



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the County Commission
and
Officeholders of Madison County, Missouri

The Office of the State Auditor, in cooperation with Madison County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2008, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

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

Susan Montee, JD, CPA
State Auditor

September 2009
Report No. 2009-86

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
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FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT
(The Primary Government)

To the County Commission
The County of Madison, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Madison (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Primary government's basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of the Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the Primary Government which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the Primary Government's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government, as of December 31, 2008 and 2007, the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Madison County, and the Madison County Agency for Developmental Disabilities, have issued separate reporting entity financial statements. For information on these component units, please contact the Madison County Health Department and Agency for Developmental Disabilities.

As described in Note I, the basic financial statements of the Primary Government were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note I the County has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Financial Statement Presentation*," as of and for the years ended December 31, 2008 and 2007.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2008 and 2007 for the years then ended in conformity with the basis of accounting described in Note I.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2009 on our consideration for the Primary Government’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.

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis – Non-GAAP Budget Basis and Actual and related notes on pages 24 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Primary Government’s basic financial statements. The combining and individual non-major funds financial statements on pages 31 through 36 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The state and federal compliance sections on pages 37 through 42 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

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

June 30, 2009

FINANCIAL STATEMENTS

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 FOR THE YEARS ENDED

	December 31, 2008 Total Governmental Activities	December 31, 2007 Total Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$ 1,258,831.71	\$ 871,420.95
Investments	<u>171,529.29</u>	<u>164,302.03</u>
TOTAL ASSETS	<u><u>1,430,361.00</u></u>	<u><u>1,035,722.98</u></u>
NET ASSETS		
Unrestricted	320,892.05	200,242.09
Restricted for Specific Purpose	<u>1,109,468.95</u>	<u>835,480.89</u>
TOTAL NET ASSETS	<u><u>1,430,361.00</u></u>	<u><u>1,035,722.98</u></u>
TOTAL FUND BALANCE	<u><u>\$ 1,430,361.00</u></u>	<u><u>\$ 1,035,722.98</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General County Government	\$ 1,194,546.77	\$ 559,648.54	\$ 59,986.23	\$ 759,819.98	\$ 184,907.98
Road and Bridge	1,153,312.27	-	-	-	(1,153,312.27)
Financial Administration	117,175.35	-	-	-	(117,175.35)
Other Offices and Grants	5,699.94	-	-	-	(5,699.94)
Administration of Justice and Law Enforcement	185,787.26	-	-	-	(185,787.26)
Consulting	75,778.16	-	-	-	(75,778.16)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	-	-	-
Park Maintenance	-	-	-	-	-
Madison County Re-Development Fund	1,768,587.32	-	1,978,490.87	-	209,903.55
MCLE Sales Tax Fund	700,182.41	-	-	-	(700,182.41)
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction	52,546.59	-	-	-	(52,546.59)
Property, Equipment and Buildings	89,672.74	-	-	-	(89,672.74)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,343,288.81	\$ 559,648.54	\$ 2,038,477.10	\$ 759,819.98	(1,985,343.19)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	497,696.24
Sales Tax	1,838,895.81
Investment Income	43,389.16
Miscellaneous	-
TOTAL GENERAL REVENUES	2,379,981.21
CHANGE IN NET ASSETS	394,638.02
NET ASSETS, BEGINNING OF YEAR	1,035,722.98
NET ASSETS, END OF YEAR	\$ 1,430,361.00

See accompanying notes to the financial statements.

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

FUNCTIONS / PROGRAMS GOVERNMENTAL ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
General County Government	\$ 1,161,912.05	\$ 491,559.74	\$ 96,458.89	\$ 411,649.31	\$ (162,244.11)
Road and Bridge	716,301.43	-	-	-	(716,301.43)
Financial Administration	114,266.84	-	-	-	(114,266.84)
Other Offices and Grants	40,743.44	-	-	-	(40,743.44)
Administration of Justice and Law Enforcement	189,303.00	-	-	-	(189,303.00)
Consulting	72,094.48	-	-	-	(72,094.48)
Fees, Licenses and Permits	-	-	-	-	-
Surveyor	-	-	-	-	-
Maintenance of Roads	-	-	65,894.86	-	65,894.86
Park Maintenance	-	-	-	-	-
Madison County Re-Development Fund	106,895.44	-	409,409.79	-	302,514.35
MCLE Sales Tax Fund	703,987.54	-	-	-	(703,987.54)
Other	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
Construction	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,105,504.22	\$ 491,559.74	\$ 571,763.54	\$ 411,649.31	(1,630,531.63)

GENERAL REVENUES

Taxes:	
Property Taxes, Levied	461,185.13
Sales Tax	1,412,516.45
Investment Income	47,786.63
Miscellaneous	-
TOTAL GENERAL REVENUES	1,921,488.21
CHANGE IN NET ASSETS	290,956.58
NET ASSETS, BEGINNING OF YEAR	744,766.40
NET ASSETS, END OF YEAR	\$ 1,035,722.98

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 BALANCE SHEET - MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS

	DECEMBER 31, 2008						DECEMBER 31, 2007					
	General	Special Road and Bridge	MCLE Sales Tax Fund	Madison County Re-Development Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	MCLE Sales Tax Fund	Madison County Re-Development Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS												
Cash and Cash Equivalents	\$ 149,362.76	\$ 164,043.85	\$ 122,828.19	\$ 726,145.52	\$ 96,451.39	\$ 1,258,831.71	\$ 35,940.06	\$ 141,085.62	\$ 110,455.79	\$ 498,030.10	\$ 85,909.38	\$ 871,420.95
Investments	171,529.29	-	-	-	-	171,529.29	164,302.03	-	-	-	-	164,302.03
						-						-
TOTAL ASSETS	<u>320,892.05</u>	<u>164,043.85</u>	<u>122,828.19</u>	<u>726,145.52</u>	<u>96,451.39</u>	<u>1,430,361.00</u>	<u>200,242.09</u>	<u>141,085.62</u>	<u>110,455.79</u>	<u>498,030.10</u>	<u>85,909.38</u>	<u>1,035,722.98</u>
FUND BALANCES												
Unreserved:												
General Fund	320,892.05	-	-	-	-	320,892.05	200,242.09	-	-	-	-	200,242.09
Special Revenue Funds	-	164,043.85	122,828.19	726,145.52	96,451.39	1,109,468.95	-	141,085.62	110,455.79	498,030.10	85,909.38	835,480.89
TOTAL FUND BALANCES	<u>320,892.05</u>	<u>164,043.85</u>	<u>122,828.19</u>	<u>726,145.52</u>	<u>96,451.39</u>	<u>1,430,361.00</u>	<u>200,242.09</u>	<u>141,085.62</u>	<u>110,455.79</u>	<u>498,030.10</u>	<u>85,909.38</u>	<u>1,035,722.98</u>
TOTAL FUND BALANCES	<u>\$ 320,892.05</u>	<u>\$ 164,043.85</u>	<u>\$ 122,828.19</u>	<u>\$ 726,145.52</u>	<u>\$ 96,451.39</u>	<u>\$ 1,430,361.00</u>	<u>\$ 200,242.09</u>	<u>\$ 141,085.62</u>	<u>\$ 110,455.79</u>	<u>\$ 498,030.10</u>	<u>\$ 85,909.38</u>	<u>\$ 1,035,722.98</u>

See accompanying notes to the financial statements.

