



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Madison County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Madison County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2010, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Thomas A. Schweich". The signature is written in a cursive style with a large, prominent initial "T".

Thomas A. Schweich  
State Auditor

September 2011  
Report No. 2011-76

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS  
AND SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2010 AND 2009

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
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## **FINANCIAL SECTION**



**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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INDEPENDENT AUDITOR'S REPORT

To the County Commission  
The County of Madison, Missouri

We have audited the accompanying financial statements of the County of Madison ("County"), Missouri, as of and for the years ended December 31, 2010 and 2009, which collectively comprise the County's financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County of Madison, Missouri, as of December 31, 2010 and 2009, and the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the governmental and agency funds of the County of Madison, Missouri, as of December 31, 2010 and 2009, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note I.

As discussed in Note XIII, the Schedule of Expenditures and Federal Awards (SEFA), until corrected did not include the expenditures related to the Community Development Block Grant (\$508,490.67) as of July 19, 2011. Accordingly, an adjustment has been made to the SEFA as of January 5, 2012, to correct the error.

As described in Note X, the County of Madison has converted from a modified cash (GASB 34) basis of accounting to the regulatory basis of accounting which differs from accounting principles generally accepted in the United States of America, as of and for the years ended December 31, 2010 and December 31, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Daniel Jones & Associates*

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

July 19, 2011

## **FINANCIAL STATEMENTS**

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES -  
 ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEAR ENDED DECEMBER 31, 2010

FUND	CASH AND INVESTMENT BALANCES JANUARY 1, 2010	RECEIPTS 2010	DISBURSEMENTS 2010	CASH AND INVESTMENT BALANCES DECEMBER 31, 2010
General Revenue	\$ 315,482.99	\$ 1,062,671.00	\$ 1,127,614.09	\$ 250,539.90
Special Road & Bridge	138,217.36	1,938,874.79	1,995,664.80	81,427.35
Assessment	45,776.21	182,167.23	209,700.50	18,242.94
911	11,766.74	395,831.91	400,769.02	6,829.63
MCLEST	81,613.08	696,039.96	737,006.27	40,646.77
LETF	8,863.67	3,844.82	4,097.07	8,611.42
Restitution	30,313.44	24,536.87	4,402.17	50,448.14
Forfeiture	7,165.09	8,092.51	9,009.04	6,248.56
User	10,887.39	6,957.85	6,364.40	11,480.84
Domestic Violence	2,348.74	1,039.41	1,150.00	2,238.15
P A Training	1,525.99	638.03	1,131.31	1,032.71
P A Bad Check	3,537.72	11,982.85	15,369.68	150.89
TIF	799,450.01	601,971.42	591,084.40	810,337.03
<b>TOTAL</b>	<b>\$ 1,456,948.43</b>	<b>\$ 4,934,648.65</b>	<b>\$ 5,103,362.75</b>	<b>\$ 1,288,234.33</b>

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES -  
 ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEAR ENDED DECEMBER 31, 2009

FUND	CASH AND INVESTMENT BALANCES JANUARY 1, 2009	RECEIPTS 2009	DISBURSEMENTS 2009	CASH AND INVESTMENT BALANCES DECEMBER 31, 2009
General Revenue	\$ 320,892.05	\$ 1,130,400.19	\$ 1,135,809.25	\$ 315,482.99
Special Road & Bridge	164,043.85	3,291,275.79	3,317,102.28	138,217.36
Assessment	20,693.22	214,222.45	189,139.46	45,776.21
911	16,705.27	291,998.69	296,937.22	11,766.74
MCLEST	122,828.19	720,285.58	761,500.69	81,613.08
LETF	8,163.03	3,815.02	3,114.38	8,863.67
Restitution	9,468.46	22,344.98	1,500.00	30,313.44
Forfeiture	7,285.20	1,334.86	1,454.97	7,165.09
User	10,627.21	7,173.14	6,912.96	10,887.39
Domestic Violence	2,595.87	1,002.87	1,250.00	2,348.74
P A Training	899.86	626.13	-	1,525.99
P A Bad Check	4,368.97	17,384.39	18,215.64	3,537.72
TIF	726,145.52	527,615.54	454,311.05	799,450.01
TOTAL	<u>\$ 1,414,716.70</u>	<u>\$ 6,229,479.63</u>	<u>\$ 6,187,247.90</u>	<u>\$ 1,456,948.43</u>

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
 CASH AND INVESTMENT BALANCES  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	GENERAL REVENUE FUND			
	2010		2009	
	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>				
Property Taxes	\$ 214,487.00	\$ 202,706.11	\$ 198,602.98	\$ 200,709.57
Sales Taxes	508,000.00	490,419.40	528,000.00	507,485.30
Intergovernmental	173,656.00	163,773.48	187,098.00	185,156.92
Charges for Services	239,800.00	200,883.11	216,021.18	228,337.83
Interest	3,200.00	4,888.90	4,700.00	8,710.57
Other	10,000.00	-	450.00	-
Transfers In	-	-	20,000.00	-
<b>TOTAL RECEIPTS</b>	<b>1,149,143.00</b>	<b>1,062,671.00</b>	<b>1,154,872.16</b>	<b>1,130,400.19</b>
<b>DISBURSEMENTS</b>				
County Commission	81,390.00	81,637.46	81,755.00	80,680.67
County Clerk	75,925.00	71,820.49	74,250.00	73,051.90
Elections	87,850.00	64,762.57	39,550.00	31,839.66
Buildings and Grounds	109,882.00	112,564.92	107,313.00	167,990.15
Employee Fringe Benefits	141,850.00	149,556.09	166,498.20	139,796.59
County Treasurer	42,180.00	40,169.65	40,549.00	40,023.85
Collector	76,057.00	68,036.96	75,110.60	75,046.33
Recorder of Deeds	78,645.00	77,420.97	78,628.77	78,313.97
Circuit Clerk	35,075.00	29,705.58	37,432.70	29,817.78
Court Administration	3,523.25	4,990.17	8,575.00	3,980.19
Public Administrator	19,105.00	18,894.54	18,474.22	18,300.54
Prosecuting Attorney	114,291.66	128,649.00	114,291.66	127,102.72
Coroner	34,450.00	34,418.49	25,825.00	29,617.37
Tax Maintenance Fund	19,500.00	12,574.53	14,600.00	8,422.59
Other	144,300.00	130,871.82	127,930.40	151,808.94
Health and Welfare	4,000.00	540.85	-	-
Transfers Out	100,000.00	101,000.00	80,000.00	80,016.00
Emergency Fund	35,000.00	-	60,000.00	-
<b>TOTAL DISBURSEMENTS</b>	<b>1,203,023.91</b>	<b>1,127,614.09</b>	<b>1,150,783.55</b>	<b>1,135,809.25</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(53,880.91)</b>	<b>(64,943.09)</b>	<b>4,088.61</b>	<b>(5,409.06)</b>
<b>CASH AND INVESTMENT BALANCES, JANUARY 1</b>	<b>315,482.99</b>	<b>315,482.99</b>	<b>320,892.05</b>	<b>320,892.05</b>
<b>CASH AND INVESTMENT BALANCES DECEMBER 31</b>	<b>\$ 261,602.08</b>	<b>\$ 250,539.90</b>	<b>\$ 324,980.66</b>	<b>\$ 315,482.99</b>

