



Claire McCaskill

Missouri State Auditor

September 2006

Lincoln County, Missouri

Years Ended

December 31, 2005 and 2004



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2006

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

The County Commission held several closed sessions during the two years ended December 31, 2005. Open session minutes typically will indicate the meeting is being closed, but the specific reason is not documented. In addition, minutes for some closed sessions were not taken, and the county did not document how some topics discussed in closed session were allowable under the law.

Payments were made to the Elsberry Road District and the Industrial Development Authority without proper written contracts. During the two years ended December 31, 2005, the county made payments totaling \$663,007 and \$510,096 to the special road district and appropriated \$18,000 to the IDA for advertisement and promoting economic development. The county also did not obtain documentation from the road district or the IDA of how these funds were expended.

The county donated two vans to not-for-profit organizations with no written contract indicating how the vehicles would be utilized by the organizations. In addition, the county appropriated \$18,000 to a senior citizen meals on wheels program without entering into a written contract. The Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution.

The Road and Bridge Department, Juvenile office, and County Commissioners do not maintain vehicle usage logs to document how vehicles are used. In addition, the Road and Bridge Department and the County Commission fill their vehicles from the county's bulk fuel tanks. The county does not maintain logs of fuel dispensed into these vehicles. Also, the County does not adequately monitor the records of fuel dispensed to the Sheriff Department's and Special Services Director's vehicles. Without adequate vehicle fuel and usage logs, the county cannot effectively monitor that vehicles are used for official business only, that maintenance and fuel costs for vehicles are reasonable, and that fuel and maintenance billings to the county represent legitimate and appropriate charges.

The county and Health Center do not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures

YELLOW SHEET

were understated by \$58,168 and by \$157,865 for the years ended December 31, 2005 and 2004, respectively.

In the Circuit Clerk's office, approximately \$3,800 received was not deposited. In September of 2005, an investigation was conducted by the Circuit Clerk's office with the help of a consulting firm, and one employee was placed on unpaid leave; however, the missing monies have not been recovered. Charges were filed against the employee and a trial began in June of 2006. The discrepancies were not detected due to various internal control weaknesses. While some changes were made, the Circuit Clerk's office does not account for the numerical sequence of manual receipt slips and trace all manual receipt slips to the JIS, nor does the Circuit Court adequately follow up on bonds posted by defendants who fail to make the required court appearances.

In the Collector's office, recordkeeping duties in the office have not been adequately segregated, and reconciliations are not performed between the partial payment ledger and the reconciled bank balance. In addition, monthly liability listings are not prepared and reconciled with cash balances. Commissions and fees withheld from one school district were computed incorrectly, due to an incorrect ratio being used resulting in approximately \$37,000 being over withheld from one school district and deposited into the General Revenue and Assessment Funds.

In the Sheriff's office, some monies are not deposited intact and accounting duties are not adequately segregated. In addition, the office does not have written contracts with some political subdivisions to house prisoners and a policy has not been established to follow-up on unpaid incarceration costs. Commissary commissions are not turned over to the county treasury and monthly listings of liabilities for the Commissary Account are not adequately reconciled to the book balance. The reconciliation has two "unknown" categories; however, these "unknown" differences fluctuate each month and there was no documentation to indicate the changes had been properly investigated.

Other areas where concerns were noted related to computer controls and the property tax system. In addition, the audit included recommendations to the Prosecuting Attorney and the Law Library Custodian.

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

LINCOLN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Lincoln County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County, Missouri, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed more fully in Note 1, the county prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County, Missouri, as of December 31, 2005 and 2004, and the respective changes in financial position-cash basis thereof for the years then ended in conformity with the basis of accounting discussed in Note 1.

As discussed more fully in Note 1, for the years ended December 31, 2005 and 2004, the county implemented applicable provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 7, 2006, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required to accompany those financial statements. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Lincoln County, Missouri, and was not subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

July 7, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Carl Zilch Jr.
Audit Staff:	Zeb Tharp
	Heather Stiles
	Emily Hehmeyer



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Lincoln County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County, Missouri, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the county's basic financial statements, and have issued our report thereon dated July 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Lincoln County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

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

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

Claire McCaskill
State Auditor

July 7, 2006 (fieldwork completion date)

Management's Discussion and Analysis

LINCOLN COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2005 AND 2004

This discussion and analysis of Lincoln County's financial performance provides an overview of the county's financial activity for the years ended December 31, 2005 and 2004. The information below, prepared by the county's management, should be read in conjunction with the county's financial statements that immediately follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

The contents of this report comply with the presentation requirements of Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities—activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental revenues. The county has one business-like activity—activities financed wholly or partially by fees charged to external parties for goods or services. However, the financial statements of the Lincoln County Memorial Hospital are not included in the accompanying financial statements for its years ended December 31, 2005 and 2004. Such financial statements have been audited and separately reported on by other independent auditors.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other revenue sources. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

The County as Trustee

The county is the trustee, or fiduciary, for its trust and agency funds that are used to account for assets held by the county's elected officials in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The county's fiduciary assets are reported in a separate Fiduciary Funds Statement of Net Assets. Fiduciary funds are excluded from the county's other financial statements because the county cannot use these assets to finance its operations. The county is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Other Information

The report also includes as required supplementary information this Management's Discussion and Analysis and the Budgetary Comparison Schedule - General Fund and Major Special Revenue Funds - Cash Basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

In addition, the report includes the following components that are not a required part of the financial statements: the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the History, Organization, and Statistical Information.

FINANCIAL HIGHLIGHTS

- The county's total governmental receipts exceeded total expenses by \$886,294 in 2005 and \$822,160 in 2004.
- The county's governmental funds ended 2005 with a combined cash balance of \$7,782,617 and 2004 with \$6,896,323.

THE COUNTY AS A WHOLE

		Year Ended December 31,		
		2005	2004	2003
Net Assets	\$	7,782,617	6,896,323	6,321,755
Program Receipts		7,587,869	5,707,433	4,942,423
General Receipts		10,164,166	9,976,277	10,955,717
Disbursements		16,865,741	14,861,550	15,176,920
Change in Net Assets		886,294	822,160	721,220

For the 3 years disclosed, the increase in net assets was virtually the same. Therefore, there are no significant differences that need to be explained here.

THE COUNTY'S FUNDS

General Fund Budgetary Highlights

During 2004 and 2005 the county budget was not amended.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2005, the County had the following long-term debt:

On December 23, 1996, the County procured neighborhood improvement district (NID) bonds of \$163,000 for the Walker Road Community Project for road improvements. The remaining principal at December 31, 2005, is \$20,000.

On December 20, 2001, the County refinanced a bond of \$1,500,000 for jail improvement and \$2,500,000 for a justice center. The bond was financed with a sales tax increase for that purpose. The portion for the Jail Improvement was paid in full in October of 2005. The justice center portion will be paid until April of 2022. The remaining principal of December 31, 2005, is \$2,210,000.

On December 31, 2003, the County entered into a lease-purchase agreement of \$300,908 for the purchase of 16 police cars and 1 police van. The remaining principal at December 31, 2005, is \$100,781.

On March 31, 2005, the County entered into a lease-purchase agreement of \$106,343 for the purchase of 6 police cars. The remaining principal at December 31, 2005, is \$70,818.

On September 7, 2005, the County procured NID bonds of \$56,770 for the Wildoradoe Road Improvement Project for road improvements. At December 31, 2005, no payment has been made so the obligation remains at \$56,770.

On October 17, 2005, the County procured NID bonds of \$83,334 for Westmier Estates Neighborhood Improvement Project for road improvements. At December 31, 2005, no payment has been made so the obligation remains at \$83,334.

A special assessment is assessed annually to property owners within the NIDs for 10 years to finance the annual bond payments on the NID bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Lincoln County is the fastest growing county in Missouri and the sixty-fourth in the United States. With this rapid growth there are demands on the county that need to be met. A 5 percent increase in all county sales taxes is anticipated for 2006.

The increased cost of equipment, fuel, asphalt and road repairs that are required to meet the needs of the county has taken a financial toll on the Road and Bridge (R&B) Department budget. The administrative fee allowed through state statutes for R&B to transfer to General Revenue has not been budgeted, as sufficient funds have not been available to do this. Sufficient funds are not expected to be generated to meet the growing needs of the county for the maintenance and improvements of the Road and Bridge Department.

NIDs are increasing within Lincoln County for private subdivisions, and they continue to add additional duties within the County Clerk's office. The county is required to guarantee the bond payments for all NIDs.

The 911 communication center is funded through a 1.5 percent surtax on basic telephone service, dispatching for political subdivisions, and allocations from General Revenue. With the growth in Lincoln County, demands on 911 have increased rapidly, resulting in greater demands on the General Revenue Fund. In the future, the county is expected to ask voters for a sales tax to assist in funding 911 operations.

As the county population continues to increase, sufficient space and facilities to best serve the citizens in Lincoln County have become more difficult and will need to be addressed in the near future. The County Commission is considering the possibility of adding an additional facility by the justice center.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Questions about this report or requests for additional information should be addressed to Elaine Luck, Lincoln County Clerk, Lincoln County Courthouse, 201 Main Street, Troy, Missouri 63379, (636)528-6300.

Basic Financial Statements

Government-Wide Financial Statements

Exhibit A-1

LINCOLN COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ <u>7,782,617</u>
Total Assets	<u>7,782,617</u>
NET ASSETS	
Restricted	3,736,790
Unrestricted	<u>4,045,827</u>
Total Net Assets	<u>\$ <u>7,782,617</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

LINCOLN COUNTY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ <u>6,896,323</u>
Total Assets	<u>6,896,323</u>
NET ASSETS	
Restricted	3,394,854
Unrestricted	<u>3,501,469</u>
Total Net Assets	<u>\$ <u>6,896,323</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

LINCOLN COUNTY, MISSOURI
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
 YEAR ENDED DECEMBER 31, 2005

		Program Receipts		Net (Disbursements) Receipts and Changes in Cash Balances
	Disbursements	Charges for Services	Intergovernmental	Primary Government Governmental Activities
GOVERNMENTAL ACTIVITIES				
General county government	\$ 3,434,424	1,289,789	1,205,555	(939,080)
Roads and bridges	6,116,449	77,859	2,361,889	(3,676,701)
Public safety	6,610,655	2,452,916	181,443	(3,976,296)
Health and welfare	29,190	0	0	(29,190)
Debt service	675,023	0	18,418	(656,605)
 Total Governmental Activities	16,865,741	3,820,564	3,767,305	(9,277,872)
 Total Primary Government	\$ 16,865,741	3,820,564	3,767,305	(9,277,872)
GENERAL RECEIPTS				
Taxes				
Property taxes				1,904,663
Sales taxes				7,466,466
Telephone tax				433,014
Interest				239,944
Other				120,079
 Total General Receipts				10,164,166
 Change in Cash Balances				886,294
 NET ASSETS, JANUARY 1				6,896,323
 NET ASSETS, DECEMBER 31				\$ 7,782,617