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

	DECEMBER 31, 2008						DECEMBER 31, 2007					
	General	Special Road and Bridge	MCLE Sales Tax Fund	Madison County Re-Development Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Special Road and Bridge	MCLE Sales Tax Fund	Madison County Re-Development Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES												
Property Tax	\$ 189,164.82	\$ 308,531.42	\$ -	\$ -	\$ -	\$ 497,696.24	\$ 167,776.63	\$ 293,408.50	\$ -	\$ -	\$ -	\$ 461,185.13
Sales Tax	523,705.05	791,741.87	523,448.89	-	-	1,838,895.81	508,008.87	396,754.66	507,752.92	-	-	1,412,516.45
Inter-Governmental Revenue	-	-	8,242.72	-	-	8,242.72	-	-	6,325.00	-	-	6,325.00
Charges for Services	214,708.26	3,272.98	211,873.57	-	129,793.73	559,648.54	165,936.01	37,368.01	179,498.10	-	108,757.62	491,559.74
Grants, Distributions and Reimbursements	215,347.41	309,677.03	26,435.72	-	208,359.82	759,819.98	188,376.61	65,894.86	-	-	223,272.70	477,544.17
Fees, Licenses and Permits	10,444.29	-	-	-	41,299.22	51,743.51	18,118.22	-	30,133.18	-	41,882.49	90,133.89
Interest	12,423.92	5,266.53	2,553.91	18,211.87	4,932.93	43,389.16	21,172.40	5,021.24	3,530.70	10,621.68	7,440.61	47,786.63
Madison County Re-Development Fund	-	-	-	1,978,490.87	-	1,978,490.87	-	-	-	409,409.79	-	409,409.79
Other	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,165,793.75	1,418,489.83	772,554.81	1,996,702.74	384,385.70	5,737,926.83	1,069,388.74	798,447.27	727,239.90	420,031.47	381,353.42	3,396,460.80
EXPENDITURES												
Current:												
General County Government	660,703.08	-	-	-	533,843.69	1,194,546.77	637,681.58	-	-	-	524,230.47	1,161,912.05
Road and Bridge	-	1,153,312.27	-	-	-	1,153,312.27	-	716,301.43	-	-	-	716,301.43
Financial Administration	117,175.35	-	-	-	-	117,175.35	114,266.84	-	-	-	-	114,266.84
Other Offices and Grants	5,699.94	-	-	-	-	5,699.94	40,743.44	-	-	-	-	40,743.44
Property Valuation and Recording	75,778.16	-	-	-	-	75,778.16	72,094.48	-	-	-	-	72,094.48
Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Permits and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Administration of Justice and Law	185,787.26	-	-	-	-	185,787.26	184,669.86	-	-	-	4,633.14	189,303.00
Madison County Re-Development Fund	-	-	-	1,768,587.32	-	1,768,587.32	-	-	-	106,895.44	-	106,895.44
MCLE Sales Tax Fund	-	-	700,182.41	-	-	700,182.41	-	-	703,987.54	-	-	703,987.54
Continued Progress	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:												
Construction	-	52,546.59	-	-	-	52,546.59	-	-	-	-	-	-
Property, Equipment and Buildings	-	89,672.74	-	-	-	89,672.74	-	-	-	-	-	-
TOTAL EXPENDITURES	1,045,143.79	1,295,531.60	700,182.41	1,768,587.32	533,843.69	5,343,288.81	1,049,456.20	716,301.43	703,987.54	106,895.44	528,863.61	3,105,504.22
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	120,649.96	122,958.23	72,372.40	228,115.42	(149,457.99)	394,638.02	19,932.54	82,145.84	23,252.36	313,136.03	(147,510.19)	290,956.58
OTHER FINANCING SOURCES (USES)												
Transfers In	100,000.00	-	-	-	160,000.00	260,000.00	-	-	-	-	155,213.41	155,213.41
Transfers Out	(100,000.00)	(100,000.00)	(60,000.00)	-	-	(260,000.00)	(75,213.41)	-	(80,000.00)	-	-	(155,213.41)
Debt Service:												
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(100,000.00)	(60,000.00)	-	160,000.00	-	(75,213.41)	-	(80,000.00)	-	155,213.41	-
NET CHANGE IN FUND BALANCE	120,649.96	22,958.23	12,372.40	228,115.42	10,542.01	394,638.02	(55,280.87)	82,145.84	(56,747.64)	313,136.03	7,703.22	290,956.58
FUND BALANCE - BEGINNING OF YEAR	200,242.09	141,085.62	110,455.79	498,030.10	85,909.38	1,035,722.98	255,522.96	58,939.78	167,203.43	184,894.07	78,206.16	744,766.40
FUND BALANCE - END OF YEAR	\$ 320,892.05	\$ 164,043.85	\$ 122,828.19	\$ 726,145.52	\$ 96,451.39	\$ 1,430,361.00	\$ 200,242.09	\$ 141,085.62	\$ 110,455.79	\$ 498,030.10	\$ 85,909.38	\$ 1,035,722.98

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
RECONCILIATION OF THE COUNTY FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances – Governmental Funds	\$ 394,638.02
There are no items of reconciliation.	<u>-</u>
Change in Net Assets of Governmental Activities	<u>\$ 394,638.02</u>

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - AGENCY FUNDS

	<u>DECEMBER 31, 2008</u> <u>AGENCY FUNDS</u>	<u>DECEMBER 31, 2007</u> <u>AGENCY FUNDS</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 4,222,783.13</u>	<u>\$ 3,991,195.39</u>
TOTAL ASSETS	<u><u>4,222,783.13</u></u>	<u><u>3,991,195.39</u></u>
LIABILITIES		
Due to Other Funds	<u>4,222,783.13</u>	<u>3,991,195.39</u>
TOTAL LIABILITIES	<u><u>\$ 4,222,783.13</u></u>	<u><u>\$ 3,991,195.39</u></u>

See accompanying notes to the financial statements.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Madison, Missouri (“the Primary Government”), which is governed by a three-member board of commissioners, was established in 1849 by an Act of the Missouri Territory. In addition to the three board members, there are eight elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk and ex officio Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

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

A. Reporting Entity

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

The Primary Government’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 only the primary government of Madison County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Primary Government’s legal entity. The financial statements do not include financial data for the Primary Government’s legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Primary Government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Primary Government as of December 31, 2008 and 2007, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Madison County, Missouri and the Madison County Agency for Developmental Disabilities have issued separate reporting entity financial statements. For information on these component units, please contact the Madison County Health Department at (573) 783-2747 (or write to 806 West College Ave Fredericktown, MO 63645) and the Madison County Agency for Developmental Disabilities at (573) 783-3370 (or write to 610 South Chamber Drive P.O. Box 325 Fredericktown, MO 63645).