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
 CASH AND INVESTMENT BALANCES  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

SPECIAL ROAD & BRIDGE FUND

	2010		2009	
	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>				
Property Taxes	\$ 348,000.00	\$ 322,299.09	\$ 309,000.00	\$ 331,440.90
Sales Taxes	460,000.00	438,613.33	524,000.00	459,296.63
Intergovernmental	1,460,498.00	967,403.08	393,750.00	2,076,807.36
Charges for Services	700.00	270.00	60.00	545.35
Interest	4,000.00	2,844.74	5,200.00	4,092.56
Other	205,500.00	207,444.55	798,482.41	415,464.99
Transfers In	-	-	673,000.00	3,628.00
<b>TOTAL RECEIPTS</b>	<b>2,478,698.00</b>	<b>1,938,874.79</b>	<b>2,703,492.41</b>	<b>3,291,275.79</b>
<b>DISBURSEMENTS</b>				
Salaries	298,500.00	306,588.51	278,000.00	224,050.94
Employee Fringe Benefits	101,500.00	99,680.87	157,700.00	170,500.41
Supplies	155,000.00	133,462.73	134,400.00	94,634.14
Insurance	37,000.00	36,532.00	35,000.00	36,421.00
Road & Bridge Materials	421,651.00	483,759.10	314,000.00	152,218.18
Equipment Repairs	100,000.00	48,404.52	61,400.00	141,329.54
Rentals	20,000.00	13,625.94	43,000.00	41,745.30
Equipment Purchases	146,500.00	205,468.82	91,450.00	85,022.32
R&B Construction	1,000.00	737.20	758,000.00	1,142,496.73
Other Expenditures	99,455.54	103,121.46	856,381.52	867,287.40
Debt Service	563,000.00	564,283.65	361,369.32	361,396.32
Transfers Out	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>1,943,606.54</b>	<b>1,995,664.80</b>	<b>3,090,700.84</b>	<b>3,317,102.28</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>535,091.46</b>	<b>(56,790.01)</b>	<b>(387,208.43)</b>	<b>(25,826.49)</b>
<b>CASH AND INVESTMENT BALANCES, JANUARY 1</b>	<b>138,217.36</b>	<b>138,217.36</b>	<b>164,043.85</b>	<b>164,043.85</b>
<b>CASH AND INVESTMENT BALANCES DECEMBER 31</b>	<b>\$ 673,308.82</b>	<b>\$ 81,427.35</b>	<b>\$ (223,164.58)</b>	<b>\$ 138,217.36</b>

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
 CASH AND INVESTMENT BALANCES  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	ASSESSMENT FUND				911			
	2010		2009		2010		2009	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>								
Intergovernmental	\$ 145,021.78	\$ 139,832.43	\$ 142,000.00	\$ 171,449.84	\$ 89,547.00	\$ -	\$ 60,000.00	\$ -
Charges for Services	400.00	500.00	575.00	400.00	61,500.00	63,600.00	120,000.00	61,480.00
Interest	600.00	774.31	650.00	594.61	300.00	196.97	500.00	288.19
Other	500.00	1,060.49	680.00	1,778.00	130,200.00	212,034.94	600.00	130,230.50
Operating Transfers In	40,000.00	40,000.00	40,000.00	40,000.00	100,000.00	120,000.00	112,000.00	100,000.00
<b>TOTAL RECEIPTS</b>	<b>186,521.78</b>	<b>182,167.23</b>	<b>183,905.00</b>	<b>214,222.45</b>	<b>381,547.00</b>	<b>395,831.91</b>	<b>293,100.00</b>	<b>291,998.69</b>
<b>DISBURSEMENTS</b>								
Assesor	224,323.00	209,700.50	204,423.00	189,139.46	-	-	-	-
Training	-	-	-	-	-	-	-	-
Salaries	-	-	-	-	188,000.00	193,024.80	154,312.00	189,254.49
Fringe Benefits	-	-	-	-	44,800.00	59,866.50	77,300.00	44,641.83
Office Expense	-	-	-	-	41,350.00	40,819.21	42,600.00	42,101.67
Radio Equipment	-	-	-	-	14,000.00	13,779.88	14,000.00	18,379.58
Mileage and Training	-	-	-	-	3,200.00	3,656.63	3,200.00	2,559.65
Other Expenses	-	-	-	-	89,547.00	89,622.00	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>224,323.00</b>	<b>209,700.50</b>	<b>204,423.00</b>	<b>189,139.46</b>	<b>380,897.00</b>	<b>400,769.02</b>	<b>291,412.00</b>	<b>296,937.22</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(37,801.22)</b>	<b>(27,533.27)</b>	<b>(20,518.00)</b>	<b>25,082.99</b>	<b>650.00</b>	<b>(4,937.11)</b>	<b>1,688.00</b>	<b>(4,938.53)</b>
<b>CASH AND INVESTMENT BALANCES, JANUARY 1</b>	<b>45,776.21</b>	<b>45,776.21</b>	<b>20,693.22</b>	<b>20,693.22</b>	<b>11,766.74</b>	<b>11,766.74</b>	<b>16,705.27</b>	<b>16,705.27</b>
<b>CASH AND INVESTMENT BALANCES DECEMBER 31</b>	<b>\$ 7,974.99</b>	<b>\$ 18,242.94</b>	<b>\$ 175.22</b>	<b>\$ 45,776.21</b>	<b>\$ 12,416.74</b>	<b>\$ 6,829.63</b>	<b>\$ 18,393.27</b>	<b>\$ 11,766.74</b>

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
 CASH AND INVESTMENT BALANCES  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	MCLEST				LETF			
	2010		2009		2010		2009	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>								
Sales Tax Revenues	\$ 508,000.00	\$ 490,235.83	\$ 525,000.00	\$ 507,224.88	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	14,300.00	17,195.28	2,000.00	16,891.72	-	-	-	-
Charges for Services	160,485.00	157,219.10	209,000.00	155,414.47	-	-	-	-
Interest	1,300.00	669.65	2,300.00	1,288.72	100.00	85.53	200.00	109.47
Other	38,400.00	30,720.10	25,200.00	39,465.79	3,840.00	3,759.29	3,800.00	3,705.55
Transfers In	-	-	7,700.00	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	<b>722,485.00</b>	<b>696,039.96</b>	<b>771,200.00</b>	<b>720,285.58</b>	<b>3,940.00</b>	<b>3,844.82</b>	<b>4,000.00</b>	<b>3,815.02</b>
<b>DISBURSEMENTS</b>								
Salary	251,038.00	264,363.10	251,038.00	262,864.00	-	-	-	-
Fringe Benefits	95,800.00	102,988.73	95,800.00	95,533.87	-	-	-	-
Other	58,400.00	51,260.53	73,410.00	56,141.45	-	-	-	-
Jail	105,265.00	101,223.35	108,177.60	103,737.57	-	-	-	-
Building and Grounds	104,200.00	99,610.66	102,000.00	103,906.71	-	-	-	-
Debt Service	14,500.00	12,500.00	27,000.00	25,500.00	-	-	-	-
Juvenile Office	42,595.00	42,429.90	42,700.00	42,573.14	-	-	-	-
Commissary	-	-	16,000.00	-	-	-	-	-
Inmate Security	1,500.00	2,630.00	-	4,090.20	-	-	-	-
Sheriff Revolving	500.00	-	-	3,541.75	-	-	-	-
Transfer Out	60,000.00	60,000.00	60,000.00	63,612.00	-	-	-	-
Training	-	-	-	-	5,000.00	4,097.07	4,000.00	3,114.38
<b>TOTAL DISBURSEMENTS</b>	<b>733,798.00</b>	<b>737,006.27</b>	<b>776,125.60</b>	<b>761,500.69</b>	<b>5,000.00</b>	<b>4,097.07</b>	<b>4,000.00</b>	<b>3,114.38</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(11,313.00)</b>	<b>(40,966.31)</b>	<b>(4,925.60)</b>	<b>(41,215.11)</b>	<b>(1,060.00)</b>	<b>(252.25)</b>	<b>-</b>	<b>700.64</b>
<b>CASH AND INVESTMENT BALANCES, JANUARY 1</b>	<b>81,613.08</b>	<b>81,613.08</b>	<b>122,828.19</b>	<b>122,828.19</b>	<b>8,863.67</b>	<b>8,863.67</b>	<b>8,163.03</b>	<b>8,163.03</b>
<b>CASH AND INVESTMENT BALANCES DECEMBER 31</b>	<b>\$ 70,300.08</b>	<b>\$ 40,646.77</b>	<b>\$ 117,902.59</b>	<b>\$ 81,613.08</b>	<b>\$ 7,803.67</b>	<b>\$ 8,611.42</b>	<b>\$ 8,163.03</b>	<b>\$ 8,863.67</b>