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

LINCOLN COUNTY, MISSOURI
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CASH BASIS
 YEAR ENDED DECEMBER 31, 2004

		<u>Program Receipts</u>		Net (Disbursements) Receipts and Changes in Cash Balances
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Intergovernmental</u>	<u>Primary Government Governmental Activities</u>
GOVERNMENTAL ACTIVITIES				
General county government	\$ 2,770,420	1,181,863	805,149	(783,408)
Roads and bridges	5,267,171	93,862	1,118,978	(4,054,331)
Public safety	5,964,485	2,320,275	174,129	(3,470,081)
Health and welfare	134,722	0	0	(134,722)
Debt service	724,752	0	13,177	(711,575)
Total Governmental Activities	<u>14,861,550</u>	<u>3,596,000</u>	<u>2,111,433</u>	<u>(9,154,117)</u>
Total Primary Government	<u>\$ 14,861,550</u>	<u>3,596,000</u>	<u>2,111,433</u>	<u>(9,154,117)</u>
GENERAL RECEIPTS				
Taxes				
Property taxes				1,876,621
Sales taxes				7,392,435
Telephone tax				387,471
Interest				178,482
Other				141,268
Total General Receipts				<u>9,976,277</u>
Change in Cash Balances				822,160
NET ASSETS, JANUARY 1				<u>6,074,163</u>
NET ASSETS, DECEMBER 31				<u>\$ 6,896,323</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Fund Financial Statements

Exhibit C-1

LINCOLN COUNTY, MISSOURI
 GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
 DECEMBER 31, 2005

	General Fund	Special Road and Bridge Fund	Jail Improvement Fund	Law Enforcement Trust Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 4,045,827	341,872	2,623,270	285,655	485,993	7,782,617
Total Assets	<u>\$ 4,045,827</u>	<u>341,872</u>	<u>2,623,270</u>	<u>285,655</u>	<u>485,993</u>	<u>7,782,617</u>
FUND BALANCES						
Unreserved	\$ 4,045,827					4,045,827
Unreserved special revenue funds		341,872	2,623,270	285,655		3,250,797
Unreserved reported in nonmajor funds					485,993	485,993
Total Fund Balances	<u>\$ 4,045,827</u>	<u>341,872</u>	<u>2,623,270</u>	<u>285,655</u>	<u>485,993</u>	<u>7,782,617</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

LINCOLN COUNTY, MISSOURI
 GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS
 DECEMBER 31, 2004

	General Fund	Special Road and Bridge Fund	Jail Improvement Fund	Law Enforcement Trust Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 3,501,469	571,657	2,004,383	370,690	448,124	6,896,323
Total Assets	<u>\$ 3,501,469</u>	<u>571,657</u>	<u>2,004,383</u>	<u>370,690</u>	<u>448,124</u>	<u>6,896,323</u>
FUND BALANCES						
Unreserved	\$ 3,501,469					3,501,469
Unreserved special revenue funds		571,657	2,004,383	370,690		2,946,730
Unreserved reported in nonmajor funds					448,124	448,124
Total Fund Balances	<u>\$ 3,501,469</u>	<u>571,657</u>	<u>2,004,383</u>	<u>370,690</u>	<u>448,124</u>	<u>6,896,323</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D-1

LINCOLN COUNTY, MISSOURI
 GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 YEAR ENDED DECEMBER 31, 2005

	General Fund	Special Road and Bridge Fund	Jail Improvement Fund	Law Enforcement Trust Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property taxes	\$ 657,593	1,247,070	0	0	0	1,904,663
Sales taxes	2,102,429	2,102,431	1,022,850	2,238,756	0	7,466,466
Intergovernmental	335,777	1,103,810	0	181,443	1,926,108	3,547,138
Telephone tax	0	0	0	0	433,014	433,014
NID special assessment	0	0	0	0	80,063	80,063
Charges for services	1,090,276	77,859	0	2,163,505	488,924	3,820,564
Interest	112,449	21,891	67,927	8,316	29,361	239,944
Bond proceeds	0	0	0	0	140,104	140,104
Other	8,449	10,306	2,213	12,659	86,452	120,079
Total Receipts	4,306,973	4,563,367	1,092,990	4,604,679	3,184,026	17,752,035
DISBURSEMENTS						
General county government	2,316,393	0	0	0	1,118,031	3,434,424
Roads and bridges	0	4,866,449	0	0	1,250,000	6,116,449
Public safety	728,510	0	71,603	4,617,245	1,193,297	6,610,655
Health and welfare	0	0	0	0	29,190	29,190
Debt service	256,884	0	402,500	0	15,639	675,023
Total Disbursements	3,301,787	4,866,449	474,103	4,617,245	3,606,157	16,865,741
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	1,005,186	(303,082)	618,887	(12,566)	(422,131)	886,294
OTHER FINANCING SOURCES (USES)						
Transfers in	0	73,297	0	0	471,500	544,797
Transfers out	(460,828)	0	0	(72,469)	(11,500)	(544,797)
Total Other Financing Sources (Uses)	(460,828)	73,297	0	(72,469)	460,000	0
NET CHANGE IN CASH BALANCES	544,358	(229,785)	618,887	(85,035)	37,869	886,294
CASH BALANCES, JANUARY 1	3,501,469	571,657	2,004,383	370,690	448,124	6,896,323
CASH BALANCES, DECEMBER 31	\$ 4,045,827	341,872	2,623,270	285,655	485,993	7,782,617

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D-2

LINCOLN COUNTY, MISSOURI
 GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 YEAR ENDED DECEMBER 31, 2004

	General Fund	Special Road and Bridge Fund	Jail Improvement Fund	Law Enforcement Trust Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property taxes	\$ 679,201	1,197,420	0	0	0	1,876,621
Sales taxes	2,059,295	2,059,288	1,091,293	2,182,559	0	7,392,435
Telephone tax	0	0	0	0	387,471	387,471
NID special assessment	0	0	0	0	13,772	13,772
Intergovernmental	209,215	1,107,106	0	155,269	626,071	2,097,661
Charges for services	999,428	93,862	0	2,072,752	429,958	3,596,000
Interest	79,083	36,759	38,151	7,513	16,976	178,482
Other	29,454	6,774	0	9,410	95,630	141,268
Total Receipts	4,055,676	4,501,209	1,129,444	4,427,503	1,569,878	15,683,710
DISBURSEMENTS						
General county government	2,082,541	0	0	0	687,879	2,770,420
Roads and bridges	0	5,237,218	0	0	29,953	5,267,171
Public safety	607,886	0	108,891	4,308,648	939,060	5,964,485
Health and welfare	0	0	0	0	134,722	134,722
Debt service	306,882	0	398,730	0	19,140	724,752
Total Disbursements	2,997,309	5,237,218	507,621	4,308,648	1,810,754	14,861,550
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	1,058,367	(736,009)	621,823	118,855	(240,876)	822,160
OTHER FINANCING SOURCES (USES)						
Transfers in	122,186	65,292	0	0	380,000	567,478
Transfers out	(380,836)	(122,186)	0	(64,456)	0	(567,478)
Total Other Financing Sources (Uses)	(258,650)	(56,894)	0	(64,456)	380,000	0
NET CHANGE IN CASH BALANCES	799,717	(792,903)	621,823	54,399	139,124	822,160
CASH BALANCES, JANUARY 1	2,701,752	1,364,560	1,382,560	316,291	309,000	6,074,163
CASH BALANCES, DECEMBER 31	\$ 3,501,469	571,657	2,004,383	370,690	448,124	6,896,323

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E-1

LINCOLN COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2005

ASSETS

Cash	\$	<u>5,128,169</u>
Total Assets		<u>5,128,169</u>

NET ASSETS

Restricted		5,128,169
Unrestricted		<u>0</u>
Total Net Assets	\$	<u><u>5,128,169</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E-2

LINCOLN COUNTY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
DECEMBER 31, 2004

ASSETS

Cash	\$	<u>4,413,299</u>
Total Assets		<u>4,413,299</u>

NET ASSETS

Restricted		4,413,299
Unrestricted		<u>0</u>
Total Net Assets	\$	<u><u>4,413,299</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

LINCOLN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

As Note 1.C. discusses further, the accompanying financial statements of Lincoln County, Missouri, are presented in conformity with the cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments. The significant accounting policies related to those principles and used by the county are described below.

A. Reporting Entity

A financial reporting entity consists of (1) the primary government, (2) component units, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The primary government of Lincoln County consists of all funds, departments, offices, or organizations that are not legally separate from the county.

Component units are legally separate organizations for which the county government is financially accountable. The county is financially accountable for an organization if the county appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services provided or performed by the organization or (2) is legally entitled to and or can otherwise access the organization's resources; is legally obligated for or has otherwise assumed the obligation to finance the organization's deficits or provide financial support to it; or is obligated in some manner for the organization's debt. Component units also may include organizations that are fiscally dependent on the county because their budgets, tax levies, or debt issuances are approved by the county.

Based on application of the above criteria, the county has no component units.

B. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements display information about the county as a whole. These statements include the financial activities of the primary government, except for the activities of fiduciary funds. The primary government's financial activities are required to be classified as governmental or business-like. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees

charged to external parties for goods or services. The financial statements of the Lincoln County Memorial Hospital are not included in the accompanying financial statements for its years ended December 31, 2005 and 2004. Such financial statements have been audited and separately reported on by other independent auditors.

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the county's governmental activities. Direct disbursements are specifically associated with and clearly identifiable to a particular function. The county does not allocate indirect costs to those functions. Program receipts include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Receipts not classified as program receipts, including all taxes, are presented as general receipts. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

2. Fund Financial Statements

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and nonmajor funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts, or disbursements of an individual fund are at least 10 percent of the corresponding element total for all funds of that type, and (c) any other fund that county officials believe is particularly important to financial statement users.

The accompanying financial statements are structured into two categories of funds—governmental and fiduciary. Governmental funds are those through which most governmental functions typically are financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds are as follows:

General Fund: The General Fund is the primary operating fund of the county, accounting for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Road and Bridge Fund: This fund accounts for property tax collections and other receipts that are legally restricted to disbursements for road and bridge purposes.

Jail Improvement Sales Tax Fund: This fund accounts for sales tax collections that are legally restricted to disbursements for jail improvements.

Law Enforcement Trust Fund: This fund accounts for sales tax collections that are legally restricted to disbursements for law enforcement purposes.

The county's nonmajor governmental funds are also special revenue funds.

The financial statements of the Lincoln County Health Center and Community Opportunities Fund, special revenue funds, are not included in the accompanying financial statements for its years ended December 31, 2005 and 2004. Such financial statements have been audited and separately reported on by other independent auditors.

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

The agency funds include the County Collector's fund which has a fiscal year ending February 28; therefore, financial information for its reporting periods is included in the accompanying Statement of Fiduciary Net Assets.

C. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet

collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred.

The accounting treatment for specific account balances and transaction types is as follows:

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. Net assets are reported as restricted when limitations are imposed on their use through either the enabling legislation adopted by the County Commission or external restrictions imposed by creditors, grantors, or the laws and regulations of other governments. All other net assets are reported as unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available.