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements:

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

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

The County has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Financial Statement Presentation*," as of and for the years ended December 31, 2008 and 2007. The county was previously presenting their statements on the regulatory basis of presentation.

Fund Financial Statements:

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

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

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

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

Governmental Fund Types

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

The following are the Primary Government's governmental major funds:

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

Road and Bridge Fund – The Road and Bridge Fund is a Special Revenue Fund used to account for receipts of the Primary Government property tax levy and related expenditures for road maintenance and improvement projects.

Madison County Law Enforcement Sales Tax Fund – The Madison County Law Enforcement Sales Tax Fund is a Special Revenue Fund used to account for the receipts of the primary government's sales taxes and related law enforcement expenditures.

Madison County Re-Development Fund – The Madison County Re-Development Fund is a Special Revenue Fund used to account for the receipts and expenditures of the re-development of Madison County.

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

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Fiduciary Fund Types

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

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

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

D. Property Taxes

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

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property Taxes (concluded)

The assessed valuation of the tangible taxable property, included within the Primary Government's boundaries for the calendar year 2008 and 2007, for purposes of taxation was:

	2008	2007
Real Estate	\$ 76,661,730	\$ 75,261,460
Personal Property	27,998,391	26,990,811
Railroad and Utilities	7,878,623	9,068,183
	\$ 112,538,744	\$ 111,320,454

During 2008 and 2007, the County Commission approved a \$.1337 and \$.1337, respectively, tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2008 and 2007, for purposes of County taxation, as follows:

	2008	2007
General Revenue Fund	\$.1531	\$.1531
Special Road and Bridge Fund	.2762	.2762
	\$.4293	\$.4293

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the Primary Government's name at third-party banking institutions. Details of these cash balances are presented in Note II.

F. Interfund Transactions

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

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Interfund Transactions (concluded)

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.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance is unrestricted at December 31, 2008 and 2007.

H. Net Assets

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

I. Use of Estimates in Financial Statements

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

II. DEPOSITS AND INVESTMENTS

The Primary Government 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 on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008 and 2007, the carrying amount of the Primary Government's deposits was \$1,430,361.00 and \$1,035,722.98, the bank balance was \$1,458,783.90 and \$1,082,534.97 respectively. As of December 31, 2007, 100% of the Primary Government's investments were guaranteed by the U. S. Government, however as of December 31, 2008, the Primary Government's investments were not 100% guaranteed by the U.S. Government.

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (continued)

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2008, as follows:

SUMMARY OF CARRYING VALUES

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 1,258,831.71
Investments	171,529.29
Total Governmental Funds	1,430,361.00
<u>Balance Sheet – Agency Funds</u>	
Deposits	3,991,195.39
Total Deposits & Investments as of December 31, 2008	\$ 5,421,556.39

The carrying values of deposits and investments at December 31, 2007, are as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Deposits	\$ 871,420.95
Investments	164,302.03
Total Governmental Funds	1,035,722.98
<u>Balance Sheet – Agency Funds</u>	
Deposits	4,222,783.13
Total Deposits & Investments as of December 31, 2007	\$ 5,258,506.11

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 Primary Government's investment policy does not include custodial credit risk requirements. The Primary Government's deposits were not exposed to custodial credit risk for the year end December 31, 2008 & 2007.

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 Primary Government or its agent but not in the government's name. The Primary Government does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

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

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008 & 2007

II. DEPOSITS AND INVESTMENTS (concluded)

Investment Interest Rate Risk

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

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Primary Government 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 Primary Government 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 Primary Government's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2008 & 2007.

III. LONG-TERM DEBT

Capital Lease – On 3/24/08 Madison County entered into a capital lease with King Commercial for dump trucks and dump truck accessories for a total amount of \$201,651.50. This Capital lease is payable quarterly in twelve equal payments of \$19,359.00. The interest rate is 7.441% and will be paid in full by 7/15/2011.

DEBT	2008				
	BALANCE AT 12/31/2007	AMOUNT BORROWED	AMOUNT REPAID	BALANCE AT 12/31/2008	INTEREST PAID DURING YEAR
Capital Lease	\$ -	\$ 201,651.50	\$ (10,800.17)	\$ 190,851.33	\$ 8,558.83
TOTAL	\$ -	\$ 201,651.50	\$ (10,800.17)	\$ 190,851.33	\$ 8,558.83

2008 AMORTIZATION

YEAR	PRINCIPLE	INTEREST	TOTAL
2009	\$ 64,940.92	\$ 12,495.08	\$ 77,436.00
2010	69,941.74	7,494.26	\$ 77,436.00
2011	55,968.67	2,108.33	\$ 58,077.00
TOTAL	\$ 190,851.33	\$ 22,097.67	\$ 212,949.00

There is no amortization table for 2007 since the county did not have any debt.

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008 & 2007

IV. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2008 and 2007 are as follows:

	2008		2007	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR FUNDS				
General Fund	\$ 100,000.00	\$ 100,000.00	\$ -	\$ 75,213.41
Special Road and Bridge Fund	-	100,000.00	-	-
Madison County Law Enforcement Sales Tax Fund	-	60,000.00	-	80,000.00
NON-MAJOR FUNDS	<u>160,000.00</u>	<u>-</u>	<u>155,213.41</u>	<u>-</u>
TOTAL	<u>\$ 260,000.00</u>	<u>\$ 260,000.00</u>	<u>\$ 155,213.41</u>	<u>\$ 155,213.41</u>

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

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

A. Plan Description

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

B. Pension Benefits

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

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

B. Pension Benefits (concluded)

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the law enforcement, all other departments in the county the age is sixty.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, 2121 Schotthill Road, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in the CERF. During 2008 and 2007, the Primary Government collected and remitted to CERF, employee contributions of approximately \$50,706.98 and \$47,576.50, respectively, for the years then ended.