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
 CASH AND INVESTMENT BALANCES  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	RESTITUTION				FORFEITURE			
	2010		2009		2010		2009	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>								
Intergovernmental	\$ 20,000.00	\$ 24,113.88	\$ 8,000.00	\$ 22,139.34	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-	-	-	-
Interest	200.00	422.99	90.00	205.64	90.00	69.50	175.00	92.89
Other	-	-	-	-	8,914.40	8,023.01	1,379.97	1,241.97
<b>TOTAL RECEIPTS</b>	<b>20,200.00</b>	<b>24,536.87</b>	<b>8,090.00</b>	<b>22,344.98</b>	<b>9,004.40</b>	<b>8,092.51</b>	<b>1,554.97</b>	<b>1,334.86</b>
<b>DISBURSEMENTS</b>								
Equipment	-	-	-	-	8,914.40	9,009.04	1,379.97	1,454.97
Office	5,000.00	3,682.19	500.00	1,500.00	-	-	-	-
Other	1,000.00	719.98	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>6,000.00</b>	<b>4,402.17</b>	<b>500.00</b>	<b>1,500.00</b>	<b>8,914.40</b>	<b>9,009.04</b>	<b>1,379.97</b>	<b>1,454.97</b>
RECEIPTS OVER (UNDER) DISBURSEMENTS	14,200.00	20,134.70	7,590.00	20,844.98	90.00	(916.53)	175.00	(120.11)
CASH AND INVESTMENT BALANCES, JANUARY 1	30,313.44	30,313.44	9,468.46	9,468.46	7,165.09	7,165.09	7,285.20	7,285.20
CASH AND INVESTMENT BALANCES DECEMBER 31	<u>\$ 44,513.44</u>	<u>\$ 50,448.14</u>	<u>\$ 17,058.46</u>	<u>\$ 30,313.44</u>	<u>\$ 7,255.09</u>	<u>\$ 6,248.56</u>	<u>\$ 7,460.20</u>	<u>\$ 7,165.09</u>

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
 CASH AND INVESTMENT BALANCES  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	USER				DOMESTIC VIOLENCE			
	2010		2009		2010		2009	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>								
Charges for Services	\$ -	\$ 6,844.75	\$ -	\$ 7,047.50	\$ -	\$ -	\$ -	\$ -
Interest	-	113.10	300.00	125.64	40.00	27.41	47.00	36.87
Other	12,000.00	-	10,500.00	-	1,000.00	1,012.00	910.00	966.00
<b>TOTAL RECEIPTS</b>	<b>12,000.00</b>	<b>6,957.85</b>	<b>10,800.00</b>	<b>7,173.14</b>	<b>1,040.00</b>	<b>1,039.41</b>	<b>957.00</b>	<b>1,002.87</b>
<b>DISBURSEMENTS</b>								
Office	-	748.40	-	1,296.96	-	-	800.00	-
Equipment	-	-	-	-	-	-	-	-
Deputy Salary	5,616.00	5,616.00	5,616.00	5,616.00	-	-	-	-
Donations	-	-	-	-	1,750.00	1,150.00	-	1,250.00
<b>TOTAL DISBURSEMENTS</b>	<b>5,616.00</b>	<b>6,364.40</b>	<b>5,616.00</b>	<b>6,912.96</b>	<b>1,750.00</b>	<b>1,150.00</b>	<b>800.00</b>	<b>1,250.00</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>6,384.00</b>	<b>593.45</b>	<b>5,184.00</b>	<b>260.18</b>	<b>(710.00)</b>	<b>(110.59)</b>	<b>157.00</b>	<b>(247.13)</b>
<b>CASH AND INVESTMENT BALANCES, JANUARY 1</b>	<b>10,887.39</b>	<b>10,887.39</b>	<b>10,627.21</b>	<b>10,627.21</b>	<b>2,348.74</b>	<b>2,348.74</b>	<b>2,595.87</b>	<b>2,595.87</b>
<b>CASH AND INVESTMENT BALANCES DECEMBER 31</b>	<b>\$ 17,271.39</b>	<b>\$ 11,480.84</b>	<b>\$ 15,811.21</b>	<b>\$ 10,887.39</b>	<b>\$ 1,638.74</b>	<b>\$ 2,238.15</b>	<b>\$ 2,752.87</b>	<b>\$ 2,348.74</b>

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
 CASH AND INVESTMENT BALANCES  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	PROSECUTING ATTORNEY TRAINING				PROSECUTING ATTORNEY BAD CHECK			
	2010		2009		2010		2009	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	10.00	14.51	-	13.88	120.00	19.56	-	89.57
Other	615.00	623.52	615.00	612.25	20,000.00	10,963.29	20,000.00	17,294.82
Transfers In	-	-	-	-	-	1,000.00	-	-
<b>TOTAL RECEIPTS</b>	<b>625.00</b>	<b>638.03</b>	<b>615.00</b>	<b>626.13</b>	<b>20,120.00</b>	<b>11,982.85</b>	<b>20,000.00</b>	<b>17,384.39</b>
<b>DISBURSEMENTS</b>								
Salary	-	-	-	-	-	-	20,000.00	-
Mileage/Training	1,500.00	1,131.31	1,000.00	-	-	-	-	-
Operating	-	-	-	-	20,000.00	15,369.68	-	18,215.64
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Circuit Judge & Juvenile	-	-	-	-	-	-	-	-
Coroner	-	-	-	-	-	-	-	-
Task Force	-	-	-	-	-	-	-	-
COPS Grant	-	-	-	-	-	-	-	-
Lake Patrol	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-
FEMA	-	-	-	-	-	-	-	-
Misc	-	-	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>1,500.00</b>	<b>1,131.31</b>	<b>1,000.00</b>	<b>-</b>	<b>20,000.00</b>	<b>15,369.68</b>	<b>20,000.00</b>	<b>18,215.64</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(875.00)</b>	<b>(493.28)</b>	<b>(385.00)</b>	<b>626.13</b>	<b>120.00</b>	<b>(3,386.83)</b>	<b>-</b>	<b>(831.25)</b>
<b>CASH AND INVESTMENT BALANCES, JANUARY 1</b>	<b>1,525.99</b>	<b>1,525.99</b>	<b>899.86</b>	<b>899.86</b>	<b>3,537.72</b>	<b>3,537.72</b>	<b>4,368.97</b>	<b>4,368.97</b>
<b>CASH AND INVESTMENT BALANCES DECEMBER 31</b>	<b>\$ 650.99</b>	<b>\$ 1,032.71</b>	<b>\$ 514.86</b>	<b>\$ 1,525.99</b>	<b>\$ 3,657.72</b>	<b>\$ 150.89</b>	<b>\$ 4,368.97</b>	<b>\$ 3,537.72</b>