In the fund financial statements, equity is classified as fund balance and also may be displayed in two components: reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

Inventories and capital assets: Inventories include office, housekeeping, and road maintenance supplies. Capital assets consist of land, buildings, furniture, equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

Compensated absences: The county provides vacation and personal leave to its employees. Full-time county employees accrue vacation leave at one week per year for employees after one year of service, two weeks per year for two years through nine years of service, and three weeks per year for 10 years or more years of service. Employees may carry-over vacation leave to a maximum of 40 hours at their anniversary date. Any employee with benefits leaving the county service shall be compensated for vacation credit unused to the date of termination.

Full-time county employees starting after January 1, 2000, accrue personal leave at four hours per month and employees that started before January 1, 2000, accrue eight hours per month. Personal leave can be accumulated to a maximum of 480 hours. Any time required to be taken for illness must be taken as personal time. Upon termination of employment with the county, compensation for 50% of any unused accumulated personal leave, not to exceed one month's salary, will be paid if the

employee successfully completed a minimum of five consecutive years of employment with the county.

Vacation and personal leave amounts are reported as disbursements when they are paid. Accrued liabilities related to compensated absences and any employer-related costs earned and unpaid are not reflected in the government-wide or fund financial statements. The county has not restricted any net assets or reserved any fund balance for these commitments.

Other postemployment benefits: The county does not provide postemployment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). Under the COBRA the county provides health care benefits to eligible former employees and their dependents. The premiums are paid by the former employees. The county incurs no cost for these benefits.

Long-term debt: Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principal and interest are reported when disbursements are made.

D. Accounting Changes

For the years ended December 31, 2005 and 2004, the county implemented applicable provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*: This Statement amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 revises Statement No. 3's requirements regarding disclosure of custodial credit risk and establishes new requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

2. Deposits and Investments

Disclosures are provided below to comply with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand accounts, political subdivisions such as counties have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of county deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance

Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of state funds and held by either the county or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Lincoln County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County Treasurer's deposits at December 31, 2005 and 2004, and the County Collector's deposits at February 28, 2006 and 2005, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2005 and 2004, the county had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

3. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments (except some cities). Collections for other governments and remittances to those governments are accounted for in various County Treasurer's agency funds.

4. Defined Benefit Pension Plan

Plan Description

Lincoln County contributes to the County Employees' Retirement System (CERS), a mandatory cost-sharing multiple-employer public employee retirement system for Missouri counties, excluding first-class counties with a charter form of government and any city not within a county. The CERS, a defined benefit plan, provides retirement and death benefits to its members and is administered in accordance with Sections 50.1000 through 50.1300, RSMo. Responsibility for the operation and administration of the system is vested in the CERS Board of Directors. The CERS issues a publicly available financial report that

includes financial statements and required supplementary information. Copies of the report may be requested from:

County Employees' Retirement System
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Funding Policy

Before January 1, 2003, members, except for those who participated in the Local Government Employees Retirement System (LAGERS), were required to make contributions equal to 2 percent of gross compensation. Effective January 1, 2003, in addition to the prior contribution requirements, members hired on or after February 25, 2002, must contribute 4 percent if they participate in the LAGERS and 6 percent if they do not participate in it. If an employee terminates employment before attaining 8 years of creditable service, the CERS refunds the accumulated contributions to the employee. The contribution rate is set by statute.

In addition, the CERS receives a portion of delinquent property tax penalties, penalties for late filing of personal property tax declarations, a portion of document recording fees, a portion of fees for merchants and manufacturers licenses, and any interest derived from the collection and investment of any part of the penalties and fees. The Office of Secretary of State also collects and remits fees for certain filing transactions to the system. The county's contributions to the CERS for the years ending December 31, 2005, 2004, were \$131,286, and \$137,936, respectively, equal to the required contributions for each year.

5. Defined Contribution and Deferred Compensation Plans

Plan Description

Lincoln County offers employees the opportunity to participate in the CERS defined contribution plan and Internal Revenue Code (IRC) Section 457 deferred compensation plan. The plans' provisions and contribution requirements are established and may be amended only by the Missouri General Assembly. Pension plan members are eligible to participate.

Contributions

Pension plan members who are not LAGERS members are required to contribute 0.7 percent of gross compensation to the defined contribution plan. Contributions of \$96,163 and \$93,836 were made during the years ended December 31, 2005 and 2004, respectively. Participation in the deferred compensation plan is voluntary, and the employee elects the contribution level, subject to the limitations of IRC Sections 401(a) and 457. The CERS Board of Directors decides if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the deferred compensation plan. The amount of any matching contribution is determined by the Board and is limited to 50 percent of a non-LAGERS member's (25

percent of a LAGERS member's) voluntary contributions to the deferred compensation plan, up to 3 percent of the non-LAGERS member's (2.5 percent for the LAGERS member's) compensation. Matching contributions for the years ended December 31, 2005 and 2004, were \$30,147 and \$28,651, respectively.

Administration

Maintenance of individual member accounts and custody of assets have been contracted to a third-party administrator and investment custodian, respectively. The counties send member contributions directly to the third-party administrator. Members have several options for investing their contributions and respective share of matching contributions.

6. Interfund Transfers

Interfund transfers, the flow of assets from one fund to another when repayment is not expected, are reported as transfers in and out. The county made the following interfund transfers:

		Year Ended December 31, 2005	
		Transfers In:	
		Special Road and Bridge Fund	Nonmajor Governmental Funds
Transfers Out:			
General Fund	\$	828	460,000
Law Enforcement Trust Fund		72,469	0
Nonmajor Governmental Funds		0	11,500

		Year Ended December 31, 2004		
		Transfers In:		
		General Fund	Special Road and Bridge Fund	Nonmajor Governmental Funds
Transfers Out:				
General Fund	\$	0	836	380,000
Special Road and Bridge Fund		122,186	0	0
Law Enforcement Trust Fund		0	64,456	0

Interfund transfers occurred primarily because they were statutorily required or allowed—for example, transfer of an administrative service fee to the General Fund from the Special Road and Bridge Fund or contribution of General Fund monies to the Assessment Fund to pay for assessment and equalization maintenance costs not met by other sources of receipts.

7. Prior Period Adjustments

The cash balance for other governmental funds at January 1, 2004, as previously stated has been decreased by \$263,336 to reflect the following funds previously included:

<u>Funds</u>	<u>Balance</u>
Special Elections	\$ 2,561
Unclaimed Fees	7,766
Fines	215,154
OverPlus	22,343
Prosecuting Attorney Retirement	412
CERF	8
Cemetery	6,173
Investment Holding	8,919
Total	\$ <u>263,336</u>

In addition, the cash balance for other governmental funds at January 1, 2004, as previously stated has been increased by \$5,023 and \$10,745 to reflect the Circuit Clerk JCV Fund and the CDBG Fund, respectively, which were not previously included.

8. Risk Management

The county carries commercial insurance for various risks of loss to which it is exposed, including risks related to torts; theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees; and employees' health and life. No significant reductions in coverage were made since December 31, 2003, and settlements have not exceeded coverage in the past 3 years.

The county is a participant in the Missouri Public Entity Risk Management Fund, a body corporate and politic created and governed by Sections 537.700-537.756, RSMo. The purpose of the fund is to provide liability protection to participating public entities and their officials and employees. Annual contributions are collected based on actuarial projections sufficient to pay losses and expenses. Should contributions not be sufficient to meet the fund's obligations, the fund's board can make special assessments. Participants are jointly and severally liable for all claims against the fund.

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

9. Commitments and Contingencies

As of December 31, 2005, the county's legal counsel indicated a potential claim against the county. The instance involved a potential wrongful death claim against a county employee. The potential liability to the county cannot be determined at this time.

10. Related Organizations

The County Commission is responsible for appointing the members of the board of another organization, but the county's accountability for this organization does not extend beyond making the appointments. The County Commission appoints the board members of the Industrial Development Authority Board of Lincoln County. The county allocated \$18,000 to the Industrial Development Authority in 2005.

Required Supplementary Information

Schedule 1

LINCOLN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2005				2004			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget-- Favorable	Original	Final	Cash Basis	Final Budget-- Favorable
GENERAL REVENUE FUND								
RECEIPTS								
Property taxes	\$ 723,000	723,000	657,593	(65,407)	606,850	606,850	679,201	72,351
Sales taxes	2,100,000	2,100,000	2,102,429	2,429	1,900,000	1,900,000	2,059,295	159,295
Intergovernmental	322,448	322,448	335,777	13,329	246,566	246,566	209,215	(37,351)
Charges for service	1,031,025	1,031,025	1,090,276	59,251	1,070,025	1,070,025	999,428	(70,597)
Interest	70,000	70,000	112,449	42,449	70,000	70,000	79,083	9,083
Other	5,000	5,000	8,449	3,449	2,300	2,300	29,454	27,154
Transfers in	0	0	0	0	143,817	143,817	122,186	(21,631)
Total Receipts	4,251,473	4,251,473	4,306,973	55,500	4,039,558	4,039,558	4,177,862	138,304
DISBURSEMENTS								
County Commission	239,350	239,350	159,219	80,131	160,600	160,600	155,075	5,525
County Clerk	187,140	187,140	165,382	21,758	189,000	189,000	155,899	33,101
Elections	261,380	261,380	44,776	216,604	130,400	130,400	107,236	23,164
Buildings and grounds	283,500	283,500	205,163	78,337	238,500	238,500	194,162	44,338
Employee fringe benefits	184,900	184,900	219,532	(34,632)	301,000	301,000	260,896	40,104
County Treasurer	63,468	63,468	61,113	2,355	67,240	67,240	63,675	3,565
County Collector	273,550	273,550	229,615	43,935	259,120	259,120	237,208	21,912
Recorder of Deeds	254,685	254,685	244,988	9,697	202,600	202,600	180,963	21,637
Circuit Clerk	161,300	161,300	75,050	86,250	141,000	141,000	81,444	59,556
Justice Center	247,940	247,940	184,665	63,275	95,360	95,360	170,253	(74,893)
Court administration	172,150	172,150	167,718	4,432	129,450	129,450	66,875	62,575
Public Administrator	49,000	49,000	48,743	257	48,470	48,470	47,399	1,071
Prosecuting Attorney	524,280	524,280	508,905	15,375	439,900	439,900	439,857	43
Juvenile Officer	190,890	190,890	181,499	9,391	177,781	177,781	132,870	44,911
County Coroner	45,200	45,200	38,106	7,094	41,100	41,100	35,159	5,941
Surveyor	4,500	4,500	2,164	2,336	9,500	9,500	6,276	3,224
Special services	97,158	97,158	87,958	9,200	76,256	76,256	59,539	16,717
Other	427,559	427,559	420,307	7,252	338,339	338,339	295,641	42,698
Debt service	375,000	375,000	256,884	118,116	365,725	365,725	306,882	58,843
Transfers out	869,438	869,438	460,828	408,610	901,234	901,234	380,836	520,398
Emergency Fund	125,745	125,745	0	125,745	116,860	116,860	0	116,860
Total Disbursements	5,038,133	5,038,133	3,762,615	1,275,518	4,429,435	4,429,435	3,378,145	1,051,290
Net Change in Cash Balances	(786,660)	(786,660)	544,358	1,331,018	(389,877)	(389,877)	799,717	1,189,594
CASH BALANCE, JANUARY 1	3,501,469	3,501,469	3,501,469	0	2,701,772	2,701,772	2,701,752	(20)
CASH BALANCE, DECEMBER 31	\$ 2,714,809	2,714,809	4,045,827	1,331,018	2,311,895	2,311,895	3,501,469	1,189,574