VI. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the Primary Government 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 Primary Government has contributed \$2,431 and \$2,244, respectively, for the years ended December 31, 2008 and 2007.

VIII. POST EMPLOYMENT BENEFITS

The Primary Government 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 Primary Government.

IX. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The Primary Government is not involved in pending litigation at December 31, 2008.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 & 2007

IX. CLAIMS COMMITMENTS AND CONTINGENCIES (concluded)

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. After the employees first year of employment they receive one week of vacation, after the second year of employment they will receive two weeks of vacation, and finally after fifteen years of vacation an employee will receive three weeks of vacation. Full time employees accrue sick time at six days per year and part time employees accrue sick time at a pro-rata basis, according to hours worked. Upon termination from county employment, an employee is not reimbursed for unused vacation but is reimbursed for overtime, if applicable

C. Federal and State Assisted Programs

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

X. RISK MANAGEMENT

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ 222,000.00	\$ 222,000.00	\$ 189,164.82	\$ (32,835.18)	\$ 194,000.00	\$ 194,000.00	\$ 167,776.63	\$ (26,223.37)
Sales Tax	510,000.00	510,000.00	523,705.05	13,705.05	508,730.00	508,730.00	508,008.87	(721.13)
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	166,000.00	166,000.00	214,708.26	48,708.26	234,100.00	234,100.00	165,936.01	(68,163.99)
Grants, Distributions and Reimbursements	185,755.00	185,755.00	215,347.41	29,592.41	634,148.00	634,148.00	188,376.61	(445,771.39)
Fees, Licenses and Permits	11,200.00	11,200.00	10,444.29	(755.71)	8,960.00	8,960.00	18,118.22	9,158.22
Interests	6,800.00	6,800.00	12,423.92	5,623.92	8,000.00	8,000.00	21,172.40	13,172.40
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	1,101,755.00	1,101,755.00	1,165,793.75	64,038.75	1,587,938.00	1,587,938.00	1,069,388.74	(518,549.26)
EXPENDITURES								
Current:								
General County Government	695,322.71	695,322.71	660,703.08	(34,619.63)	549,772.00	549,772.00	637,681.58	87,909.58
Financial Administration	120,968.20	120,968.20	117,175.35	(3,792.85)	120,603.00	120,603.00	114,266.84	(6,336.16)
Other Offices and Grants	12,300.00	12,300.00	5,699.94	(6,600.06)	25,000.00	25,000.00	40,743.44	15,743.44
Health and Welfare	-	-	-	-	-	-	-	-
Property Valuation and Recording	71,904.00	71,904.00	75,778.16	3,874.16	71,394.00	71,394.00	72,094.48	700.48
Administration of Justice and Law	195,609.30	195,609.30	185,787.26	(9,822.04)	200,055.18	200,055.18	184,669.86	(15,385.32)
Capital Outlay:								
Construction of Roads and Bridges	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,096,104.21	1,096,104.21	1,045,143.79	(50,960.42)	966,824.18	966,824.18	1,049,456.20	82,632.02
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,650.79	5,650.79	120,649.96	114,999.17	621,113.82	621,113.82	19,932.54	(601,181.28)
OTHER FINANCING SOURCES (USES)								
Transfers In	100,000.00	100,000.00	100,000.00	-	-	-	-	-
Transfers Out	(100,000.00)	(100,000.00)	(100,000.00)	-	(105,000.00)	(105,000.00)	(75,213.41)	29,786.59
Emergency Fund	-	-	-	-	-	-	-	-
Debt Service:								
Principal Payment	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(105,000.00)	(105,000.00)	(75,213.41)	29,786.59
NET CHANGE IN FUND BALANCE	5,650.79	5,650.79	120,649.96	114,999.17	516,113.82	516,113.82	(55,280.87)	(571,394.69)
FUND BALANCE - BEGINNING OF YEAR	200,242.09	200,242.09	200,242.09	-	255,522.96	255,522.96	255,522.96	-
FUND BALANCE - END OF YEAR	\$ 205,892.88	\$ 205,892.88	\$ 320,892.05	\$ 114,999.17	\$ 771,636.78	\$ 771,636.78	\$ 200,242.09	\$ (571,394.69)

See accompanying Independent Auditor's Report.

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 DEPARTMENTAL SCHEDULE OF EXPENDITURES
 MODIFIED CASH BASIS - BUDGET AND ACTUAL
 GENERAL FUND - UNAUDITED
 FOR THE YEARS ENDED

EXPENDITURES	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Current:								
General County Government:								
County Commission	\$ 74,249.00	74,249.00	72,949.05	\$ (1,299.95)	\$ 79,379.00	79,379.00	78,728.51	\$ (650.49)
County Clerk	77,950.00	77,950.00	75,354.20	(2,595.80)	74,945.00	74,945.00	73,810.40	(1,134.60)
Elections	91,954.00	91,954.00	104,076.89	12,122.89	34,709.00	34,709.00	35,857.76	1,148.76
Buildings and Grounds	119,789.68	119,789.68	113,731.57	(6,058.11)	89,800.00	89,800.00	105,106.33	15,306.33
Employee Fringe Benefits	148,500.00	148,500.00	131,822.26	(16,677.74)	116,500.00	116,500.00	144,515.39	28,015.39
Other Expenses	182,880.03	182,880.03	162,769.11	(20,110.92)	154,439.00	154,439.00	199,663.19	45,224.19
	<u>695,322.71</u>	<u>695,322.71</u>	<u>660,703.08</u>	<u>(34,619.63)</u>	<u>549,772.00</u>	<u>549,772.00</u>	<u>637,681.58</u>	<u>87,909.58</u>
Financial Administration:								
Collector	78,737.20	78,737.20	75,966.46	(2,770.74)	75,893.00	75,893.00	73,006.46	(2,886.54)
Treasurer	42,231.00	42,231.00	41,208.89	(1,022.11)	44,710.00	44,710.00	41,260.38	(3,449.62)
	<u>120,968.20</u>	<u>120,968.20</u>	<u>117,175.35</u>	<u>(3,792.85)</u>	<u>120,603.00</u>	<u>120,603.00</u>	<u>114,266.84</u>	<u>(6,336.16)</u>
Other Offices & Grants:								
Other Offices & Grants	12,300.00	12,300.00	5,699.94	(6,600.06)	25,000.00	25,000.00	40,743.44	15,743.44
	<u>12,300.00</u>	<u>12,300.00</u>	<u>5,699.94</u>	<u>(6,600.06)</u>	<u>25,000.00</u>	<u>25,000.00</u>	<u>40,743.44</u>	<u>15,743.44</u>
Health and Welfare:								
Non-Institutional Care	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying Independent Auditor's Report.

