

VII. 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.

VIII. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is involved in pending litigation at December 31, 2009. No provision has been made in the financial statements for any loss that might arise in the event of an unfavorable outcome of these matters. County management believes that such litigation and claims will ultimately be resolved without material financial liability if any to the District.

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 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 inappropriate 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.

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2009 AND 2008

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IX. 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 537.700 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.

X. ACCOUNTING CHANGE

For the years ended December 31, 2009 and December 31, 2008, the County has elected to change its accounting method from a modified cash basis to the regulatory basis of Accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments and settlements pending (if applicable). The regulatory basis differs from the accounting principles generally accepted in the United States of America and is described in Note I of the notes to the financial statements. The new method of accounting presentation was implemented to conform with Missouri State Auditor's regulations.

XI. FRAUD ALLEGATION

For the years ended December 31, 2009 and December 31, 2008, an elected official within the county filled out their fraud questionnaire and identified that they were aware of fraud within the county. When questioned further the county official, along with the other county officials would not discuss the fraud case. They did not want the fraud case to be compromised and therefore we as auditors are unable to determine the department, amount, individual or individuals involved with the fraud allegations, or if there even truly is fraud. Since this information regarding the potential fraud is so vague, we are not able to issue an opinion on the financial statements or federal awards.

**SUPPLEMENTARY SCHEDULES  
AND  
AUDITOR'S REPORT**

## **STATE COMPLIANCE SECTION**

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
SCHEDULE OF STATE FINDINGS  
DECEMBER 31, 2009 AND 2008

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SCHEDULE OF STATE FINDINGS

A budget was not approved for the LEPC Fund for the fiscal year ending 2009.

## **FEDERAL COMPLIANCE SECTION**



**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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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 were engaged to audit the financial statements of the County of Reynolds, Missouri as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 19, 2010. The financial statements were prepared using accounting practices prescribed or permitted by the Missouri State Auditor's Office, which differ from accounting principles generally accepted in the United States of America. We issued a disclaimer of opinion based on our assessment of fraud risk. We determined the risk of fraud to be too high, and we were unable to apply other procedures to overcome this fraud risk. The County has potentially demonstrated their inadequate internal controls through management's ability to override controls that were in place. Due to inadequate identification of whom, how much, what department the fraud occurred in, or even if there really truly is fraud, documentation was not made available to the auditors during the scope of the 2009, 2008 audits. Specifically, documentation was not made available to obtain support of fraud or allegations of fraud in the fund balances as described in Note XI. 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 County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FS 09/08-04, and SA 09/08-01 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FS 09/08-01, FS 09/08-02, and FS 09/08-03 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 09/08-01, FS 09/08-02, FS 09/08-03, FS 09/08-04, and SA 09/08-01.

We noted certain matters that we reported to management of the County in a separate letter dated July 19, 2010.

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

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

*Daniel Jones & Associates*

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

July 19, 2010



**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

To The County Commission  
The County of Reynolds  
Centerville, Missouri

**Compliance**

We have audited the compliance of Reynolds County, State of Missouri, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2009 and December 31, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in items SA-09/08-01 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the potential of fraud within the County. Due to inadequate identification of whom, how much, what department the fraud occurred in, or even if there really truly is fraud, documentation was not made available to the auditors during the scope of the 2009, 2008 audits. Specifically, documentation was not made available to obtain support of fraud or allegations of fraud in the fund balances or federal expenditures as described in Note XI. Compliance with such requirements is necessary, in our opinion, for the county to comply with requirements applicable to each major program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the County did not comply in all material respects, with the requirements referred to above that are applicable to the federal programs.

## Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and others that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FS 09/08-04, and SA 09/08-01 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FS 09/08-1, FS 09/08-2, and FS 09/08-3 to be significant deficiencies.