Schedule 1

LINCOLN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2005				2004			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Cash Basis	Final Budget-- Favorable (Unfavorable)	Original	Final	Cash Basis	Final Budget-- Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>								
RECEIPTS								
Property taxes	\$ 1,241,000	1,241,000	1,247,070	6,070	1,213,700	1,213,700	1,197,420	(16,280)
Sales taxes	2,100,000	2,100,000	2,102,431	2,431	1,900,000	1,900,000	2,059,288	159,288
Intergovernmental	1,096,000	1,096,000	1,103,810	7,810	1,094,200	1,094,200	1,107,106	12,906
Charges for service	78,000	78,000	77,859	(141)	83,000	83,000	93,862	10,862
Interest	15,000	15,000	21,891	6,891	42,000	42,000	36,759	(5,241)
Other	179,000	179,000	10,306	(168,694)	396,000	396,000	6,774	(389,226)
Transfers in	78,000	78,000	73,297	(4,703)	65,000	65,000	65,292	292
Total Receipts	4,787,000	4,787,000	4,636,664	(150,336)	4,793,900	4,793,900	4,566,501	(227,399)
DISBURSEMENTS								
Road and bridge maintenance	3,339,392	3,339,392	3,136,754	202,638	3,099,400	3,099,400	3,075,115	24,285
Road construction	1,570,000	1,570,000	1,372,270	197,730	1,430,000	1,430,000	1,785,760	(355,760)
Equipment	362,760	362,760	259,493	103,267	700,000	700,000	318,837	381,163
Other	75,000	75,000	97,932	(22,932)	70,000	70,000	57,506	12,494
Transfers out	0	0	0	0	143,817	143,817	122,186	21,631
Total Disbursements	5,347,152	5,347,152	4,866,449	480,703	5,443,217	5,443,217	5,359,404	83,813
Net Change in Cash Balances	(560,152)	(560,152)	(229,785)	330,367	(649,317)	(649,317)	(792,903)	(143,586)
CASH BALANCE, JANUARY 1	571,657	571,657	571,657	0	1,364,560	1,364,560	1,364,560	0
CASH BALANCE, DECEMBER 31	\$ 11,505	11,505	341,872	330,367	715,243	715,243	571,657	(143,586)
<u>JAIL IMPROVEMENT FUND</u>								
RECEIPTS								
Sales taxes	\$ 1,200,000	1,200,000	1,022,850	(177,150)	1,000,000	1,000,000	1,091,293	91,293
Interest	35,000	35,000	67,927	32,927	20,000	20,000	38,151	18,151
Other	0	0	2,213	2,213	0	0	0	0
Total Receipts	1,235,000	1,235,000	1,092,990	(142,010)	1,020,000	1,020,000	1,129,444	109,444
DISBURSEMENTS								
Jail repair and maintenance	80,000	80,000	71,603	8,397	150,000	150,000	108,876	41,124
Other	0	0	0	0	15	15	15	0
Debt service	403,000	403,000	402,500	500	398,730	398,730	398,730	0
Total Disbursements	483,000	483,000	474,103	8,897	548,745	548,745	507,621	41,124
Net Change in Cash Balances	752,000	752,000	618,887	(133,113)	471,255	471,255	621,823	150,568
CASH BALANCE, JANUARY 1	2,004,383	2,004,383	2,004,383	0	1,382,560	1,382,560	1,382,560	0
CASH BALANCE, DECEMBER 31	\$ 2,756,383	2,756,383	2,623,270	(133,113)	1,853,815	1,853,815	2,004,383	150,568

Schedule 1

LINCOLN COUNTY, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - CASH BASIS

	Year Ended December 31,							
	2005				2004			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Cash Basis	Final Budget-- Favorable (Unfavorable)	Original	Final	Cash Basis	Final Budget-- Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRUST FUND</u>								
RECEIPTS								
Sales taxes	\$ 2,200,000	2,200,000	2,238,756	38,756	2,000,000	2,000,000	2,182,559	182,559
Intergovernmental	167,000	167,000	181,443	14,443	161,000	161,000	155,269	(5,731)
Charges for service	2,357,500	2,357,500	2,163,505	(193,995)	1,808,000	1,808,000	2,072,752	264,752
Interest	5,000	5,000	8,316	3,316	5,000	5,000	7,513	2,513
Other	3,800	3,800	12,659	8,859	3,800	3,800	9,410	5,610
Transfers in	0	0	0	0	150,000	150,000	0	(150,000)
Total Receipts	<u>4,733,300</u>	<u>4,733,300</u>	<u>4,604,679</u>	<u>(128,621)</u>	<u>4,127,800</u>	<u>4,127,800</u>	<u>4,427,503</u>	<u>299,703</u>
DISBURSEMENTS								
Salaries	3,199,500	3,199,500	3,149,717	49,783	2,692,400	2,692,400	2,677,104	15,296
Employee benefits	450,000	450,000	528,333	(78,333)	784,400	784,400	655,234	129,166
Office expenses	229,000	229,000	200,151	28,849	240,000	240,000	207,505	32,495
Equipment	50,000	50,000	46,483	3,517	42,500	42,500	113,174	(70,674)
Vehicles and maintenance	280,000	280,000	257,399	22,601	180,000	180,000	227,533	(47,533)
Jail and kitchen	310,000	310,000	281,461	28,539	320,000	320,000	265,471	54,529
Interest expense	2,000	2,000	0	2,000	2,000	2,000	0	2,000
Other	222,000	222,000	153,701	68,299	155,000	155,000	162,627	(7,627)
Transfers out	78,000	78,000	72,469	5,531	65,000	65,000	64,456	544
Total Disbursements	<u>4,820,500</u>	<u>4,820,500</u>	<u>4,689,714</u>	<u>130,786</u>	<u>4,481,300</u>	<u>4,481,300</u>	<u>4,373,104</u>	<u>108,196</u>
Net Change in Cash Balances	(87,200)	(87,200)	(85,035)	2,165	(353,500)	(353,500)	54,399	407,899
CASH BALANCE, JANUARY 1	370,690	370,690	370,690	0	416,795	416,795	316,291	(100,504)
CASH BALANCE, DECEMBER 31	<u>\$ 283,490</u>	<u>283,490</u>	<u>285,655</u>	<u>2,165</u>	<u>63,295</u>	<u>63,295</u>	<u>370,690</u>	<u>307,395</u>

The accompanying Note to the Required Supplementary Information is an integral part of this information.

Note to the Required Supplementary Information

LINCOLN COUNTY, MISSOURI
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law. These budgets are adopted on the cash basis of accounting.

Other Supplementary Information

Schedule 2

LINCOLN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2005	2004
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Social Services -				
10.550	Food Donation	N/A	\$ 1,751	7,651
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9157	77,891	72,063
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Economic Development				
14.228	Community Development Block Grants/State' Program	2003PF10 2001PF31 20020PF32 2003PF14 2003PF02	0 3,045 362,172 381,615 0	111,700 57,153 4,750 3,506 2,972
	Program Total		<u>746,832</u>	<u>180,080</u>
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public safety Partnership and Community Policing Grant	2003UMWX0179	68,088	85,109
Passed through:				
State Department of Public Safety				
16.548	Title V-Delinquency Prevention Program	N/A	0	12,767
16.579	Byrne Formula Grant Program	2005DJBX0767	5,370	6,659
16.580	Cape Girardeau County -			
	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	SD-2002-08	42,228	46,574
State Department of Public Safety				
16.588	Violence Against Women Formula Grant	2004-VAWA-003	12,500	12,500
16.592	Local Law Enforcement Block Grants Program	02PT0251	0	2,000
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	0	887

Schedule 2

LINCOLN COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2005	2004
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Constructior	BRO- 057(9)	644,878	6,527
		BRO - 057(10)	30,759	0
		BRO - 057(11)	18,503	0
	Program Total		<u>694,140</u>	<u>6,527</u>
Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	LEPC	7,188	3,542
GENERAL SERVICES ADMINISTRATION				
Passed through state				
Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	1,115	110
Office of Secretary of State				
39.011	Election Reform Payment	N/A	0	20,170
ELECTIONS ASSISTANCE COMMISSION				
Passed through state Office of Secretary of State				
90.401	Help America Vote Act Requirements Payment	5C23156EL00001	5,242	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.217	Family Planning Service	N/A	42,514	40,891
93.268	Immunization Grants	N/A	49,877	57,090
93.283	Centers for Disease Control and Preventior Investigations and Technical Assistanc	3020A	112,282	91,060
Department of Social Services -				
93.556	Promoting Safe and Stable Familie	N/A	0	873
93.563	Child Support Enforcemen	N/A	29,946	27,627
93.658	Foster Care - Title IV-E	N/A	0	283

Schedule 2

LINCOLN COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2005	2004
Department of Health				
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-3157M	28,114	24,400
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through state Department of Public Safety				
97.004 *	Homeland Security Grant Program	N/A SLA	121,998 13,248 <u>135,246</u>	0 12,229 <u>12,229</u>
97.051	State and Local All Hazards Emergency Operations Planning	EMX-2003-CP2540	0	2,700
Total Expenditures of Federal Award:			\$ <u><u>2,060,324</u></u>	<u><u>713,792</u></u>

N/A - Not applicable

* These expenditures include awards made under CFDA number 97.004 and CFDA number 83.56.

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

Notes to the Schedule of Expenditures of Federal Awards

LINCOLN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. Amounts for Food Donation (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Immunization Grants (CFDA number 93.268) include the

original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

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

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

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

To the County Commission
and
Officeholders of Lincoln County, Missouri

Compliance

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

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

In our opinion, Lincoln County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 05-1.

Internal Control Over Compliance

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

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

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



Claire McCaskill
State Auditor

July 7, 2006 (fieldwork completion date)

Schedule

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

05-1.	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	2003PF10, 2001PF31, 2002PF32, 2003PF14, and 2003PF02
Award Year:	2005 and 2004
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-057(11), BRO-057(10), and BRO-057(9)
Award Year:	2005 and 2004
Questioned Costs:	Not applicable

The county does not have adequate procedures to track or report federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by \$343,000 and by \$86,000, for the years ended December 31, 2005 and 2004, respectively.

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

Expenditures relating to several federal grants were reported incorrectly or not included on the schedule. For example, in 2005, the county overstated expenditures by \$217,350 for the Highway Planning and Construction (CFDA 20.205) program, and included \$47,643 twice in 2004 for the Family Planning Services (CFDA 93.217) program. In addition, the county's SEFA included \$101,957 and \$48,625 in 2005 and 2004, respectively for Social Service Block Grants, which was a non-federal program and failed to include expenditures of \$20,170 for the Election Reform Payments (CFDA 39.011) and \$12,767 for the Title V Delinquency Prevention Program (CFDA 16.548) in 2004. Also, the wrong CFDA numbers and program titles were reported for some federal grant expenditures.

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

Similar conditions were noted in our prior report for the two years ended December 31, 2001. Although the County Clerk indicated they would implement the recommendations, the county has not improved these controls and procedures.