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 DEPARTMENTAL SCHEDULE OF EXPENDITURES
 MODIFIED CASH BASIS - BUDGET AND ACTUAL
 GENERAL FUND (CONTINUED)
 UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Property Valuation and Recording:								
Recorder of Deeds	71,904.00	71,904.00	75,778.16	3,874.16	71,394.00	71,394.00	72,094.48	700.48
Administration of Justice and Law Enforcement:								
Associate Circuit	-	-	-	-	-	-	-	-
Circuit Clerk	38,694.30	38,694.30	31,020.49	(7,673.81)	37,638.86	37,638.86	30,350.08	(7,288.78)
Children's Detention Home	-	-	-	-	-	-	-	-
Associate Circuit - (Probate)	-	-	-	-	-	-	-	-
Court Administrator	10,400.00	10,400.00	5,191.08	(5,208.92)	8,642.32	8,642.32	8,175.12	(467.20)
Dispatch	-	-	-	-	-	-	-	-
Circuit Judges and Court Reporters	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	-	-	-	-	-	-	-	-
Medical Examiner	26,875.00	26,875.00	30,728.90	3,853.90	37,000.00	37,000.00	25,246.09	(11,753.91)
Sheriffs Office	-	-	-	-	-	-	-	-
Drug Task Force	-	-	-	-	-	-	-	-
Patrol Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	103,835.00	103,835.00	103,250.84	(584.16)	100,774.00	100,774.00	105,103.10	4,329.10
Prosecuting Attorney Retirement	-	-	-	-	-	-	-	-
Public Administrator	15,805.00	15,805.00	15,595.95	(209.05)	16,000.00	16,000.00	15,795.47	(204.53)
	195,609.30	195,609.30	185,787.26	(9,822.04)	200,055.18	200,055.18	184,669.86	(15,385.32)
Debt Service:								
Principal Payments	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 1,096,104.21	\$ 1,096,104.21	\$ 1,045,143.79	\$ (50,960.42)	\$ 966,824.18	\$ 966,824.18	\$ 1,049,456.20	\$ 82,632.02

See accompanying Independent Auditor's Report

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
 BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
 UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007				
	BUDGETED AMOUNTS		ACTUAL	OVER	BUDGETED AMOUNTS		ACTUAL	OVER	
	ORIGINAL	FINAL		(UNDER)	ORIGINAL	FINAL		(UNDER)	
				FINAL BUDGET				FINAL BUDGET	
REVENUES									
Property Tax	\$ 293,000.00	\$ 293,000.00	\$ 308,531.42	\$ 15,531.42	\$ 288,400.00	\$ 288,400.00	\$ 293,408.50	\$ 5,008.50	
Sales Tax	825,200.00	825,200.00	791,741.87	(33,458.13)	370,350.00	370,350.00	396,754.66	26,404.66	
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	
Charges for Services	80,000.00	80,000.00	3,272.98	(76,727.02)	20,100.00	20,100.00	37,368.01	17,268.01	
Grants, Distributions and Reimbursements	43,000.00	43,000.00	309,677.03	266,677.03	55,471.93	55,471.93	65,894.86	10,422.93	
Fees, Licenses and Permits	-	-	-	-	-	-	-	-	
Interests	5,000.00	5,000.00	5,266.53	266.53	4,000.00	4,000.00	5,021.24	1,021.24	
Other	-	-	-	-	-	-	-	-	
TOTAL REVENUES	1,246,200.00	1,246,200.00	1,418,489.83	172,289.83	738,321.93	738,321.93	798,447.27	60,125.34	
EXPENDITURES									
Current:									
Salaries	265,015.72	265,015.72	277,157.09	12,141.37	277,974.00	277,974.00	256,941.34	(21,032.66)	
Employee Fringe Benefits	130,000.00	130,000.00	159,835.64	29,835.64	105,226.00	105,226.00	90,154.59	(15,071.41)	
Supplies	480,000.00	480,000.00	437,363.00	(42,637.00)	232,454.07	232,454.07	198,333.30	(34,120.77)	
Property and Equipment Insurance	34,243.00	34,243.00	35,012.00	769.00	16,000.00	16,000.00	28,904.50	12,904.50	
Equipment Repairs	80,000.00	80,000.00	107,245.97	27,245.97	40,120.00	40,120.00	63,021.92	22,901.92	
Rentals	48,000.00	48,000.00	47,493.74	(506.26)	16,345.60	16,345.60	27,093.74	10,748.14	
Maintenance of Roads:									
Highway and Roads	-	-	-	-	-	-	-	-	
Other	16,200.00	16,200.00	89,204.83	73,004.83	15,600.00	15,600.00	14,721.63	(878.37)	
Capital Outlay:									
Construction of Roads and Bridges	80,000.00	80,000.00	52,546.59	(27,453.41)	30,700.00	30,700.00	37,130.41	6,430.41	
Property, Equipment and Buildings	110,400.00	110,400.00	89,672.74	(20,727.26)	30,675.00	30,675.00	-	(30,675.00)	
TOTAL EXPENDITURES	1,243,858.72	1,243,858.72	1,295,531.60	51,672.88	765,094.67	765,094.67	716,301.43	(48,793.24)	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,341.28	2,341.28	122,958.23	120,616.95	(26,772.74)	(26,772.74)	82,145.84	108,918.58	
OTHER FINANCING SOURCES (USES)									
Transfers In	239,371.46	239,371.46	-	(239,371.46)	-	-	-	-	
Transfers Out	(100,000.00)	(100,000.00)	(100,000.00)	-	-	-	-	-	
Debt Service	-	-	-	-	-	-	-	-	
TOTAL OTHER FINANCING SOURCES (USES)	139,371.46	139,371.46	(100,000.00)	(239,371.46)	-	-	-	-	
NET CHANGE IN FUND BALANCE	141,712.74	141,712.74	22,958.23	(118,754.51)	(26,772.74)	(26,772.74)	82,145.84	108,918.58	
FUND BALANCE - BEGINNING OF YEAR	141,085.62	141,085.62	141,085.62	-	58,939.78	58,939.78	58,939.78	-	
FUND BALANCE - END OF YEAR	\$ 282,798.36	\$ 282,798.36	\$ 164,043.85	\$ (118,754.51)	\$ 32,167.04	\$ 32,167.04	\$ 141,085.62	\$ 108,918.58	

See accompanying Independent Auditor's Report.