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

This report is intended solely for the information and use of, the County Commission, County Officeholders, Missouri State Auditor, others within the entity, other auditing agencies, and federal awarding agencies 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, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

July 19, 2010

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 NOTES TO EXPENDITURES OF FEDERAL AWARDS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

FEDERAL CFDA NUMBER	FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	DECEMBER 31,	
			2009	2008
			FEDERAL SHARE OF EXPENDITURES	FEDERAL SHARE OF EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Office of Administration -				
10.665	Schools and Roads – Grants to States and National Forest	Schools	\$ 336,644.25	\$ 333,774.60
		Road & Bridge	112,214.74	111,258.20
		Title III Project	42,310.00	25,095.03
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/ State’s Program		6,665.00	
Department of Social Services -				
14.231	Emergency Shelter Grants Program		18,944.04	20,739.22
U.S. DEPARTMENT OF JUSTICE				
Passed through state:				
Department of Public Safety				
16.575	Crime Victim Assistance		21,241.01	25,535.12
Passed through state:				
Missouri Sheriffs’ Association				
16.xxx	Domestic Cannabis Eradication/Suppression Program	Corp Deputy	11,820.00	12,601.01
		Forest Meth	9,961.17	9,357.75
		MOSMART	8,455.23	35,144.35
		Nat. Forest Dep.	1,330.00	2,487.50
15.226	U.S. DEPARTMENT OF INTERIOR			
Passed through state:				
	Payment in Lieu of Taxes (PILT)		124,384.00	131,815.00
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
97.036	FEMA	FEMA	0.00	987,808.16
ELECTION ASSISTANCE COMMISSION				
Passed through Office of Secretary of the State:				
90.401	Help America Vote Act		2,375.00	6,131.82
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 696,344.44	\$ 1,701,747.76

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
NOTES TO EXPENDITURES OF FEDERAL AWARDS  
YEARS ENDED DECEMBER 31, 2009 AND 2008

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Purpose of Schedule and Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

The schedule is presented on the regulatory basis of accounting, which recognizes amounts only when disbursed in cash.

NOTE 2 – SUBRECIPIENTS

The County provided no federal awards to subrecipients during the years ended December 31, 2009 and 2008.

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

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I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Disclaimer of Opinion, Regulatory Basis
2. Internal control over financial reporting:
  - a. Any material weakness(es) identified?
 

	2009	<u>X</u>	Yes	___	No
	2008	<u>X</u>	Yes	___	No
  - b. Any significant deficiencies identified that are not considered to be material weaknesses?
 

	2009	<u>X</u>	Yes	___	None Reported
	2008	<u>X</u>	Yes	___	None Reported
3. Any noncompliance material to financial statements noted?
 

	2009	<u>X</u>	Yes	___	No
	2008	<u>X</u>	Yes	___	No

B. Federal Awards

1. Internal control over major programs:
 

Any material weakness(es) identified?	2009	<u>X</u>	Yes	___	No
	2008	<u>X</u>	Yes	___	No
2. Any significant deficiencies identified that are not considered to be material weaknesses?
 

	2009	<u>X</u>	Yes	___	None Reported
	2008	<u>X</u>	Yes	___	None Reported
3. Type of auditor's report issued on compliance for major programs:
 

	2009	- Disclaimer			
	2008	- Disclaimer			
4. Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of *Circular A-133*?
 

	2009	<u>X</u>	Yes	___	No
	2008	<u>X</u>	Yes	___	No



THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008

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II. FINANCIAL STATEMENT FINDINGS (continued)

FS 09/08-02 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.

Context: We did not observe any internal control documentation since the client did not have any.

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: 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 determine various risk assessments.

FS 09/08-03 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 walkthroughs the County informed us that the necessary risk assessment documentation had not been prepared.

Context: We did not observe any formal risk assessment because since the client did not perform any.

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.

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008

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II. FINANCIAL STATEMENT FINDINGS (concluded)

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.

FS 09/08-04 Criteria: SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55*.

Condition: A County officeholder communicated to us the potential of fraud within the county.

Context: A County Official notified us that they were aware of potential fraud within the county in a fraud questionnaire, they would not identify the department, person, or magnitude of the fraud.

Effect: The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Fraud has been potentially identified but not specifically communicated to the auditors.

Cause: Size and budget constraints limiting the number of personnel within the accounting department to oversee the county and ensure potential fraud will not happen.

Recommendation: These areas should be reviewed periodically and consideration given to improving the segregation of duties. Better communication with various departments within the county along with adequate checks and balances need to be put into place.

Management's Response: The county is currently looking into the potential fraud and will determine the extent and nature of the fraud if any.

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEARS ENDED DECEMBER 31, 2009 AND 2008

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III. FOLLOW-UP PRIOR YEAR FINDINGS

FS 07/06-01 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.

Auditors Evaluation: The stated corrective action is not responsive to the recommendation, see FS 09/08-02.