WE AGAIN RECOMMEND the County Commission and the County Clerk work to ensure the SEFA is complete and accurate. The County Commission should take steps to ensure other offices properly track federal awards, or consider appointing a county-wide grants coordinator.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and the County Clerk indicated:

We are going to keep track of expenditures of federal programs separately and have already started trying to obtain copies of all grant agreements to aid in preparing this schedule.

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

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

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

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

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

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

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

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

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

LINCOLN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County, Missouri, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the county's basic financial statements, and have issued our report thereon dated July 7, 2006. We also have audited the compliance of Lincoln County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 7, 2006.

Because the SB40 and Health Center are audited and separately reported on by other independent auditors, the related funds are not presented in the financial statements. However, we reviewed those audit reports and other applicable information for the years ended June 30, 2005 and 2004.

This Management Advisory Report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Lincoln County or of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1.	Budgets and Planning
-----------	-----------------------------

Budgets were not prepared for some county funds and actual disbursements exceeded budgeted amounts for several funds. In addition, the county has not developed a documented maintenance plan for roads and bridges to accompany the budgets.

- A. Budgets were not prepared for various county funds for the years ended December 31, 2005 and 2004. Some of the unbudgeted funds were new, while other funds were held outside the county treasury and no budgets were obtained or prepared for these funds. The County Clerk indicated she was not aware of the need for budgets for these funds.

Because some of the required budgets are not being provided, the county commissioners' ability to monitor overall county financial resources and make effective budgetary decisions is hindered. Chapter 50, RSMo, requires counties to prepare annual budgets for all funds and prohibits the expenditure of public funds without an approved budget that has been filed with the State Auditor's office.

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

Fund	Year Ended December 31,	
	2005	2004
Tax Maintenance Fund	\$ N/A	8,457
Prosecuting Attorney Delinquent Fund	2,089	3,102
Hungate Library Fund	1,000	4,498
Prosecuting Attorney Bad Check Fund	2,775	N/A
Time Fee Payment Fund	2,655	N/A

The county clerk indicated budget forms were provided to the officials and budgets prepared for these funds; however, these funds were controlled by the various officials, thus she could not monitor the level of disbursements, which were made as long as there was cash available in the funds.

Case law provides that strict compliance with county budget laws is required by county officials. If there are valid reasons which require excess disbursements (i.e., emergencies, unforeseen occurrences, and statutorily required obligations), amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. To improve the effectiveness of the budgets as a planning tool and ensure compliance with state law, budget to actual comparison reports need to be reviewed and used when making spending decisions throughout the year. If these funds were handled as other county funds, the County Commission and the County Clerk could more effectively monitor the budgets.

- C. An annual maintenance plan has not been prepared to document expected work on the county's roads and bridges. More than \$4,500,000 in receipts and disbursements are processed through the county's Special Road and Bridge Fund during a typical year. However, the budget document presents proposed activities in general categories which contain significant dollar amounts and do not provide details regarding specific projects or plans. The County Commission indicated the county typically is split into various zones to be worked throughout the year. If a situation needs immediate attention priority can be given to that county road or bridge; however, specifics are not documented in a plan, the commission minutes, or the budget message or made available to the public.

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

Conditions A and B were noted in a prior audit.

WE RECOMMEND the County Commission:

- A. And other county officials ensure budgets are prepared for all county funds.
- B. And other county officials monitor budgets carefully and refrain from approving disbursements which exceed budgeted amounts.
- C. Develop a road and bridge maintenance plan in conjunction with the annual fiscal budgets.

AUDITEE'S RESPONSE

The County Commission and County Clerk indicated:

- A. *We will try to implement this recommendation.*
- B. *We will try to handle these as other county funds.*
- C. *We were already doing an informal plan and getting public input on specific projects. In the future, we will do a formal plan.*

2. Commission Minutes

Reasons for closing meetings were not always documented. In addition, minutes of closed meetings held by the County Commission were not taken for some meetings.

The County Commission held several closed sessions during the two years ended December 31, 2005. Open session minutes typically will indicate the meeting is being closed, but the specific reason is not documented. In addition, minutes for some closed sessions were not taken. There appeared to be improvement in the documentation of closed meetings and reasons for closing the meeting after August of 2005. Without minutes of the closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that the various statutory provisions are being followed.

In addition, the county has not documented how some topics discussed in closed session are allowable under the law. For example, the County Commission discussed various county official's budgets in closed session. In addition, the County Commission discussed a bid on a piece of Road and Bridge equipment in closed session. By discussing and voting on topics in closed session, the public is denied the right to provide input on those decisions.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and requires

minutes be kept for all closed meetings. In addition, the Sunshine Law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

WE RECOMMEND the County Commission ensure the vote to close a session is documented in open minutes, along with the reason for closing the session and minutes are taken for all closed sessions. In addition, ensure the minutes document how topics discussed in closed sessions comply with state law.

AUDITEE'S RESPONSE

The County Commission indicated:

We have already made improvements and will continue work to implement this recommendation.

3. Contracts

The county did not always enter into written contracts when appropriate or monitor monies paid to other organizations. Some transactions were made with no contract and for which the county performed no monitoring and required no information from the political subdivisions to document the actual use of the monies:

A. Payments were made to the Elsberry Road District and the Industrial Development Authority (IDA) without proper written contracts. During the two years ended December 31, 2005, the county distributed a portion of its road and bridge revenues to the special road district in the county. Payments totaling \$663,007 and \$510,096 were made to the special road district during this period. In addition, the county appropriated \$18,000 to the IDA for advertisement and promoting economic development. The county also did not obtain documentation from the road district or the IDA of how these funds were expended.

There appears to be no statutory authority for the County Commission to make distributions to the special road districts or the IDA without some type of contractual agreement. Written agreements, along with obtaining documentation of how the funds were expended, would help ensure that monies distributed to other entities are expended in compliance with constitutional and statutory provisions and as intended by the County Commission.

B. The county donated two vans to not-for-profit organizations with no written contract indicating how the vehicles would be utilized by the organizations. In addition, the county appropriated \$18,000 to a senior citizen meals on wheels program without entering into a written contract.

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution. Without a written contract with the not-for-profit organizations that clearly indicates the public services being provided by these organizations, these subsidies and uses could be considered inappropriate.

Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of consideration to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written agreements should clearly outline expectations and provide a means for the county to monitor compliance with the contract terms, and provide protections for the county in the event of a dispute over the terms of the agreement.

WE RECOMMEND the County Commission enter into written contracts when appropriate and ensure that contracts contain adequate details and protections for the county. In addition, require entities receiving county funds to provide documentation of how the monies were expended.

AUDITEE'S RESPONSE

The County Commission indicated:

This recommendation has been implemented.

4. Property Tax System

The County Clerk does not maintain an account book or other records summarizing property tax transactions and changes. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector’s monthly and annual settlements. Such procedures are intended to establish some checks and balances related to the collection of property taxes. In addition, Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

WE RECOMMEND the County Clerk maintain records that summarize property tax system transactions and changes. In addition, the County Commission should consider using the account book to verify the annual settlements of the County Collector.

AUDITEE'S RESPONSE

The County Clerk indicated:

This recommendation has been implemented.

5. County Property Records and Procedures
--

County property records and procedures need improvement and vehicle and fuel usage logs were not maintained for some departments.

A. County property records and procedures need improvement. The County Clerk maintains overall county property records. Each year she sends a listing to county departments requesting they perform inspections and physical inventories, and submit inventory reports to document these efforts. The following problems regarding various county property records were noted:

- The County Clerk does not have procedures in place to track property purchases throughout the year and compare to inventory reports submitted by the various departments. As a result, some additions are not immediately entered into the county property records. The Road and Bridge Department and Sheriff's office do not immediately inform the County Clerk's office of additions to the records, thus the assets are not recorded until the annual physical inventory is conducted.
- Some fixed assets are not properly tagged or otherwise identified as county property. Property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.
- Some acquisition/disposition dates, purchase value, and serial numbers are not recorded in the county property records.
- Written authorization is not obtained from the County Commission for the disposition of county property.

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

Adequate county property records and procedures are necessary to meet statutory requirements, secure better internal control over county property, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging

of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft.

B. Records and monitoring procedures for county vehicles are not sufficient.

1. The Road and Bridge Department, Juvenile office, and County Commissioners do not maintain vehicle usage logs to document how vehicles are used. According to the county's current property insurance records, the county owns 39 Road and Bridge Department vehicles, 2 Juvenile office vehicles, and 1 County Commission vehicle that are to be used for county purposes. The county maintains vehicle maintenance logs for these vehicles which indicated various examples of mileage usage. Per the maintenance log, a Juvenile vehicle had been driven approximately 26,000 miles and a Road and Bridge Department dump truck had been driven approximately 74,000 miles, with no vehicle usage logs. In addition, the County Commission's vehicle was driven only approximately 2,100 miles from when it was purchased on October 24, 2005 thru March 29, 2006 (per the odometer).

Without adequate vehicle usage logs, the county cannot effectively monitor that vehicles are used for official business only, that maintenance and fuel costs for vehicles are reasonable, and that fuel and maintenance billings to the county represent legitimate and appropriate charges. In addition, without details regarding overall mileage and costs incurred for the various county vehicles, the county cannot evaluate 1) whether alternative methods for providing transportation (such as reimbursing for use of a personal vehicle) might result in lower costs, 2) the optimal number of county vehicles needed, 3) when vehicles need to be replaced, etc.

Vehicle usage logs should include information (i.e., employee, dates used, beginning and ending odometer readings, destination, and purpose) and operating costs information (fuel and maintenance). These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and evaluate operating costs. In addition, information on the logs should be reconciled to fuel and maintenance billings received by the county.

2. During the two years ended December 31, 2005, the county expended approximately \$338,500 and \$278,000 for fuel for the bulk tanks. The following problems regarding bulk fuel tanks were noted:
 - The Road and Bridge Department and the County Commission fill their vehicles from the county's bulk fuel tanks. The county does not maintain logs of fuel dispensed into these vehicles.
 - The Sheriff's Department and the Special Services Director fill their vehicles from a separate pump, which is set up with an electronic

system to track data used to calculate amounts to be reimbursed to the Road and Bridge Department. This electronic system allows personnel to enter information such as the odometer reading, vehicle number, etc., however, some of this information was missing from the reports. To provide adequate detail to monitor fuel usage, these reports should be reviewed to ensure personnel are entering the necessary information. In addition, there was no documentation indicating these reports were reviewed for reasonableness.

The county receives periodic billings when the vendor fills the bulk fuel tanks. Because fuel inventory records are not maintained, and fuel usage information is not complete, the county lacks the details needed to perform effective reconciliation procedures and evaluate reasonableness of fuel usage in various vehicles and equipment. The failure to perform proper reconciliations increases the possibility that improper billing amounts will be paid and the risk that theft or misuse of fuel could occur and not be detected.

Complete fuel inventory records and usage logs are needed to compile data required to perform effective reviews and reconciliations. To monitor the reasonableness and propriety of fuel usage and expenditures, the fuel usage logs should be periodically reviewed and recorded usage reconciled to fuel purchased and on hand. Failure to account for fuel usages could result in theft, or misuse.