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
 CASH AND INVESTMENT BALANCES  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	TIF			
	2010		2009	
	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>RECEIPTS</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Interest	10,000.00	6,906.96	18,000.00	8,807.00
Other	653,070.00	595,064.46	2,198,600.00	518,808.54
<b>TOTAL RECEIPTS</b>	<b>663,070.00</b>	<b>601,971.42</b>	<b>2,216,600.00</b>	<b>527,615.54</b>
<b>DISBURSEMENTS</b>				
Eats Area	653,105.00	591,084.40	1,771,200.00	454,311.05
Expenses	-	-	-	-
Office Expenditures	-	-	-	-
Computer Expenditures	-	-	-	-
Equipment	-	-	-	-
Capital Improvement	-	-	-	-
Professional Services	-	-	-	-
Other	-	-	-	-
Transfers Out	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>653,105.00</b>	<b>591,084.40</b>	<b>1,771,200.00</b>	<b>454,311.05</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>9,965.00</b>	<b>10,887.02</b>	<b>445,400.00</b>	<b>73,304.49</b>
<b>CASH AND INVESTMENT BALANCES, JANUARY 1</b>	<b>799,450.01</b>	<b>799,450.01</b>	<b>726,145.52</b>	<b>726,145.52</b>
<b>CASH AND INVESTMENT BALANCES DECEMBER 31</b>	<b>\$ 809,415.01</b>	<b>\$ 810,337.03</b>	<b>\$ 1,171,545.52</b>	<b>\$ 799,450.01</b>

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
 AGENCY FUNDS - REGULATORY BASIS  
 YEAR ENDED DECEMBER 31, 2010

	<u>Unclaimed Fees</u>	<u>Overplus Savings</u>	<u>Capital School Savings</u>	<u>CERF</u>	<u>Cherokee Pass Fire Dept. Grant</u>	<u>District School Checking</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 16,867.15	\$ 34,559.05	\$ 46,061.05	\$ 5,893.78	\$ 16.83	\$ 10.01
Total Assets	16,867.15	34,559.05	46,061.05	5,893.78	16.83	10.01
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	16,867.15	34,559.05	46,061.05	5,893.78	16.83	10.01
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,867.15</u>	<u>\$ 34,559.05</u>	<u>\$ 46,061.05</u>	<u>\$ 5,893.78</u>	<u>\$ 16.83</u>	<u>\$ 10.01</u>

	<u>Ozark Regional Library Checking</u>	<u>Collector</u>	<u>Partial Payment</u>	<u>Recorder of Deeds</u>	<u>Jail Commissary</u>	<u>PA Restitution Account</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 2.96	\$ 4,763,399.72	\$ 10,786.60	\$ -	\$ 3,214.48	\$ 2,923.01
Total Assets	2.96	4,763,399.72	10,786.60	-	3,214.48	2,923.01
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	904.37	-	-
UNRESERVED FUND BALANCES	2.96	4,763,399.72	10,786.60	(904.37)	3,214.48	2,923.01
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2.96</u>	<u>\$ 4,763,399.72</u>	<u>\$ 10,786.60</u>	<u>\$ -</u>	<u>\$ 3,214.48</u>	<u>\$ 2,923.01</u>

	<u>PA Bad Check Account</u>	<u>Prosecuting Attorney Account</u>	<u>Sheriff</u>	<u>Collector Protested Account</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 247.76	\$ 16,720.15	\$ 800.50	\$ 268.49	\$ 4,901,771.54
Total Assets	247.76	16,720.15	800.50	268.49	4,901,771.54
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-	-	\$ 904.37
UNRESERVED FUND BALANCES	247.76	16,720.15	800.50	268.49	4,900,867.17
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 247.76</u>	<u>\$ 16,720.15</u>	<u>\$ 800.50</u>	<u>\$ 268.49</u>	<u>\$ 4,901,771.54</u>

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
 REGULATORY BASIS - AGENCY FUNDS  
 YEAR ENDED DECEMBER 31, 2009

	Unclaimed Fees	Overplus Savings	Capital School Savings	CERF	Cherokee Pass Fire Dept. Grant	District School Checking
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,723.47	\$ 49,688.48	\$ 52,000.63	\$ 1,257.89	\$ 212.73	\$ 6,728.05
Total Assets	1,723.47	49,688.48	52,000.63	1,257.89	212.73	6,728.05
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	1,723.47	49,688.48	52,000.63	1,257.89	212.73	6,728.05
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,723.47</u>	<u>\$ 49,688.48</u>	<u>\$ 52,000.63</u>	<u>\$ 1,257.89</u>	<u>\$ 212.73</u>	<u>\$ 6,728.05</u>
	Ozark Regional Library Checking	Prosecuting Collector	Partial Payment	Recorder of Deeds	Jail Commissary	PA Restitution Account
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 169.12	\$ 4,559,169.53	\$ 7,802.28	\$ -	\$ 1,161.42	\$ 3,130.86
Total Assets	169.12	4,559,169.53	7,802.28	-	1,161.42	3,130.86
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	350.37	-	-
UNRESERVED FUND BALANCES	169.12	4,559,169.53	7,802.28	(350.37)	1,161.42	3,130.86
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 169.12</u>	<u>\$ 4,559,169.53</u>	<u>\$ 7,802.28</u>	<u>\$ -</u>	<u>\$ 1,161.42</u>	<u>\$ 3,130.86</u>
	PA Bad Check Account	Prosecuting Attorney Account	Sheriff	Collector Protested Account	Total Agency Funds	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 203.84	\$ 16,720.15	\$ 885.00	\$ 22,913.92	\$ 4,723,767.37	
Total Assets	203.84	16,720.15	885.00	22,913.92	4,723,767.37	
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	\$ 350.37	
UNRESERVED FUND BALANCES	203.84	16,720.15	885.00	22,913.92	4,723,417.00	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 203.84</u>	<u>\$ 16,720.15</u>	<u>\$ 885.00</u>	<u>\$ 22,913.92</u>	<u>\$ 4,723,767.37</u>	

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

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Madison, Missouri (“County”), which is governed by a three-member board of commissioners, was established in 1818 by an Act of the Missouri Territory. In addition to the three board members, there are eleven elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Recorder of Deeds, Sheriff, Assessor, Surveyor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

A. Reporting Entity

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

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

The financial statements referred to above include only the primary government of Madison County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County’s legal entity.