FS 07/06-02 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.

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.

Auditors Evaluation: The stated corrective action is not responsive to the recommendation, see FS 09/08-03.

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEARS ENDED DECEMBER 31, 2009 AND 2008

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III. FOLLOW-UP PRIOR YEAR FINDINGS (CONCLUDED)

FS 07/06-03 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.

Auditors Evaluation: The stated corrective action is not responsive to the recommendation, see FS 09/08-01.

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008

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FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2008

The following findings, recommendations, and questioned costs are the results of the single audit of the County of Reynolds, Missouri for fiscal years ended December 31, 2009 and 2008. Each finding is referenced with a two-digit number representing the fiscal years audited, an "SA" to indicate that it is a single audit finding, and a sequential number. The findings are presented by federal program and are classified according to federal and state department, type of compliance requirement, category of internal control weakness, and category of noncompliance.

A. Category of Internal Control Weakness

If the finding represents a weakness in internal control, one of the following designations will appear:

1. Significant Deficiency: A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.
2. Material Weakness: A material weakness in internal control over compliance is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

B. Category of Noncompliance Findings

If the finding represents an instance of noncompliance, one of the following designations will appear:

1. Material Noncompliance: A material noncompliance finding is a finding related to a major federal program which discusses conditions representing noncompliance with federal laws, regulations, contracts, or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in OMB Circular A-133 *Compliance Supplement*.
2. Questioned Cost Finding: A questioned cost finding is a finding which discusses known or likely questioned costs that are greater than \$10,000 for a type of compliance requirement, unless the conditions giving rise to the questioned costs are otherwise reported as a material noncompliance finding.

THE COUNTY OF REYNOLDS  
 CENTERVILLE, MISSOURI  
 SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2008 (continued)

C. Federal Award Findings and Questioned Costs

FINDING NUMBER	TYPE OF FINDING / QUESTIONED COSTS	FINDINGS AND RECOMMENDATIONS
SA 09/08-01 Same as FS 09/08-04	Material Noncompliance	<p><b><u>Information on the federal program:</u></b> The Schedule of Expenditures of Federal Awards could possible contained fraud.</p> <p><b><u>Criteria:</u></b> SAS No. 55, <i>Consideration of Internal Control in a Financial Statement Audit</i>, as amended by SAS No. 78, <i>Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55</i>.</p> <p><b><u>Condition:</u></b> A County officeholder communicated to us the potential of fraud within the county.</p> <p><b><u>Questioned Costs:</u></b> Unable to determine due to lack of support on potential fraud.</p> <p><b><u>Context:</u></b> During the audit of federal programs we were notified that there was potential fraud within the county, but no items were specifically communicated to us.</p> <p><b><u>Effect:</u></b> The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Fraud has been potentially identified but not specifically communicated to the auditors.</p> <p><b><u>Cause:</u></b> Size and budget constraints limiting the number of personnel within the accounting department to oversee the county and ensure fraud will not happen.</p>

THE COUNTY OF REYNOLDS  
CENTERVILLE, MISSOURI  
SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2008 (concluded)

C. Federal Award Findings and Questioned Costs

**Recommendation:** These areas should be reviewed periodically and consideration given to improving the segregation of duties. Better communication with various departments within the county along with adequate checks and balances need to be put into place.

**Views of responsible officials and planned corrective actions:** The county is currently looking into the fraud and will determine the extent and nature of the fraud.

V. FOLLOW-UP PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB CIRCULAR A-133

Follow-up Prior Year Federal Award Findings and Questioned Costs

There were not findings for the years ended 12/31/07 and 12/31/06.



# Daniel Jones & Associates

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

CERTIFIED PUBLIC ACCOUNTANTS

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To the County Commission  
County of Reynolds

In planning and performing our audit of the statements of cash receipts, disbursements, and change in cash of the County of Reynolds (County) as of and for the years ended December 31, 2009 and 2008, 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.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies, noted below, to be significant deficiencies.

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

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

County of Reynolds'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, County Commission Members, 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, P.C.  
Certified Public Accountants  
July 19, 2010

## I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

FS09/08-01 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.

Context: We the auditors prepared all of the financial statements and footnotes without help from the client.

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: Management did not prepare the financial statements or the notes to financial statements.

Recommendation: The County should consider alternatives available that would eliminate this situation.

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.

FS 09/08-02 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.