Similar conditions were noted in a prior audit.

WE RECOMMEND:

- A. The County Clerk implement procedures for tagging and tracking new property items throughout the year, and ensure dispositions of county property are properly authorized.
- B.1. The County Commission require the preparation of usage logs for all county vehicles, and ensure proper reviews and reconciliations are performed.
- 2. The County Commission ensure the Road and Bridge Department maintains complete fuel inventory records, and that fuel usage logs are maintained for all vehicles and periodically reviewed for completeness and reasonableness of usage and reconciled to fuel purchased and on hand. In addition, review other alternatives for the vehicle used by the County Commission.

AUDITEE'S RESPONSE

The County Clerk indicated:

- A. *This recommendation is being implemented and will be completed by January 1, 2007.*

The County Commission indicated:

B1&2. These recommendations have been implemented.

6. Computer Operations and Controls
--

Computer systems and data are vulnerable to unauthorized use, modification or destruction. Our review of the computer operations and controls indicated the following areas where improvements are needed:

- A. The security of a password system is dependent upon keeping passwords confidential. However, passwords are not periodically changed in the Collector, Assessor, Prosecuting Attorney, and Recorder's office to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

Passwords are an effective, simple control to provide protection against improper access to computer systems and data. Passwords are important even in an environment where the computer is physically accessible only to county personnel. Passwords have been successfully providing security for computer systems for a long time. They are integrated into many systems and programs, and users are familiar with them. When properly managed in a controlled environment, passwords can provide effective security.

- B. The county does not have a formal emergency contingency plan for the computers within the offices of the Assessor, Collector, County Clerk, Recorder, and Prosecuting Attorney. As a result, the county has not made a formal arrangement for the use of backup facilities in the event of a disaster. Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Because of the official's degree of reliance on data processing, the need for contingency planning is evident.

Similar conditions were noted in a prior audit.

WE RECOMMEND the County Commission work with the:

- A. Collector, Assessor, Prosecuting Attorney, and Recorder to require passwords for all employees which are confidential and periodically changed to prevent unauthorized access to the county's computer systems and data.
- B. Assessor, Collector, County Clerk, Recorder, and Prosecuting Attorney to develop a formal contingency plan for the various computer systems.

AUDITEE'S RESPONSE

The County Commission indicated:

A&B. They will work with the officials to implement these recommendations.

The Prosecuting Attorney indicated:

A. I do not feel this is necessary for my office since only current employees have access to the office.

B. I will further review this recommendation.

The Recorder indicated:

A&B. These recommendations will be implemented.

The Assessor indicated:

A&B. I will review these recommendations.

The Collector indicated:

A. This recommendation will be implemented. I will establish a policy within 30 days to change passwords periodically.

B. I will followup with the County Commission. This recommendation will be implemented by the end of the year.

The County Clerk indicated:

B. This recommendation will be implemented.

Approximately \$3,800 received by the Circuit Clerk's office was not deposited or recorded in the Justice Information System, (JIS). Manual receipt slips are not traced to accounting records and the numerical sequence of the manual receipt slips are not accounted for properly. In addition, some bonds were not forfeited when defendants failed to make court appearances.

The Circuit Clerk processed approximately \$3,439,000 and \$2,907,000 in receipts in 2005 and 2004, respectively from fines and costs for criminal cases, filing fees for civil cases, bonds and court costs.

- A. The Circuit Clerk indicated that approximately \$3,800 received by her office was not deposited. In September of 2005, an investigation was conducted by the Circuit Clerk's office with the help of a consulting firm, and one employee was placed on unpaid leave; however, the missing monies have not been recovered. Charges were filed against the employee and a trial began in June of 2006.

The Circuit Clerk's investigation indicated some manual receipt slips issued between May of 2003 and August 2005 were not posted to their JIS. Periodically when the JIS had downtime, manual receipt slips were issued for monies collected and then posted to JIS when the system was back online. During this period, several of the manual receipt slips were not posted to the JIS. In addition, there was no documentation to show these receipts were deposited.

The discrepancies noted above were not detected on a timely basis due to various internal control weaknesses. As a result of the investigation, the Circuit Clerk's office implemented two changes in procedures: Employees who issue the manual receipt slip are required to post the information to the JIS (not let another employee perform these duties), and the Circuit Clerk's office now periodically reviews some of the manual receipt slips issued to ensure they have been posted to the JIS. Additional internal control weaknesses and recommendations are noted below.

- B. The Circuit Clerk's office does not account for the numerical sequence of manual receipt slips and trace the manual receipt slips to the JIS. After discovering the missing monies noted in part A, the Circuit Clerk's office began tracing some manual receipt slips to the JIS. Without issuing and accounting for prenumbered receipt slips for all monies collected, the court cannot ensure all monies collected are ultimately recorded and deposited.
- C. The Circuit Court does not adequately follow up on bonds posted by defendants who fail to make the required court appearances. Based on discussions with court personnel, it appears few, if any, bonds were forfeited during the audit period. Court personnel indicated these bonds were overlooked and they should have been brought

to the attention of the judge. Section 544.665, RSMo, provides that failure to appear results in forfeiture of any security which was given or pledged for a person's release.

The number of cases in which bond forfeitures were not made could not be quantified. The court does not have an adequate procedure in place to require bond forfeitures. Section 166.131, RSMo, provides for bond forfeiture monies to be distributed to the various school districts in the county. The court's procedure results in less revenue to the various school districts.

This condition was noted in a prior audit.

WE RECOMMEND:

- A. The Circuit Clerk attempt to obtain reimbursement for the monies stolen. The Circuit Clerk should continue to work with law enforcement officials to investigate this matter.
- B. The Circuit Clerk ensure the numerical sequence of manual receipt slips issued is accounted for properly and all manual receipt slips are posted to the JIS.
- C. The Circuit Judge work with the Prosecuting Attorney to implement adequate procedures to forfeit bonds when appropriate.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

- A. *This clerk was found guilty and the Judge ordered the suspended execution of a 5 year sentence, plus restitution. However, the clerk has filed an appeal.*
- B&C. *These recommendations have been implemented.*

8. County Collector's Controls and Procedures
--

Reconciliations are not performed between the partial payment ledger and the reconciled bank balance. In addition, monthly liability listings are not prepared and reconciled with cash balances, and commissions and fees withheld from one school district were computed incorrectly.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2006 and 2005, property taxes and other monies totaling approximately \$29,459,000 and \$27,812,000 million, respectively, were collected and distributed. A separate bank account is maintained for partial payments received.

- A. Monthly liability listings are not prepared and reconciled with cash balances.
1. The Collector does not perform a reconciliation between the partial payment ledger and the reconciled bank balance. A review of the partial payment ledger showed an account in which the Collector did not properly maintain the balance. As a result, this account appeared to contain a taxpayer overpayment of \$30, which should have been refunded.
 2. The County Collector does not prepare monthly listings of liabilities, and as a result liabilities are not reconciled to cash balances in his tax account. Upon request, the County Collector prepared a listing of liabilities to reconcile to the cash balances for February 28, 2006. The bank account was short approximately \$27 when compared to the listing of liabilities.

Monthly reconciliations of the cash balance to liabilities are necessary to ensure the cash balances are sufficient to cover liabilities. Without the preparation of such reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded. In addition, the practice of accepting partial payments increases the opportunity of errors and the loss of funds.

- B. For the years ended February 28, 2006 and 2005, the County Collector did not correctly compute commissions and fees withheld from property taxes for the Troy R-III School District. For the purposes of computing Proposition C withholdings, the County Collector computes ratios of unadjusted and adjusted school tax levies using information submitted by the school districts; however, the unadjusted tax levies were sometimes subsequently amended by the school districts and the County Collector indicated he was not always advised of the amended levies. As a result, an incorrect ratio was used when computing commissions and fees for the effect of Proposition C and approximately \$37,000 was over withheld from one school district and deposited into the General Revenue and Assessment Funds. This amount should be reimbursed to the Troy R-III School District and future Proposition C ratios should be computed correctly.

Section 50.338.2, RSMo (Proposition C), provides that if a reduction in a school district's operating levy causes a loss of revenue to any county official or county fund, that official or fund shall retain an additional amount from the school district's property tax collections to offset the loss. The County Collector should verify the unadjusted rates with the County Clerk's office periodically to ensure the proper ratios are used.

Similar conditions were noted in a prior audit.

WE RECOMMEND the County Collector:

- A.1. Ensure the partial payment ledger is reconciled to the bank balance periodically. Furthermore, the County Collector should consider discontinuing the practice of

accepting partial payments. If the decision is made to continue this practice, proper records should be maintained and all partial payment accounts should be closed on a timely basis.

2. Prepare a monthly listing of liabilities, reconcile this listing to the reconciled bank balance, investigate any unreconciled differences, and make the appropriate adjustments to correct any differences noted.
- B. Withhold \$37,000 from the General Revenue and Assessment Funds to be distributed to the Troy R-III School District, and ensure future Proposition C commissions are computed correctly. In addition, the County Collector should verify the school tax levies with the County Clerk's office.

AUDITEE'S RESPONSE

The Collector indicated:

- A. *These recommendations have been implemented.*
- B. *In the past I sent letters to the school districts to obtain their levies. After the problems noted in a previous report, I began obtaining the levies from the County Clerk; however, apparently I still did not obtain the final amended levies. I will discuss with the County Clerk when the final levies must be filed with her, and double check with her at that time to ensure the levies being used are correct.*

9. Prosecuting Attorney's Controls and Procedures
--

The Prosecuting Attorney's cash handling and receipt procedures are not adequate. Money orders are not restrictively endorsed immediately upon receipt and bad check fees are not transmitted to the County Treasurer in a timely manner.

The Prosecuting Attorney's Office processed approximately \$91,900 and \$68,000 for the years ended December 31, 2005 and 2004, respectively, in restitution, bad check fees, and traffic fines and court costs.

- A. Money orders received for restitution are not restrictively endorsed immediately upon receipt. They are endorsed when the payments are prepared for deposit. To reduce the risk of loss or misuse of funds, money orders should be restrictively endorsed immediately upon receipt.
- B. Monies received for bad check fees are not transmitted to the County Treasurer in a timely manner. Bad check fees averaging \$1,600 are transmitted to the County Treasurer approximately once a month. To reduce the risk of loss or misuse of funds, transmittals should be made intact on a timely basis.

Similar conditions were noted in a prior audit.

WE RECOMMEND the Prosecuting Attorney:

- A. Ensure all money orders are restrictively endorsed immediately upon receipt.
- B. Transmit all monies intact on a timely basis.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated:

- A. *This recommendation has been implemented.*
- B. *This recommendation will be implemented with turnover at least two times a month.*

10. Sheriff's Controls and Procedures
--

Some monies are not deposited intact and accounting duties are not adequately segregated. In addition, the office does not have written contracts with some political subdivisions to house prisoners and a policy has not been established to follow-up on unpaid incarceration costs. Also, commissary commissions are not turned over to the county treasury and monthly listings of liabilities for the Commissary Account are not adequately reconciled to the book balance.