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
 BUDGET AND ACTUAL - MCLE SALES TAX FUND
 UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	510,000.00	510,000.00	523,448.89	13,448.89	490,000.00	490,000.00	507,752.92	17,752.92
Inter-Governmental Revenue	7,200.00	7,200.00	8,242.72	1,042.72	6,900.00	6,900.00	6,325.00	(575.00)
Charges for Services	187,000.00	187,000.00	211,873.57	24,873.57	236,000.00	236,000.00	179,498.10	(56,501.90)
Grants, Distributions and Reimbursements	30,900.00	30,900.00	26,435.72	(4,464.28)	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	40,900.00	40,900.00	30,133.18	(10,766.82)
Interest	3,600.00	3,600.00	2,553.91	(1,046.09)	2,500.00	2,500.00	3,530.70	1,030.70
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	738,700.00	738,700.00	772,554.81	33,854.81	776,300.00	776,300.00	727,239.90	(49,060.10)
EXPENDITURES								
MCLE Sales Tax Fund	816,427.10	816,427.10	700,182.41	116,244.69	837,500.96	837,500.96	703,987.54	(133,513.42)
TOTAL EXPENDITURES	816,427.10	816,427.10	700,182.41	116,244.69	837,500.96	837,500.96	703,987.54	(133,513.42)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(77,727.10)	(77,727.10)	72,372.40	150,099.50	(61,200.96)	(61,200.96)	23,252.36	84,453.32
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	(60,000.00)	(60,000.00)	-	-	(80,000.00)	(80,000.00)
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(60,000.00)	(60,000.00)	-	-	(80,000.00)	(80,000.00)
NET CHANGE IN FUND BALANCE	(77,727.10)	(77,727.10)	12,372.40	90,099.50	(61,200.96)	(61,200.96)	(56,747.64)	4,453.32
FUND BALANCE - BEGINNING OF YEAR	110,455.79	110,455.79	110,455.79	-	167,203.43	167,203.43	167,203.43	-
FUND BALANCE - END OF YEAR	\$ 32,728.69	\$ 32,728.69	\$ 122,828.19	\$ 90,099.50	\$ 106,002.47	\$ 106,002.47	\$ 110,455.79	\$ 4,453.32

See accompanying Independent Auditor's Report.

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - MODIFIED CASH BASIS - SPECIAL REVENUE MAJOR FUND
 BUDGET AND ACTUAL - MADISON COUNTY RE-DEVELOPMENT FUND
 UNAUDITED - FOR THE YEARS ENDED

	DECEMBER 31, 2008				DECEMBER 31, 2007			
	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL	OVER (UNDER) FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Grants, Distributions and Reimbursements	-	-	-	-	-	-	-	-
Fees, Licenses and Permits	-	-	-	-	-	-	-	-
Interest	11,000.00	11,000.00	18,211.87	7,211.87	-	-	10,621.68	10,621.68
Madison County Re-Development Fund	395,000.00	395,000.00	1,978,490.87	1,583,490.87	-	-	409,409.79	409,409.79
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	406,000.00	406,000.00	1,996,702.74	1,590,702.74	-	-	420,031.47	420,031.47
EXPENDITURES								
Madison County Re-Development Fund	106,000.00	106,000.00	1,768,587.32	(1,662,587.32)	-	-	106,895.44	106,895.44
TOTAL EXPENDITURES	106,000.00	106,000.00	1,768,587.32	(1,662,587.32)	-	-	106,895.44	106,895.44
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	300,000.00	300,000.00	228,115.42	(71,884.58)	-	-	313,136.03	313,136.03
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Debt Service:								
Principle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	300,000.00	300,000.00	228,115.42	(71,884.58)	-	-	313,136.03	313,136.03
FUND BALANCE - BEGINNING OF YEAR	498,030.10	498,030.10	498,030.10	-	184,894.07	184,894.07	184,894.07	-
FUND BALANCE - END OF YEAR	\$ 798,030.10	\$ 798,030.10	\$ 726,145.52	\$ (71,884.58)	\$ 184,894.07	\$ 184,894.07	\$ 498,030.10	\$ 313,136.03

See accompanying Independent Auditor's Report.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008 & 2007

BUDGETS AND BUDGETARY ACCOUNTING

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

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

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. During the year December 31, 2008, there was an instance of non-compliance because the actual expenditures exceeded the budgeted expenditures in the General Fund and the Madison County Re-development Fund. During the year December 31, 2007, there was an instance of non-compliance because the actual expenditures exceeded the budgeted expenditures in the Special Road and Bridge Fund and the MCLE Sales Tax Fund, and the Madison County Re-development fund did not have a budget.

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

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

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

SUPPLEMENTARY INFORMATION

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 DECEMBER 31, 2008

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Madison County Forfeiture	User Fund	Time Payment Fund	Domestic Violence Fund	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Juvenile Assessment Fund	Law Enforcement Checking Fund	Circuit Clerk Interest Fund	Total
ASSETS													
Cash and Cash Equivalents	\$ 20,693.22	\$ 16,705.27	\$ 8,163.03	\$ 7,285.20	\$ 10,627.21	\$ 8,877.67	\$ 2,595.87	\$ 899.86	\$ 4,368.97	\$ 2,397.68	\$ 9,468.46	\$ 4,368.95	\$ 96,451.39
TOTAL ASSETS	20,693.22	16,705.27	8,163.03	7,285.20	10,627.21	8,877.67	2,595.87	899.86	4,368.97	2,397.68	9,468.46	4,368.95	96,451.39
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	20,693.22	16,705.27	8,163.03	7,285.20	10,627.21	8,877.67	2,595.87	899.86	4,368.97	2,397.68	9,468.46	4,368.95	96,451.39
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,693.22	\$ 16,705.27	\$ 8,163.03	\$ 7,285.20	\$ 10,627.21	\$ 8,877.67	\$ 2,595.87	\$ 899.86	\$ 4,368.97	\$ 2,397.68	\$ 9,468.46	\$ 4,368.95	\$ 96,451.39