B. Basis of Presentation

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

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following fund types are used by the County:

**Governmental Fund Types**

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

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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

C. Basis of Accounting

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

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

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

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

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting

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

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. During our audit we noted that the County was noncompliant with Missouri budgetary state statute Chapter 50 RSMo.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

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

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

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property Taxes

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

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2010 and 2009, for purposes of taxation was:

	2010	2009
Real Estate	\$ 78,868,240	\$ 78,554,180
Personal Property	25,072,910	25,237,326
Railroad and Utilities	7,500,000	7,447,931
	\$ 111,441,150	\$ 111,239,437

During 2010 and 2009, the County Commission approved a \$1.3389 and \$1.3325 tax levy respectively per \$100 of assessed valuation of tangible taxable property for the calendar year 2010 and 2009, for purpose of County taxation, as follows:

	2010	2009
General Revenue Fund	\$ 0.1666	\$ 0.1628
Road and Bridge Fund	0.2863	0.2855
County Health Department	0.0987	0.0984
County Library	0.0987	0.0984
County Hospital	0.1943	0.1937
County Workshop (SB40)	0.1943	0.1937
County Ambulance District	0.3000	0.3000
	\$ 1.3389	\$ 1.3325

F. 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.

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Cash Deposits and Investments (concluded)

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

G. 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 eliminated due to reporting the financial statements on the regulatory basis of accounting.

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

H. 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, 2010 and 2009.

II. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed as "Cash and Investments" 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, 2010 and 2009, the carrying amount of the County's deposits was \$1,288,234.33 and \$1,456,948.43, and the bank balance was respectively \$5,166,105.27 and \$5,296,751.25. As of December 31, 2010, and 2009, 100% of the County's investments were guaranteed by the U. S. Government.

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

II. DEPOSITS AND INVESTMENTS (continued)

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2010, as follows:

Included in the following fund financial statement captions:

Statement of Receipts, Disbursements and Changes in Cash and Investment Balances		
Deposits	\$	1,107,940.87
Investments		180,293.46
Total Deposits and Investments as of December 31, 2010	\$	<u>1,288,234.33</u>

The carrying values of deposits and investments at December 31, 2009, are as follows:

Statement of Receipts, Disbursements and Changes in Cash and Investment Balances		
Deposits	\$	1,279,844.08
Investments		177,104.35
Total Deposits and Investments as of December 31, 2009	\$	<u>1,456,948.43</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the years ended December 31, 2010 and 2009.

Custodial Credit Risk – Investments

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

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

Investment Interest Rate Risk

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

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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II. DEPOSITS AND INVESTMENTS (concluded)

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the years ended December 31, 2010 and 2009.

III. LEASES – CAPITAL

The County entered into a capital lease for the purchase of a durapatcher as of May 17, 2010, for the Road and Bridge Department. The purchase was for \$59,000 with annual payments of \$14,679 over a five year period. The interest rate was calculated to 8.628%.

The County entered into a capital lease for the purchase of a two Freightliner Trucks, a GMC truck and a Sterling Truck as of December 22, 2008, for the Road and Bridge Department. The purchase was for \$256,028.77 with 16 quarterly payments of \$19,059. The interest rate was calculated to 9.411%.

The County entered into a capital lease for the purchase of a John Deere tractor as of March 17, 2009, for the Road and Bridge Department. The purchase was for \$47,255.85 with annual payments of \$11,749 over a five year period. The interest rate was calculated to 9.409%.

All of the above leases were consolidated as of December 2, 2010, into a capital lease for \$261,114. The debt will be paid back over 36 months at \$23,749 beginning February 15, 2011.

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

III. LEASES – CAPITAL (concluded)

	2010				
	Balance at December 31, 2009	Amount Borrowed	Amount Repaid	Balance at December 31, 2010	Interest Paid During Year
Durapatcher	\$ -	\$ 59,000.00	\$ 59,000.00	\$ -	\$ -
Tractor	37,723.99	-	37,723.99	-	3,549.57
Freightliners and Sterling Trucks	197,257.90	-	197,257.90	-	16,496.12
Consolidated Debt	-	261,114.00	-	261,114.00	-
<b>Totals</b>	<b>\$ 234,981.89</b>	<b>\$ 320,114.00</b>	<b>\$ 293,981.89</b>	<b>\$ 261,114.00</b>	<b>\$ 20,045.69</b>

	2009				
	Balance at December 31, 2008	Amount Borrowed	Amount Repaid	Balance at December 31, 2009	Interest Paid During Year
Durapatcher	\$ -	\$ -	\$ -	\$ -	\$ -
Tractor	-	47,255.85	9,531.86	37,723.99	2,217.14
Freightliners and Sterling Trucks	-	256,028.77	58,770.87	197,257.90	17,465.13
Freightliners	190,851.33	-	190,851.33	-	-
Consolidated Debt	-	-	-	-	-
<b>Totals</b>	<b>\$ 190,851.33</b>	<b>\$ 303,284.62</b>	<b>\$ 259,154.06</b>	<b>\$ 234,981.89</b>	<b>\$ 19,682.27</b>

2010 Amortizations

Fiscal Year Ending December 31,	Principal	Interest	Total
2011	\$ 72,735.80	\$ 22,260.20	\$ 94,996.00
2012	93,831.61	1,164.39	94,996.00
2013	94,546.59	449.41	94,996.00
<b>TOTALS</b>	<b>\$ 261,114.00</b>	<b>\$ 23,874.00</b>	<b>\$ 284,988.00</b>

2009 Amortizations

Fiscal Year Ending December 31,	Principal	Interest	Total
10	\$ 67,939.31	\$ 20,045.69	\$ 87,985.00
11	74,534.35	13,450.65	87,985.00
12	81,769.65	6,215.35	87,985.00
13	10,738.58	1,010.42	11,749.00
14	-	-	-
2015	-	-	-
	<b>\$ 234,981.89</b>	<b>\$ 40,722.11</b>	<b>\$ 275,704.00</b>

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

IV. INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2010 and 2009 are as follows:

FUNDS	2010		2009	
	TRANSFERS	TRANSFERS	TRANSFERS	TRANSFERS
	IN	OUT	IN	OUT
General	\$ -	\$ 101,000.00	\$ -	\$ 80,016.00
Road and Bridge	-	-	3,628.00	-
Assessment	40,000.00	-	40,000.00	-
911	120,000.00	-	100,000.00	-
MCLEST	-	60,000.00	-	63,612.00
PA Bad Check	1,000.00	-	-	-
	<u>\$ 161,000.00</u>	<u>\$ 161,000.00</u>	<u>\$ 143,628.00</u>	<u>\$ 143,628.00</u>

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

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

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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.

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 65102, 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 2010 and 2009, the Primary Government collected and remitted to CERF, employee contributions of approximately \$51,131.76 and \$51,936.52, respectively, for the years then ended.

VI. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,431 and \$2,057, respectively, for the years ended December 31, 2010 and 2009.

VII. POST EMPLOYMENT BENEFITS

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

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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VIII. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is not currently involved in pending litigation at December 31, 2010.