The Sheriff's Office processed approximately \$2,798,000 and \$2,946,000 in 2005 and 2004, respectively, in inmate monies, fees, bonds, prisoner board, and commissary commissions.

- A. The following concerns were noted regarding processing of bonds and court fees:
 - 1. Some monies received are not deposited intact. Monies are normally collected each business day for serving Civil Papers; however, these monies are held by the Sheriff's office until the papers have been served. The Sheriff's office indicated monies are not transmitted because the charge to serve the papers could change based on number of trips and distance required. Once the Civil Papers have been served, the monies are transmitted to the Sheriff's Records Department for deposit.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact on a timely basis.

2. Cash custody and accounting duties have not been adequately segregated. Two clerks collect monies, record transactions, prepare deposits, prepare bank reconciliations, and review the accounting records. There are no documented reviews of the accounting records performed by the Sheriff.

Internal controls would be improved by segregating duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be performed, a periodic independent review of the records should be performed and documented.

- B. The Sheriff's office houses prisoners for other political subdivisions. The county received approximately \$1,960,000 and \$1,891,000 for housing prisoners during the years ended December 31, 2005 and 2004, respectively. The following concerns were noted regarding the housing of prisoners:

1. The county does not have written contracts with some political subdivisions for housing prisoners. The county entered into contracts with some cities, but there are no contracts with the City of Old Monroe and the local area counties. Varying rates are charged to the political subdivisions.

The County Commission and Sheriff should develop written contracts with those entities regarding inmate housing and related fees. The County Commission and Sheriff should periodically review the costs of operating the jail, including any indirect costs, and establish an appropriate billing rate for all political subdivisions housing prisoners in the county jail. Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. In addition to being required by statute, written contracts are necessary to document the duties and responsibilities of each party.

2. The Sheriff has not established a formal policy for collection efforts for unpaid incarceration costs billed to other political subdivisions. A clerk bills incarceration costs incurred by other political subdivisions, but does not keep a balance of total unpaid costs. Per Sheriff personnel, payments from the political subdivisions are compared to the invoices sent to the political subdivision.; however, the invoices are not organized in a manner to easily determine outstanding amounts due to the county.

The Sheriff should establish written procedures for collecting delinquent incarceration billings. Such procedures should consist of generating periodic reports of billings with balances due and follow up on those for which payments have not been received.

- C. The Sheriff's Department maintains personal monies for inmates in a bank account and operates a commissary from the same account. During the years ended

December 31, 2005 and 2004, the Sheriff's Office received approximately \$250,000 and \$207,000, respectively, in inmate monies and commissary commissions.

The following concerns were noted regarding this account:

1. The Sheriff's department deposits commissions on commissary and phone card sales in the Commissary Account, and uses these monies to purchase items for the office. The Sheriff's commissions from the commissary and phone card sales should be deposited into the county treasury and the County Commission should authorize the use of these funds. Section 50.370, RSM0, requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasury.
2. Monthly listings of open items (liabilities) are not adequately reconciled to the book balance. This reconciliation compares the inmates balances to the balance in the account, with adjustments for commissions received and purchases made using commissions. The following concerns were noted on the reconciliations prepared by the Sheriff's Department:
 - The amount of outstanding checks noted on the open items reconciliation did not agree to detailed listing of outstanding checks for the prisoner account.
 - The book balance on the open items reconciliation did not agree to the balance in the checkbook register.
 - The monthly lists of commissions received and disbursements from the commissions did not total correctly. In addition, in January 2005 a purchase of \$408 was not included on the schedule.

The reconciliation also has two "unknown" categories, one is shown under commissions and one is shown under purchases. These balances are accumulated by the clerk for any differences noted in the reconciliation each month. At December 31, 2005 and 2004, the "unknown" amount for commissions was approximately \$24,700 and \$12,700, respectively, and the "unknown" difference for purchases was approximately \$25,200 and \$15,921, respectively. The "unknown" differences fluctuate each month, however, there was no documentation to indicate the changes had been properly investigated.

Complete and accurate monthly reconciliations of open items and individual prisoner accounts to the reconciled bank balance are necessary to ensure the bank account is in agreement with the accounting records and to detect and

correct errors on a timely basis. Any fluctuations in the “unknown” categories should be properly reviewed and documented to ensure errors are properly noted and corrected.

Conditions A.1. and C were noted in a prior audit.

WE RECOMMEND the Sheriff:

- A.1. Ensure all receipts are deposited intact.
 - 2. Adequately segregate accounting duties or ensure periodic independent reviews are performed and documented.
- B.1. Establish a billing rate appropriate for housing inmates in the County jail, and enter into written contracts as required by law.
 - 2. Maintain a complete and accurate listing of delinquent incarceration amounts. In addition, formal procedures should be established and implemented for pursuing the collection of such delinquent amounts.
- C.1. Discontinue the practice of maintaining commissary and phone card commissions outside the county treasury. These monies should be turned over to the county treasury on a periodic basis.
 - 2. Adequately reconcile the monthly listing of open items to the book balance.

AUDITEE'S RESPONSE

The Sheriff indicated:

A.1. *I will research into obtaining some software changes to better document the audit trail.*

A.2&

C.1. *These recommendations have been implemented.*

B.1. *We have entered into a contract with city of Old Monroe. Local area governments have verbally agreed to not charge each other, except for unusual situations in which case the state rate will be billed.*

C.2. *We will look into establishing separate bank accounts for the vendor monies and commissary commissions to make this process easier.*

11.

Law Library Expenditures

Law Library funds were expended on items apparently not related to maintaining the law library. During January and June of 2004, four copy machines were purchased from the Law Library Fund, totaling approximately \$5,124. One copy machine was placed in the Law Library, while the other three were placed in the courtrooms for public use, at no charge. The Law Library Fund pays for the maintenance agreements for these copy machines.

Sections 488.426 through 488.429, RSMo, restrict Law Library Fund expenditures to disbursements for maintaining the law library. Effective August 28, 2004, these monies may also be used for courtroom renovation, technology enhancement or debt service on county bonds for such renovation or enhancement projects. The judge did not have documentation that these expenditures for copy machines complied with the state statutes.

WE RECOMMEND the Associate Circuit Judge ensure Law Library funds are expended in accordance with state law. In addition, the Law Library Fund should be reimbursed \$5,124 from other unrestricted county funds.

AUDITEE'S RESPONSE

The Associate Circuit Judge indicated:

We have reimbursed the Law Library Fund from the Circuit Clerk's Interest Fund. In the future we will be more careful to ensure law library monies are spent in accordance with state law.

Follow-Up on Prior Audit Findings

LINCOLN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Lincoln County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2001.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices

- A.1. Prior to amendments of various county budgets, expenditures had already exceeded the original budget.
- 2. Valid reasons which necessitated excess disbursements were not provided to support the amendments as required by law.
- B. Actual disbursements exceeded the original and/or amended budgeted amounts in various funds.

Recommendation:

The County Commission implement procedures to ensure budgets are properly amended if necessary, expenditures are kept within budgetary limits, budget amendments are properly made prior to incurring the actual expenditures, and valid reasons which necessitate excess disbursements are provided.

Status:

Not implemented. See MAR finding number 1.

2. County Officials' Compensation

Salaries for elected county officials increased significantly in January 1998 and 1999. The Lincoln County's Associate County Commissioners each received mid-term salary increases totaling approximately \$19,980 for the three years ended 2000. A subsequent Supreme Court decision held the statute unconstitutional.

Salary commission meeting minutes indicated that the salary increases for county officials were based on increases in assessed valuations. However, by using the salary schedules from the 1998 statutes (those changed by SB11), mid-term raises were in effect granted to those officials that had been elected in 1996.

Recommendation:

The County Commission review the impact of this court decision and develops a plan for obtaining repayment of the salary overpayments. In addition, county officials' compensation should be re-evaluated for propriety.

Status:

Partially implemented. Any increases in salary for county officials which were based on increases in assessed valuation were not done until the next term of the official during the two years ended December 31, 2005. In the prior audit, the Commission responded that the raises given to the Associate Commissioners in mid-term were authorized by Section 50.333.13 and approved by the Lincoln County Salary Commission. As a result, no further action was taken. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Protection of County Funds

The County Collector did not have adequate procedures to monitor and ensure monies in his various bank accounts were sufficiently collateralized. While the Collector indicated he did monitor collateral securities pledged, there were some unsecured funds.

Recommendation:

The County Collector develop procedures to monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage. Documentation of these efforts should be maintained.

Status:

Implemented.

4. General Fixed Assets and Vehicle Records

A.1. Property records did not always include all information applicable to the item. Information such as serial numbers, acquisition/disposition dates, and tag number was not always recorded. This information was missing from the officials' inventory listing and the County Clerk's master listing.

2. Some fixed assets were not properly numbered, tagged, or otherwise identified as county owned property.

3. Additions were not recorded on the officials' property records in a timely manner. In addition, additions to the records were not periodically reconciled to equipment purchases.

- B. The county did not require logs be maintained documenting fuel costs and vehicle usage for road and bridge pickups, the flood plain director's vehicle, or the County Commission's car.

Recommendation:

The County Commission:

- A. Establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and report to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all general fixed assets should be tagged or otherwise identified as county-owned property.
- B. Require usage logs be maintained for all county assigned vehicles and perform a periodic review of such.

Status:

A&B. Not implemented. See MAR finding number 5.

5. Computer Operations and Controls

- A. Passwords were used on most systems within the offices of the various elected officials: however, the assessor, collector and the county clerk's passwords were not changed on a periodic basis to ensure confidentiality.
- B. The county did not have a formal emergency contingency plan for the computers within the offices of the Assessor, Collector, County Clerk, Prosecuting Attorney, Recorder, Treasurer, and Sheriff.

Recommendation:

The County Commission work with the:

- A. Assessor, Collector, and County Clerk to ensure passwords are periodically changed and remain confidential.
- B. Assessor, Collector, County Clerk, Prosecuting Attorney, Recorder, Treasurer, and Sheriff to develop a formal contingency plan for the various computer systems.

Status:

- A. Partially implemented. Passwords are being changed for the County Clerk's office. Passwords are not being periodically changed for the Collector, Assessor, Prosecuting Attorney, and Recorder's office. See MAR finding number 6.
- B. Partially implemented. A formal contingency plan has been setup for the Treasurer and Sheriff's office. A contingency plan has not been setup for the County Clerk, Recorder, Assessor, Prosecuting Attorney, and Collector's office. See MAR finding number 6.

6. Circuit Clerk's Controls and Procedures

- A. Receipts were not deposited on a timely basis. Also, checks and money orders received for county fees were not restrictively endorsed immediately upon receipt.
- B. The Circuit Clerk did not adequately follow up on bonds posted by defendants who failed to make the required court appearances.
- C. Monitoring procedures related to accrued costs were not adequate.

Recommendation:

- A. The Circuit Clerk deposit receipts intact daily or when accumulated receipts exceed \$100 and ensure all checks and money orders are restrictively endorsed immediately upon receipt.
- B. The Circuit Judge work with the Prosecuting Attorney to implement adequate procedures to forfeit bonds when appropriate.
- C. The Circuit Judge work with the Circuit Clerk and the Probation and Parole Office to establish adequate procedures to monitor and collect accrued costs. Procedures should include generating periodic reports of cases with delinquent payments and/or significant balances due for the Circuit Judge's review.