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF REVENUE, EXPEDITURES, AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Madison County Forfeiture	User Fund	Time Payment Fund	Domestic Violence Fund	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Juvenile Assessment Fund	Law Enforcement Checking Fund	Circuit Clerk Interest Fund	Total
REVENUES													
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	575.00	120,761.23	-	-	-	-	-	-	-	-	8,457.50	-	129,793.73
Grants, Distributions and Reimbursements	139,885.95	61,039.87	-	6,939.00	-	-	-	-	-	495.00	-	-	208,359.82
Fees, Licenses and Permits	682.50	-	3,858.41	-	7,917.50	3,145.20	910.00	614.68	24,170.93	-	-	-	41,299.22
Interest	653.12	441.49	202.61	187.24	189.17	-	47.39	1.94	115.50	-	93.40	3,001.07	4,932.93
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	141,796.57	182,242.59	4,061.02	7,126.24	8,106.67	3,145.20	957.39	616.62	24,286.43	495.00	8,550.90	3,001.07	384,385.70
EXPENDITURES													
General Government	172,202.42	308,515.18	7,892.10	7,880.04	10,990.83	334.00	800.00	260.00	22,633.44	-	-	2,335.68	533,843.69
Administration of Justice and Law	-	-	-	-	-	-	-	-	-	-	-	-	-
Permits, Licenses and Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:													
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:													
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	172,202.42	308,515.18	7,892.10	7,880.04	10,990.83	334.00	800.00	260.00	22,633.44	-	-	2,335.68	533,843.69
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,405.85)	(126,272.59)	(3,831.08)	(753.80)	(2,884.16)	2,811.20	157.39	356.62	1,652.99	495.00	8,550.90	665.39	(149,457.99)
OTHER FINANCING SOURCES (USES)													
Transfers In	40,000.00	120,000.00	-	-	-	-	-	-	-	-	-	-	160,000.00
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	40,000.00	120,000.00	-	-	-	-	-	-	-	-	-	-	160,000.00
NET CHANGE IN FUND BALANCES	9,594.15	(6,272.59)	(3,831.08)	(753.80)	(2,884.16)	2,811.20	157.39	356.62	1,652.99	495.00	8,550.90	665.39	10,542.01
FUND BALANCES - BEGINNING OF YEAR	11,099.07	22,977.86	11,994.11	8,039.00	13,511.37	6,066.47	2,438.48	543.24	2,715.98	1,902.68	917.56	3,703.56	85,909.38
FUND BALANCES - END OF YEAR	\$ 20,693.22	\$ 16,705.27	\$ 8,163.03	\$ 7,285.20	\$ 10,627.21	\$ 8,877.67	\$ 2,595.87	\$ 899.86	\$ 4,368.97	\$ 2,397.68	\$ 9,468.46	\$ 4,368.95	\$ 96,451.39

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

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Madison County Forfeiture	User Fund	Time Payment Fund	Domestic Violence Fund	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Juvenile Assessment Fund	Law Enforcement Checking Fund	Circuit Clerk Interest Fund	Total
ASSETS													
Cash and Cash Equivalents	\$ 11,099.07	\$ 22,977.86	\$ 11,994.11	\$ 8,039.00	\$ 13,511.37	\$ 6,066.47	\$ 2,438.48	\$ 543.24	\$ 2,715.98	\$ 1,902.68	\$ 917.56	\$ 3,703.56	\$ 85,909.38
TOTAL ASSETS	<u>11,099.07</u>	<u>22,977.86</u>	<u>11,994.11</u>	<u>8,039.00</u>	<u>13,511.37</u>	<u>6,066.47</u>	<u>2,438.48</u>	<u>543.24</u>	<u>2,715.98</u>	<u>1,902.68</u>	<u>917.56</u>	<u>3,703.56</u>	<u>85,909.38</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	11,099.07	22,977.86	11,994.11	8,039.00	13,511.37	6,066.47	2,438.48	543.24	2,715.98	1,902.68	917.56	3,703.56	85,909.38
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,099.07</u>	<u>\$ 22,977.86</u>	<u>\$ 11,994.11</u>	<u>\$ 8,039.00</u>	<u>\$ 13,511.37</u>	<u>\$ 6,066.47</u>	<u>\$ 2,438.48</u>	<u>\$ 543.24</u>	<u>\$ 2,715.98</u>	<u>\$ 1,902.68</u>	<u>\$ 917.56</u>	<u>\$ 3,703.56</u>	<u>\$ 85,909.38</u>

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

	Assessment Fund	911 Fund	Law Enforcement Training Fund	Madison County Forfeiture	User Fund	Time Payment Fund	Domestic Violence Fund	Prosecuting Attorney Training Fund	Prosecuting Attorney Bad Check Fund	Juvenile Assessment Fund	Law Enforcement Checking Fund	Circuit Clerk Interest Fund	Total
REVENUES													
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter-Governmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	800.00	107,957.62	-	-	-	-	-	-	-	-	-	-	108,757.62
Grants, Distributions and Reimbursements	131,770.47	85,565.23	-	3,708.00	-	-	-	-	-	2,229.00	-	-	223,272.70
Fees, Licenses and Permits	4,565.97	-	3,854.19	-	9,688.75	9,482.57	1,002.00	627.88	12,661.13	-	-	-	41,882.49
Interest	835.30	556.38	333.87	247.35	501.46	-	69.99	15.81	173.98	-	30.20	4,676.27	7,440.61
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	137,971.74	194,079.23	4,188.06	3,955.35	10,190.21	9,482.57	1,071.99	643.69	12,835.11	2,229.00	30.20	4,676.27	381,353.42
EXPENDITURES													
General Government	162,948.47	317,810.58	-	3,956.59	14,725.70	5,380.66	1,610.00	985.39	12,911.80	326.32	-	3,574.96	524,230.47
Administration of Justice and Law	-	-	3,589.99	-	-	-	-	-	-	-	1,043.15	-	4,633.14
Highways and Roads	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal, Interest and Fiscal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay:													
Construction of Roads and Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Future Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Equipment and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:													
Principal Payment	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	162,948.47	317,810.58	3,589.99	3,956.59	14,725.70	5,380.66	1,610.00	985.39	12,911.80	326.32	1,043.15	3,574.96	528,863.61
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,976.73)	(123,731.35)	598.07	(1.24)	(4,535.49)	4,101.91	(538.01)	(341.70)	(76.69)	1,902.68	(1,012.95)	1,101.31	(147,510.19)
OTHER FINANCING SOURCES (USES)													
Transfers In	20,000.00	135,000.00	-	-	-	-	-	-	213.41	-	-	-	155,213.41
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	20,000.00	135,000.00	-	-	-	-	-	-	213.41	-	-	-	155,213.41
NET CHANGE IN FUND BALANCES	(4,976.73)	11,268.65	598.07	(1.24)	(4,535.49)	4,101.91	(538.01)	(341.70)	136.72	1,902.68	(1,012.95)	1,101.31	7,703.22
FUND BALANCES - BEGINNING OF YEAR	16,075.80	11,709.21	11,396.04	8,040.24	18,046.86	1,964.56	2,976.49	884.94	2,579.26	-	1,930.51	2,602.25	78,206.16
FUND BALANCES - END OF YEAR	\$ 11,099.07	\$ 22,977.86	\$ 11,994.11	\$ 8,039.00	\$ 13,511.37	\$ 6,066.47	\$ 2,438.48	\$ 543.24	\$ 2,715.98	\$ 1,902.68	\$ 917.56	\$ 3,703.56	\$ 85,909.38

THE COUNTY OF MADISON
 FREDERICKTOWN, MISSOURI
 (the Primary Government)
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
 DECEMBER 31, 2008