B. Compensated Absences

The County provides employees with up to thirty days of paid vacation per year based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation leave. Vacation days not used by the end of the year they are earned are forfeited. The County will not make payments in lieu of vacation leave. Although employees accrue unused hours the County was unable to determine their outstanding liability.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as inappropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

IX. RISK MANAGEMENT

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

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.700 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

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

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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X. ACCOUNTING CHANGE

For the years ended December 31, 2010 and December 31, 2009, the County has elected to change its accounting method from a modified cash basis to the regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments and settlements pending (if applicable). The regulatory basis differs from the accounting principles generally accepted in the United States of America and is described in Note I of the notes to the financial statements.

XI. SUBSEQUENT EVENTS

No subsequent events were noted for disclosure.

XII. PRIOR PERIOD ERROR CORRECTION

As per Attorney General Opinion No. 7-83: Section 29.230.1, RSMo 1969, was to authorize the State Auditor to audit the accounts of "court clerks" only in third and fourth class counties.

Since the issuance of the 1977 opinion, certain changes have been wrought by the adoption of C.C.S.S.J.R. 24, 1976 Mo. Laws 819 (adopted August 3, 1976; effective January 2, 1979), sometimes known as the "Judicial Article Amendment", and the Court Reform and Revision Act of 1978, H.B. 1634, 1978 Mo. Laws. 696. These changes have made the circuit courts agencies of the State of Missouri. Accounts of the circuit courts and all divisions of the circuit courts in the custody of officers or employees of the circuit courts, e.g., circuit and division clerks, are subject to audit pursuant to Article IV, Section 13, Missouri Constitution, and Section 29.200, RSMo 1978.

Due to the County Courts being considered as separate from the County Government, these funds are no longer included as funds of the County, therefore the Juvenile Assessment, Time Payment and Circuit Clerk Interest Funds are no longer included as part of the County's financial statements with December 31, 2008, balances of \$2,397.68, 8,877.67 and \$4,368.95 respectively.

XIII. CORRECTION TO REPORT SUBSEQUENT TO ISSUANCE

Subsequent to the issuance of the audit report of Madison County, dated July 19, 2011, the County was made aware that certain funds received and passed through to local municipalities were considered to be from Federal sources. Prior to correction, these amounts had not been included in the County's Schedule of Expenditures and Federal Awards (SEFA). The SEFA has been corrected by including expenditures of the Community Development Block Grant which was passed through to the Cherokee Pass Volunteer Fire Department and the Madison County Sheltered Workshop in the amounts of \$285,750 and \$222,740.67.

**SUPPLEMENTARY SCHEDULES  
AND  
AUDITOR'S REPORT**

## **STATE COMPLIANCE SECTION**

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
SCHEDULE OF STATE FINDINGS  
DECEMBER 31, 2010 AND 2009

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SCHEDULE OF STATE FINDINGS

For the year ended December 31, 2010, actual expenditures exceeded the budgeted expenditures in the Road and Bridge, 911, Madison County Law Enforcement Tax, Forfeiture and User funds.

For the year ended December 31, 2009, actual expenditures exceeded the budgeted expenditures in the Road and Bridge, 911, Forfeiture, Restitution, User and Domestic Violence funds.

During 2009 the County deficit budgeted for the Road and Bridge fund.

**FEDERAL COMPLIANCE SECTION**



**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the County Commission  
The County of Madison, Missouri

We have audited the financial statements of the County of Madison ("County"), Missouri as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 19, 2011. The financial statements were prepared using accounting practices prescribed or permitted by Missouri State Law, which differ from 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 County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting; FS 09/10-01, FS 09/10-02, FS 09/10-03, FS 09/10-04, FS 09/10-05, SA 09/10-01 and SA 09/10-02. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

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

We noted certain matters that we reported to management of the County in a separate letter dated July 19, 2011.

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

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

*Daniel Jones & Associates*

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

July 19, 2011



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

Independent Auditor's Report

To The County Commission  
The County of Madison  
Fredericktown, Missouri

**Compliance**

We have audited the County of Madison's, (the County) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2010 and December 31, 2009. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2010 and December 31, 2009.

## Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items SA09/10-01 and SA09/10-02. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Daniel Jones & Associates*

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

July 19, 2011

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	December 31,	
			2010 Federal Share of Expenditures	2009 Federal Share of Expenditures
	U.S. DEPARTMENT OF AGRICULTURE			
	Passed Through State Office of Administration			
10.XXX	Law Enforcement Grant	08-LE-11090505-019 08-LE-11090505-037	\$ 2,480.00 4,000.00	\$ 2,485.00 4,000.00
	U.S. DEPARTMENT OF INTERIOR			
	Direct Program			
15.266	PILT-Payment in Lieu of Taxes	N/A	37,685.00	57,865.00
	U.S. DEPARTMENT OF JUSTICE			
	Direct Program			
16.XXX	Equitable Sharing of Seized and Forfeited Property	N/A	9,009.04	1,454.97
	U.S. DEPARTMENT OF TRANSPORTATION			
	Passed Through State Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO020(7) BRO020(9)	- -	664,912.07 252,296.15
	Passed Through Missouri Safety Center			
20.601	Alcohol Impaired Driving Counter Measures Incentive Grants I	LKK073-NHTSA	3,160.73	-
20.600	State Community Highway Safety	LKK058-NHTSA	-	943.67
20.613	Child Safety and Child Booster Seats Incentive Grant	LKK040-NHTSA	-	471.81
20.607	Alcohol Open Container Requirements	LKK040-NHTSA	-	943.67
	ELECTION ASSISTANCE COMMISSION			
	Passed Through the Office of Secretary of State			
90.401	Help America Vote Act Requirements Payments	HAVA	888.37	-
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed Through the State Emergency Management Agency			
97.036	Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)	SEMA	-	520,677.78
97.004	State Domestic Preparedness Equipment Support Program	SEMA	89,547.00	-
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed Through the Missouri Department of Economic Development			
14.228	Community Development Block Grant	2006PF24 2009PF07	- -	222,740.67 285,750.00
	Total Expenditures of Federal Awards		<u>\$ 146,770.14</u>	<u>\$ 2,014,540.79</u>

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 NOTES TO EXPENDITURES OF FEDERAL AWARDS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

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NOTE 1 – BASIS OF PRESENTATION

A. Purpose of Schedule and Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

NOTE 2 – SUBRECIPIENTS

The County provided federal awards to the following subrecipients during the years ended December 31, 2010 and 2009:

Subrecipient	Program	CFDA #	2010	2009
Madison County Sheltered Work Shop	Community Development Block Grant	14.228	\$ -	\$ 222,740.67
Cherokee Pass Volunteer Fire Department	Community Development Block Grant	14.228	-	285,750.00
Total			\$ -	\$ 508,490.67

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
NOTES TO EXPENDITURES OF FEDERAL AWARDS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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NOTE 3 – NON MAJOR PROGRAM TEST

Per Revised Statutes of Missouri, § 513.653. Peace officers using federal forfeiture system, audit of federal seizure proceeds – copies provided to whom. – Law enforcement agencies involved in using the federal forfeiture system under federal law shall be required at the end of their respective fiscal year to acquire an independent audit of the federal seizures and the proceeds received therefrom and provide this audit to their respective governing body. A copy of such audit shall be provided to the state auditor’s office. This audit shall be paid for out of the proceeds of such federal forfeitures.

The federal forfeiture seizure program is tested during the current year, but not considered to be a major program.