Status:

- A&C. Implemented.
- B. Not implemented. See MAR finding number 7.

7. County Collector's Controls and Procedures

- A.1. One taxpayer owed real estate taxes which dated back to 1998, totaling over \$85,000.

2. The collector accepted payment in full for 2000 personal property taxes when the taxpayer still owed approximately \$540 for 1999 personal property taxes.
 3. The Collector did not perform a reconciliation between the partial payment ledger and the reconciled bank balance. As a result, there were several accounts that appeared to contain taxpayer overpayments, which should have been refunded.
- B. The County Collector did not correctly compute commissions and fees withheld from property taxes for the Elsberry R-II School District.

Recommendation:

The County Collector:

- A. Take action to pay out or otherwise resolve all the old partial payment accounts. In addition, the partial payment ledger should be reconciled to the bank balance periodically. Furthermore, the County Collector should consider discontinuing the practice of accepting partial payments. If the decision is made to continue this practice, proper records should be maintained and all partial payment accounts should be closed on a timely basis.
- B. Withhold \$10,000 from the General Revenue and Assessment Funds to be distributed to the Elsberry R-II School District, and ensure future Proposition C commissions are computed correctly.

Status:

- A. Partially implemented. The Collector took action to resolve old partial payment accounts; however, the partial payment ledger is not reconciled to the bank account. See MAR finding number 8.
- B. Partially implemented. The County Collector withheld and distributed the \$10,000 as recommended; however, a similar concern was noted in the current audit. See MAR finding number 8.

8. Prosecuting Attorney's Controls and Procedures

- A. Checks and money orders received for county fees were not restrictively endorsed immediately upon receipt by the Prosecuting Attorney's Office.
- B. Bad check fees were only turned over the Treasurer one or two times per month with most transmittals being over \$1,000.
- C. Bank reconciliations for the restitution account were not performed on a timely basis.

- D. The Prosecuting Attorney did not reconcile receipt slips issued to the restitution ledger.
- E. Old outstanding checks written on the Prosecuting Attorney's account totaled \$751.
- F. The Prosecuting Attorney maintained an index card which showed the balance on hand for each case; however, there was no documentation to indicate that these cards were reconciled to the cash balance.

Recommendation:

The Prosecuting Attorney:

- A. Ensure all checks and money orders are restrictively endorsed immediately upon receipt. In addition, documentation should be maintained for any noncheck disbursements.
- B. Transmit all monies received daily or when the accumulation of receipts exceeds \$100.
- C. Perform monthly bank reconciliations on the restitution bank account in a timely manner.
- D. Perform monthly reconciliations of the receipt book and the restitution ledger to ensure all records are in agreement.
- E. Investigate outstanding checks on a periodic basis. Any old outstanding checks, which remain unclaimed, should be disposed of in accordance with the applicable statutes.
- F. Ensure the open items are reconciled to the cash balance on a monthly basis.

Status:

- A&B. Not implemented. See MAR finding number 9.
- C&F. Implemented.
- D. Not implemented. Although not repeated in the current MAR, our recommendation remains stated above.
- E. Partially implemented. The Prosecuting Attorney's Office turned over the outstanding checks noted in the prior report; however, at December 31, 2005, there were 4 outstanding checks over one year old, totaling approximately \$798. Although not repeated in the current MAR, our recommendation remains stated above.

9. Sheriff's Controls and Procedures

- A.1. Checks and money orders received for county fees were not restrictively endorsed immediately upon receipt. In addition, some receipt slips issued did not indicate the method of payment received.
- 2. Approximately \$600 and numerous accounting records could not be located for the Record Check account. The former Sheriff's handwritten ledgers for the first six months of 2000 could not be located. During this time, there was no activity in the Record Check bank account. However, based on receipt slips issued, approximately \$600 in Record Check money was collected during this time. The former Sheriff's other bank accounts were searched for this money, but nothing was located. It was unclear if additional monies were missing since receipt slips were not issued in numerical sequence.
- B.1. The Sheriff's commissions from the commissary account were deposited into the Sheriff's Commissary account.
- 2. Monthly bank reconciliations of the commissary account were not performed and the monthly listing of open items (liabilities) was not being reconciled to the book balance. In addition, the total amount of prisoner monies in the Sheriff's commissary account was not reconciled to the individual prisoner balances.

Recommendations:

The Sheriff:

- A.1. Ensure all checks and money orders are restrictively endorsed immediately upon receipt. In addition, the method of payment should be indicated on all receipt slips issued.
- 2. Consult with the Prosecuting Attorney to determine the county's options in relation to any possible investigation of the unaccounted for cash, and ensure all records are properly retained and available for review and all receipts can be accounted for properly.
- B. Prepare monthly bank reconciliations and listings of open items for the commissary account. In addition, reconcile the individual prisoner balances to the total amount of prisoner monies in the account.

Status:

- A. Implemented. Additionally, the sheriff indicated he spoke with the Prosecuting Attorney but with no specific evidence, nothing was pursued.

- B. Partially implemented. A monthly bank reconciliation of the commissary account is prepared, but it does not reconcile to the book balance and listings of open items for the commissary account. In addition, the commissary commissions are maintained in the Sheriff's Commissary account. See MAR finding number 10.

STATISTICAL SECTION

History, Organization, and
Statistical Information

LINCOLN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1818, the county of Lincoln was named after Benjamin Lincoln, of Massachusetts. Lincoln County is a county-organized, third-class county and is part of the 45th Judicial Circuit. The county seat is Troy.

Lincoln County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 627 miles of county roads and 100 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 22,900 in 1980 and 38,944 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,					
		2005	2004	2003	2002	1985*	1980**
		(in millions)					
Real estate	\$	342.9	305.0	285.7	258.7	88.7	45.8
Personal property		133.1	125.9	124.2	125.2	18.4	14.3
Railroad and utilities		40.6	39.3	38.3	39.1	39.1	14.6
Total	\$	516.6	470.2	448.2	423.0	146.2	74.7

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Lincoln County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2005	2004	2003	2002
General Revenue Fund	\$.1282	.1275	.1392	.1277
Special Road and Bridge Fund *		.2585	.2600	.2600	.2600
Hospital Maintenance Fund		.1690	.1700	.1700	.1700
Hospital Debt Service Fund		.1800	.2000	.2100	.2200
Community Opportunities Board		.0994	.1000	.1000	.1700
Health Center		.1988	.2000	.2000	.2000

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	2006	2005	2004	2003
State of Missouri	\$ 155,525	145,185	134,983	127,202
General Revenue Fund	670,621	625,939	629,867	550,492
Road Funds	1,326,299	1,243,687	1,159,101	1,092,576
Assessment Fund	358,395	337,744	256,617	240,027
Health Center	1,018,581	955,163	888,188	823,119
Hospital	1,798,637	1,776,020	1,698,137	1,633,562
Communities Opportunities Board	509,296	478,112	445,318	419,650
Schools	18,813,101	17,489,385	16,315,046	15,342,075
Fire Districts	2,109,845	1,930,793	1,176,403	1,010,073
Ambulance District	843,001	1,111,363	1,246,887	1,175,014
Surtax	131,850	130,158	123,897	122,015
Surplus Fund	37,924	13,365	19,157	3,014
Drainage Districts	96,517	85,107	89,929	85,230
Neighborhood Improvement Districts	31,341	11,545	17,457	19,963
Cities	716,439	681,627	594,035	595,858
Clarence Cannon Water Shed	14,148	12,191	0	0
Tax Maintenance Fund	41,904	47,592	39,374	10,691
County Clerk	410	478	452	459
County Employees' Retirement	249,903	215,644	176,805	164,538
Commissions and fees:				
Assessor	11,409	10,838	10,037	9,494
Collector	13,438	12,624	11,898	11,278
General Revenue Fund	509,956	481,526	432,821	412,741
Total	\$ 29,458,540	27,796,086	25,466,409	23,849,071

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				%
	2006	2005	2004	2003	
Real estate	95	95	94	93	
Personal property	94	94	91	91	
Railroad and utilities	98	100	100	100	

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

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Road and Bridge Capital Improvement	.0050	2007	None	
Law Enforcement	.0050	None	None	
Law Enforcement Capital Improvement	.0025	2005	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2006	2005	2004	2003	2002
County-Paid Officials:	\$				
Sean O'Brien, Presiding Commissioner (1)		31,700	31,700	31,700	
Russell Cox, Presiding Commissioner					31,700
Marvin Himmel, Associate Commissioner		29,700	29,700	29,700	29,700
Jim Mayes, Associate Commissioner (2)		29,700			
Edward J. Huber, Jr., Associate Commissioner			29,700	29,700	29,700
Dottie Crenshaw, Recorder of Deeds (3)		45,000	45,000	45,000	
Elaine Luck, County Clerk		45,000	45,000	45,000	45,000
G. John Richards, Prosecuting Attorney		96,000	96,000	96,000	96,000
Daniel Torres, Sheriff		50,000	50,000	50,000	50,000
Betsy Calvin, County Treasurer (4)		33,300	33,300	33,300	
Betty McClellan, Treasurer					33,300
Robert L. Shramek, Sr., County Coroner		16,000			
John Lenk, County Coroner			16,000	16,000	16,000
Sarah Burkemper, Public Administrator		45,000	45,000	45,000	45,000
Claude Cox, County Collector (5), year ended February 28 (29),	59,788	57,624	56,898	56,278	
Harold Creech, County Assessor (6), year ended August 31,		55,000	55,298	54,344	52,795
William Shea, Jr., County Surveyor (7)					

(1) Elected on January 1, 2003.

(2) Elected on January 1, 2005.

(3) Recorder's office was split from the Circuit Clerk's office starting in January 2003.

(4) Elected on January 1, 2003.

(5) Includes commissions from drainage districts and cities totaling \$13,438, \$12,624, \$11,898, \$11,278, and \$10,784 in 2006, 2005, 2004, 2003, and 2002, respectively.

(6) Includes \$688, \$746, \$866, and \$900 in state salary and \$10,000, \$10,298, \$9,344, and \$7,795 for printing city taxes, in 2005, 2004, 2003, and 2002, respectively.

(7) Compensation on a fee basis.

State-Paid Officials:

Melba J. Houston, Circuit Clerk	48,500	47,900	47,300	47,300
T, Bennett Burkemper, Associate Circuit Judge	96,000	96,000	96,000	96,000
Amy Kinker, Associate Circuit Judge	96,000	96,000	92,000	
Patrick Flynn, Associate Circuit Judge			4,000	96,000

The county entered into a lease purchase agreement with Peoples Bank and Trust on December 20, 2001. The terms of the agreement call for the county to lease the building for the new Judicial Center from Peoples Bank and Trust with lease payments equal to the amount due to retire indebtedness. The remaining principal due on the lease at December 31, 2005, was \$2,210,000.

The county has established four neighborhood improvement districts. General obligation bonds which were issued to finance the projects had remaining principal due at December 31, 2005 of \$160,104. Although these are general obligation bonds, special assessments were levied on the property located in the districts to pay the debt principal and interest.