Context: We did not observe any internal control documentation since the client did not have any.

Effect: The 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: 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 determine various risk assessments.

## I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (concluded)

FS 09/08-03

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

Context: During walkthroughs the County informed us that the necessary risk assessment documentation had not been prepared.

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'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. DEFICIENCIES CONSIDERED TO BE MATERIAL

FS 09/08-04

Criteria: SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55*.

Condition: Lack of sufficient segregation of duties, which has evidentially led to potential fraud within the county.

Context: A County Official notified us that they were aware of potential fraud within the county in a fraud questionnaire, they would not identify the department, person, or magnitude of the fraud.

Effect: The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Fraud has been potentially identified but not specifically communicated to the auditors.

Cause: Size and budget constraints limiting the number of personnel within the accounting department to oversee the county and ensure potential fraud will not happen.

Recommendation: These areas should be reviewed periodically and consideration given to improving the segregation of duties. Better communication with various departments within the county along with adequate checks and balances need to be put into place.

## II. DEFICIENCIES CONSIDERED TO BE MATERIAL (Concluded)

Management's Response: The county is currently looking into the potential fraud and will determine the extent and nature of the fraud if any.

SA 09/08-01  
Same as  
FS 09/08-04

**Information on the federal program:** The Schedule of Expenditures of Federal Awards could possible contained fraud.

**Criteria:** SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55*.

**Condition:** A County officeholder communicated to us the potential of fraud within the county.

**Questioned Costs:** Unable to determine due to lack of support on potential fraud.

**Context:** During the audit of federal programs we were notified that there was potential fraud within the county, but no items were specifically communicated to us.

**Effect:** The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Fraud has been potentially identified but not specifically communicated to the auditors.

**Cause:** Size and budget constraints limiting the number of personnel within the accounting department to oversee the county and ensure fraud will not happen.

**Recommendation:** These areas should be reviewed periodically and consideration given to improving the segregation of duties. Better communication with various departments within the county along with adequate checks and balances need to be put into place.

**Views of responsible officials and planned corrective actions:** The county is currently looking into the fraud and will determine the extent and nature of the fraud.

## III. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

Governments frequently establish governmental audit requirements for entities to undergo an audit of their compliance with applicable compliance requirements. To address such governmental audit requirements, the Auditing Standards Board has issued Statement on Auditing Standards (SAS) No. 117, *Compliance Audits*, which supersedes SAS No. 74, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*. SAS No. 117 was primarily developed in response to the results of a federal study on the quality of audits performed under Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (also referred to as single audits), which showed that improvements were needed in many areas.

### III. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS (Concluded)

SAS No. 117 establishes standards and provides guidance on performing and reporting (in accordance with GAAS, *Government Auditing Standards*, and a governmental audit requirement that requires an auditor to express an opinion on compliance) on an audit of an entity's compliance with applicable compliance requirements of a governmental audit requirement. Examples of such engagements include single audits and audits performed under the U.S. Department of Housing and Urban Development (HUD) *Consolidated Audit Guide for Audits of HUD Programs*.

SAS No. 117 updates SAS No. 74 to reflect changes in the compliance audit environment and incorporates the risk assessment standards. It requires the auditor to adapt and apply the AU sections of AICPA *Professional Standards* to a compliance audit and provides guidance on how to do so. It identifies the AU sections that are not applicable to a compliance audit, defines terms related to compliance audits and used in the SAS, and identifies the elements to be included in an auditor's report on a compliance audit. The SAS is effective for compliance audits for fiscal periods ending on or after June 15, 2010 with earlier application permitted.

### IV. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

#### Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 18, 2010, 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 the regulatory basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered County of Reynolds'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 assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

#### Planned Scope and Timing of the Audit

We were engaged to audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 18, 2010.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Reynolds are described in Note I to the financial statements. As described in Note X for the years ended December 31, 2009, and December 31, 2008, the County has elected to change its accounting method from a modified cash basis to the regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments and settlements pending (if applicable). The regulatory basis differs from the accounting principles

#### IV. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

generally accepted in the United States of America and is described in Note I of the Notes to the financial statements. The new method of accounting presentation was implemented to conform with Missouri State Auditor's regulations. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

##### *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 not corrected all such misstatements. In addition, as stated above, the misstatements was detected as a result of audit procedures and was left uncorrected by management and was considered 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 19, 2010.

##### *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.