THE COUNTY OF MADISON  
 FREDERICKTOWN, MISSOURI  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

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I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unqualified Regulatory Basis

2. Internal control over financial reporting:

a. Any material weakness(es) identified?                      2010  Yes     No

2009  Yes     No

b. Any significant deficiencies identified that are not considered to be material weaknesses?                      2010  Yes     None Reported

2009  Yes     None Reported

3. Any noncompliance material to financial statements noted?

2010  Yes     No

2009  Yes     No

B. Federal Awards

1. Internal control over major programs:

Any material weakness(es) identified?                      2010  Yes     No

2009  Yes     No

2. Any significant deficiencies identified that are not considered to be material weaknesses?

2010  Yes     None Reported

2009  Yes     None Reported

3. Type of auditor's report issued on compliance for major programs:

2010 - Unqualified

2009 - Unqualified

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

2010  Yes     No

2009  Yes     No



THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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II. FINANCIAL STATEMENT FINDINGS (continued)

FS 09/10-02 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions: The County follows procedures as set forth by the Missouri State Statutes. Furthermore, the County carries applicable liability insurance as well as office holders being bonded to help protect the County against fraudulent acts.

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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II. FINANCIAL STATEMENT FINDINGS (continued)

FS 9/10-03 Criteria: Bank reconciliations must be prepared monthly on a timely basis by the Prosecuting Attorney and Sheriff's Commissary accounts.

Condition: During our audit, we discovered that bank reconciliations were not prepared on a timely basis.

Context: This deficiency became apparent through our testing of the Prosecuting Attorney and Commissary cash accounts and the related reconciliations.

Effect: Not preparing timely bank reconciliations does not allow timely adjustments to the County's cash accounts.

Cause: Management has not prepared bank reconciliations on a timely basis.

Recommendation: We recommend that the Prosecuting Attorney and Sheriff Office Staff prepare monthly bank reconciliations and adjustments to the cash accounts.

Views of Responsible Officials and Planned Corrective Actions: The County will consider the auditor's recommendation.

FS 09/10-04 Criteria: Bank reconciliations must be prepared monthly on a timely basis by the Recorder's office.

Condition: We noted negative cash balances in the Recorder's office according to reconciliations.

Context: This deficiency became apparent through our testing of the Recorder's cash accounts and the related reconciliations.

Effect: Errors may go undetected if proper controls are not in place to review cash transactions.

Cause: Management does not place adequate emphasis upon reviewing cash transactions and preparing accurate reconciliations.

Recommendation: We recommend that the County Recorder prepare monthly bank reconciliations and adjustments to the cash accounts.

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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II. FINANCIAL STATEMENT FINDINGS (concluded)

Views of Responsible Officials and Planned Corrective Actions: The County will consider the auditor's recommendation.

FS 09/10-05 Criteria: Deposits must be made in a timely manner.

Condition: During our audit, we became aware through testing that the Prosecuting Attorney's office has failed to perform deposits in a timely manner.

Context: This deficiency became apparent through our testing of the Prosecuting Attorney's cash accounts and the related reconciliations.

Effect: The actual balances of the Prosecuting Attorney's accounts may be incorrect and distributions for restitution and bad checks may not be made in a timely manner.

Cause: The Prosecuting Attorney's office staff was not performing deposits in a timely manner.

Recommendation: We recommend that the Prosecuting Attorney's office prepare deposits in a timely manner.

Views of Responsible Officials and Planned Corrective Actions: The County will consider the auditor's recommendation.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The following findings, recommendations, and questioned costs are the results of the single audit of Madison County, Missouri for fiscal years ended December 31, 2010 and 2009. Each finding is referenced with a two-digit number representing the fiscal years audited, an "SA" to indicate that it is a single audit finding, and a sequential number. The findings are presented by federal program and are classified according to federal and state department, type of compliance requirement, category of internal control weakness, and category of noncompliance.

A. Category of Internal Control Weakness

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

1. Significant Deficiency: A significant deficiency in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

A. Category of Internal Control Weakness (concluded)

2. Material Weakness: A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

B. Category of Noncompliance Findings

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

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

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

C. Federal Award Findings and Questioned Costs

<b>SA 09/10-01</b>	Federal Grantor:	U.S. Department of Homeland Security
Other Information	Pass-Through Grantor:	State Emergency Management Agency
Significant Deficiency	Federal CFDA Number:	97.036
	Program Title:	Disaster Grant - Public Assistance Grant (Presidentially Declared Disasters)
	Federal Grantor:	U.S. Department of Housing and Urban Development
	Pass-Through Grantor:	Missouri State Department of Economic Development
	Federal CFDA Number:	14.228
	Program Title:	Community Development Block Grant

Information on the federal program: The Schedule of Expenditures of Federal Awards contained errors.

Criteria: OMB Circular A-133 requires the auditee to prepare the Schedule of Federal Expenditures and Awards.

Condition: Through auditing procedures, we were able to correct and support the amounts reported on the Schedule of Expenditures of Federal Awards (SEFA). Prior to these corrections, the Schedule of Expenditures of Federal Awards (SEFA) was prepared with incorrect financial information for the Disaster Grant – Public Assistance Grant (Presidentially Declared Disasters).

Also the amount that should have been reported for the Community Development Block Grant had been excluded from the SEFA.

Questioned Costs: Not applicable

Context: During the audit of federal programs we discovered a number of errors related to the Schedule of Expenditures of Federal Awards (SEFA).

Effect: No control monitoring or control over federal expenditures reporting, as required by *Governmental Accounting and Financial Reporting Standards*.

Cause: Adequate emphasis was not placed on the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Recommendation: The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements.

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

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III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (concluded)

B. Federal Award Findings and Questioned Costs (concluded)

Recommendation (concluded): The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's Office.

Views of responsible officials and planned corrective actions: The County will ensure that the Schedule of Expenditures of Federal Awards (SEFA) is correct.

<b>SA 09/10-02</b>	Federal Grantor:	U.S. Department of Justice
Other Information	Pass-Through Grantor:	N/A
Significant Deficiency	Federal CFDA Number:	16.XXX
	Program Title:	Equitable Sharing of Seized and Forfeited Property

Information on the federal program: The County was not compliant with the requirements of the Seized and Forfeited Property Program.

Criteria: Entities that receive funding from the Equitable Sharing of Seized and Forfeited Property program must comply with the program guidelines set forth through the Guide to Equitable Sharing for State and Local Law Enforcement Agencies.

Condition: Through correspondence with the County Sheriff's Office we became aware that the spending and reporting guidelines of the Equitable Sharing of Seized and Forfeited Property were not being met.

Questioned Costs: Not applicable

Context: We discovered the above issues during the audit of this program.

Effect: The County is non-compliant with the guidelines of this program. This may cause the County to be ineligible to participate in this program for future years.

Cause: The County had these funds segregated for several years and was not aware of the spending time frames and continued reporting requirements set forth by the Department of Justice.

Recommendation: The County should contact the Department of Justice for how to proceed due to the funds should have been spent in prior years.

Views of responsible officials and planned corrective actions: The County will ensure that the requirements of this program are met for future years.

THE COUNTY OF MADISON  
FREDERICKTOWN, MISSOURI  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010 AND 2009

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I. FOLLOW-UP PRIOR YEAR 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, 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.

Auditor's Evaluation: The County has implemented appropriate corrective action in the current year being audited.

07/08-02      Criteria: 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, 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  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010 AND 2009

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I. FOLLOW-UP PRIOR YEAR AUDIT 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.