	Jail Commisary	Recorder	Collectors Funds	Circuit Clerk	Over - Plus	Wire Tranfer	Cherokee Pass Fire Department #	CERF	Unclaimed Fees	Schools	Library	Capital School	Total
ASSETS													
Cash and Cash Equivalents	\$ 4,202.00	\$ (869.37)	\$ 4,071,907.40	\$ 63,558.23	\$ 35,299.54	\$ -	\$ 16.83	\$ 6,228.05	\$ 646.75	\$ 77.97	\$ 7.54	\$ 41,708.19	\$4,222,783.13
TOTAL ASSETS	<u>4,202.00</u>	<u>(869.37)</u>	<u>4,071,907.40</u>	<u>63,558.23</u>	<u>35,299.54</u>	<u>-</u>	<u>16.83</u>	<u>6,228.05</u>	<u>646.75</u>	<u>77.97</u>	<u>7.54</u>	<u>41,708.19</u>	<u>4,222,783.13</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	<u>4,202.00</u>	<u>(869.37)</u>	<u>4,071,907.40</u>	<u>63,558.23</u>	<u>35,299.54</u>	<u>-</u>	<u>16.83</u>	<u>6,228.05</u>	<u>646.75</u>	<u>77.97</u>	<u>7.54</u>	<u>41,708.19</u>	<u>4,222,783.13</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,202.00</u>	<u>\$ (869.37)</u>	<u>\$ 4,071,907.40</u>	<u>\$ 63,558.23</u>	<u>\$ 35,299.54</u>	<u>\$ -</u>	<u>\$ 16.83</u>	<u>\$ 6,228.05</u>	<u>\$ 646.75</u>	<u>\$ 77.97</u>	<u>\$ 7.54</u>	<u>\$ 41,708.19</u>	<u>\$4,222,783.13</u>

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

	Jail Commisary	Recorder	Collectors Funds	Circuit Clerk	Over - Plus	Wire Tranfer	Cherokee Pass Fire Department #	CERF	Unclaimed Fees	Schools	Library	Capital School	Total
ASSETS													
Cash and Cash Equivalents	\$ 2,280.77	\$ (815.37)	\$ 3,806,713.69	\$ 80,599.17	\$ 37,241.37	\$ -	\$ 118.91	\$ 5,192.05	\$ 292.85	\$ 5,531.30	\$ 163.76	\$ 53,876.89	\$ 3,991,195.39
TOTAL ASSETS	<u>2,280.77</u>	<u>(815.37)</u>	<u>3,806,713.69</u>	<u>80,599.17</u>	<u>37,241.37</u>	<u>-</u>	<u>118.91</u>	<u>5,192.05</u>	<u>292.85</u>	<u>5,531.30</u>	<u>163.76</u>	<u>53,876.89</u>	<u>3,991,195.39</u>
LIABILITIES AND FUND BALANCES													
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	2,280.77	(815.37)	3,806,713.69	80,599.17	37,241.37	-	118.91	5,192.05	292.85	5,531.30	163.76	53,876.89	3,991,195.39
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,280.77</u>	<u>\$ (815.37)</u>	<u>\$ 3,806,713.69</u>	<u>\$ 80,599.17</u>	<u>\$ 37,241.37</u>	<u>\$ -</u>	<u>\$ 118.91</u>	<u>\$ 5,192.05</u>	<u>\$ 292.85</u>	<u>\$ 5,531.30</u>	<u>\$ 163.76</u>	<u>\$ 53,876.89</u>	<u>\$ 3,991,195.39</u>

STATE COMPLIANCE SECTION

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2008 & 2007

SCHEDULE OF STATE FINDINGS

- A. For the year December 31, 2008 the actual expenditures exceeded the budgeted expenditures in the General and the Madison County Re-Development Fund. In the year December 31, 2007 the actual expenditures exceeded the budgeted expenditures in the Road and Bridge Fund and the MCLE Sales tax fund.

- B. For the year ended December 31, 2007, the County did not budget for the Madison County Re-Development Fund.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the County Commission
The County of Madison, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Madison (the Primary Government), Missouri, as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the basic financial statements of the County's primary government, and have issued our modified cash basis report thereon dated June 30, 2009. Our report which was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 07/08-01, 07/08-02, 07/08-03 and 07-04 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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

We noted certain matters that we reported to management of the Primary Government in a separate letter Dated June 30, 2009.

The Primary Government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Primary Government's responses, and accordingly, we express no opinion on it.

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

Daniel Jones & Associates

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

June 30, 2009

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS

07/08-01 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, 2007, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the 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.

07/08-02 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, 2007, 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.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (continued)

07/08-02 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.

07/08-03 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.

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.

07-04 Criteria: The County did not prepare budgets for the Madison County Re-Development Fund for the year ended December 31, 2007.

Condition: The state requires budgets for each of the County's funds.

THE COUNTY OF MADISON
FREDERICKTOWN, MISSOURI
(the Primary Government)
SCHEDULE OF FINDINGS FOR THE FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

I. FINANCIAL STATEMENT FINDINGS (concluded)

07-04 Effect: The County did not properly budget all funds.

Cause: Management did not create a budget for the Madison County Re-development Fund.

Recommendation: We recommend that the county budgets all funds, including the Madison County Re-development Fund.

Management Response: The County has budgeted the accounts for which there was no budget for the year ending December 31, 2008.

II. FOLLOW-UP PRIOR YEAR FINDINGS

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



Daniel Jones & Associates

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

CERTIFIED PUBLIC ACCOUNTANTS

To the County Commissioners
Madison County, Missouri

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County as of and for the years ended December 31, 2008 and 2007, 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

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

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

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

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

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

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

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates
Certified Public Accountants
June 30, 2009

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

07/08-01

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.

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.

07/08-02

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.

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.

II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

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

07/08-03

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.

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.

07-04

Criteria: The County did not prepare budgets for the Madison County Re-Development Fund for the year ended December 31, 2007.

Condition: The state requires budgets for each of the County's funds.

Effect: The County did not properly budget all funds.

Cause: Management did not create a budget for the Madison County Re-development Fund.

Recommendation: We recommend that the county budgets all funds, including the Madison County Re-development Fund.

Management Response: The County has budgeted the accounts for which there was no budget for the year ending December 31, 2008.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS (Concluded)

- c. SAS 114, The Auditor's Communication with Those Charged with Governance, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated April 23, 2009, 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 modified cash 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 Madison County'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 in accordance with OMB Circular A-133.

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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Madison County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Madison County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Madison County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 14, 2009.

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 Madison County are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2008 and 2007. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates 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.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)

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 corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2009.

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.