Auditor's Evaluation: The County has not implemented appropriate corrective action in the current year being audited. See financial statement finding 09/10-01.

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.

Auditor's Evaluation: The County has not implemented appropriate corrective action in the current year being audited. See financial statement finding 09/10-2.

07/08-04      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  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010 AND 2009

---

I. FOLLOW-UP PRIOR YEAR AUDIT FINDINGS (concluded)

07/08-04      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.

Auditor's Evaluation: The County has implemented appropriate corrective action in the current year being audited.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – PRIOR YEAR

There were no prior year findings related to federal awards.



# Daniel Jones & Associates

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

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Commissioners  
County of Madison

In planning and performing our audit of the financial statements of the County of Madison (County) as of and for the years ended December 31, 2010 and 2009, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

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

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

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

County of Madison'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 the County Commission, County Officeholders, Missouri State Auditor and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Daniel Jones & Associates*

Daniel Jones & Associates, P.C.  
Certified Public Accountants  
July 19, 2011

## I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

FS 09/10-01 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

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

Context: During walkthroughs the County informed us that internal control documentation had not been prepared.

Effect: The new SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

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

Management's Response: The County follows procedures set forth by the Missouri State Statutes. At this time no formal document is required.

FS 09/10-02 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

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

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

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

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

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

**I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (continued)**

Management's Response: The County follows procedures as set forth by the Missouri State Statutes. Furthermore, the County carries applicable liability insurance as well as office holders being bonded to help protect the County against fraudulent acts.

FS 9/10-03

Criteria: Bank reconciliations must be prepared monthly on a timely basis by the Prosecuting Attorney's office.

Condition: During our audit, we discovered that bank reconciliations were not prepared on a timely basis.

Context: This deficiency became apparent through our testing of the Prosecuting Attorney's cash accounts and the related reconciliations.

Effect: Not preparing timely bank reconciliations does not allow timely adjustments to the County's cash accounts.

Cause: Management has not prepared bank reconciliations on a timely basis.

Recommendation: We recommend that the Prosecuting Attorney prepare monthly bank reconciliations and adjustments to the cash accounts.

Management Response: The County will consider the auditor's recommendation.

FS 09/10-04

Criteria: Bank reconciliations must be prepared monthly on a timely basis by the Recorder's office.

Condition: We noted negative cash balances in the Recorder's office according to reconciliations.

Context: This deficiency became apparent through our testing of the Recorder's cash accounts and the related reconciliations.

Effect: Errors may go undetected if proper controls are not in place to review cash transactions.

Cause: Management does not place adequate emphasis upon reviewing cash transactions and preparing accurate reconciliations.

Recommendation: We recommend that the County Recorder prepare monthly bank reconciliations and adjustments to the cash accounts.

Management Response: The County will consider the auditor's recommendation.

**I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (continued)**

FS 09/10-05      Criteria: Deposits must be made in a timely manner.

Condition: During our audit, we became aware through testing that the Prosecuting Attorney's office has failed to perform deposits in a timely manner.

Context: This deficiency became apparent through our testing of the Prosecuting Attorney's cash accounts and the related reconciliations.

Effect: The actual balances of the Prosecuting Attorney's accounts may be incorrect and distributions for restitution and bad checks may not be made in a timely manner.

Cause: The Prosecuting Attorney's office staff was not performing deposits in a timely manner.

Recommendation: We recommend that the Prosecuting Attorney's office prepare deposits in a timely manner.

Views of Responsible Officials and Planned Corrective Actions: The County will consider the auditor's recommendation.

<b>SA 09/10-01</b>	Federal Grantor:	U.S. Department of Homeland Security
Other Information	Pass-Through Grantor:	State Emergency Management Agency
Significant Deficiency	Federal CFDA Number:	97.036
	Program Title:	Disaster Grant - Public Assistance Grant (Presidentially Declared Disasters)
	Federal Grantor:	U.S. Department of Housing and Urban Development
	Pass-Through Grantor:	Missouri State Department of Economic Development
	Federal CFDA Number:	14.228
	Program Title:	Community Development Block Grant

Information on the federal program: The Schedule of Expenditures of Federal Awards contained errors.

Criteria: OMB Circular A-133 requires the auditee to prepare the Schedule of Federal Expenditures and Awards.

Condition: Through auditing procedures, we were able to correct and support the amounts reported on the Schedule of Expenditures of Federal Awards (SEFA). Prior to these corrections, the Schedule of Expenditures of Federal Awards (SEFA) was prepared with incorrect financial information for the Disaster Grant – Public Assistance Grant (Presidentially Declared Disasters).

Also the amount that should have been reported for the Community Development Block Grant had been excluded from the SEFA.

Questioned Costs: Not applicable

**I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (continued)**

Context: During the audit of federal programs we discovered a number of errors related to the Schedule of Expenditures of Federal Awards (SEFA).

Effect: No control monitoring or control over federal expenditures reporting, as required by *Governmental Accounting and Financial Reporting Standards*.

Cause: Adequate emphasis was not placed on the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Recommendation: The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements.

Recommendation: The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk’s Office.

Views of responsible officials and planned corrective actions: The County will ensure that the Schedule of Expenditures of Federal Awards (SEFA) is correct.

<b>SA 09/10-02</b>	Federal Grantor:	U.S. Department of Justice
Other Information	Pass-Through Grantor:	N/A
Significant Deficiency	Federal CFDA Number:	16.XXX
	Program Title:	Equitable Sharing of Seized and Forfeited Property

Information on the federal program: The County was not compliant with the requirements of the Seized and Forfeited Property Program.

Criteria: Entities that receive funding from the Equitable Sharing of Seized and Forfeited Property program must comply with the program guidelines set forth through the Guide to Equitable Sharing for State and Local Law Enforcement Agencies.

Condition: Through correspondence with the County Sheriff’s Office we became aware that the spending and reporting guidelines of the Equitable Sharing of Seized and Forfeited Property were not being met.

Questioned Costs: Not applicable

Context: We discovered the above issues during the audit of this program.

Effect: The County is non-compliant with the guidelines of this program. This may cause the County to be ineligible to participate in this program for future years.

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

*Cause:* The County had these funds segregated for several years and was not aware of the spending time frames and continued reporting requirements set forth by the Department of Justice.

*Recommendation:* The County should contact the Department of Justice for how to proceed due to the funds should have been spent in prior years.

*Views of responsible officials and planned corrective actions:* The County will ensure that the requirements of this program are met for future years.

## II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

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

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

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

## III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

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

As stated in our engagement letter dated March 28, 2011, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the regulatory basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered County of Madison'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.

### III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (continued)

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

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 19, 2011.

#### Significant Audit Findings

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

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Madison are described in Note I to the financial statements. As described in Note X for the years ended December 31, 2010, and December 31, 2009, the County has elected to change its accounting method from a modified cash basis to the regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments and settlements pending (if applicable). The regulatory basis differs from the accounting principles generally accepted in the United States of America and is described in Note I of the Notes to the financial statements. The new method of accounting presentation was implemented to conform with Missouri State Law. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

#### Difficulties Encountered in Performing the Audit

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

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has 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.

**III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)**Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 19, 2011.

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.

During our testing we noted late fees on credit card statements. This was not considered to be a significant deficiency or a material weakness, but we consider it to be necessary to communicate to management.