

In the opinion of MCDOWELL, RICE, SMITH & GAAR, a Professional Corporation, Kansas City, Missouri, Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the Bonds (including any original issue discount allocable to an owner thereof) is excluded from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Corporation has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS" herein.

OFFICIAL STATEMENT
\$4,500,000
MORGAN COUNTY, MISSOURI, PUBLIC FACILITIES AUTHORITY
LEASEHOLD REVENUE BONDS
SERIES 1998
(MORGAN COUNTY JUSTICE CENTER PROJECT)

Dated: September 1, 1998

Due: A detailed maturity schedule is set forth on the inside front cover

Principal is payable at the principal corporate trust office of UMB Bank, N.A., Kansas City, Missouri, as trustee (the "Trustee"). Principal will be payable annually on September 1 of each year, beginning on September 1, 1999. Interest will be payable semiannually on March 1 and September 1, beginning on March 1, 1999, by check or draft mailed to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth (15th) day of the month preceding the applicable interest payment date, or under certain circumstances, by electronic transfer of funds.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases will be made only in book-entry form through the DTC Participants (as herein defined) except as described herein. Payment of principal, redemption premium, if any, and interest on the Bonds will be made to Beneficial Owners by DTC through its Participants. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondowners or registered owners of the Bonds shall mean Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are being issued by the Morgan County, Missouri, Public Facilities Authority, a Missouri nonprofit corporation (the "Corporation"), under a Trust Indenture dated as of September 1, 1998 (the "Indenture") by and between the Corporation and the Trustee. The Bonds are special, limited obligations of the Corporation, payable solely from Rental Payments to be made by Morgan County, Missouri (the "County") and other moneys derived by the Corporation pursuant to the annually renewable Lease described herein. The Bonds are secured by a pledge of such Rental Payments and other moneys under the Indenture and by the assignment of the Corporation's interests in the Lease and Site Lease, as described herein. The County intends to satisfy its obligation to make Rental Payments out of revenues generated from a 1/2-cent law enforcement sales tax and other available moneys of the County. THE COUNTY HAS NOT, HOWEVER, PLEDGED THE SALES TAX OR ANY OTHER MONEYS TO THE PAYMENT OF THE BONDS.

The Bonds do not constitute a debt or liability of the County, the State of Missouri or of any political subdivision thereof and do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. THE PAYMENT OF THE BONDS IS SUBJECT TO ANNUAL APPROPRIATIONS BY THE COUNTY. THE ISSUANCE OF THE BONDS DOES NOT OBLIGATE THE COUNTY TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT IN ANY YEAR SUBSEQUENT TO A YEAR IN WHICH THE LEASE IS IN EFFECT. The Corporation has no taxing power. See the caption "SECURITY FOR THE BONDS" herein.

The Bonds are subject to optional redemption prior to maturity on September 1, 2008 and thereafter, as more fully described herein. The Term Bonds are subject to sinking fund redemption, as described herein. The Bonds are subject to extraordinary optional redemption at any time under certain circumstances, as described herein.

The Bonds are offered when, as and if issued by the Corporation, subject to the approval of legality by McDowell, Rice, Smith & Gaar, a Professional Corporation, Kansas City, Missouri, Bond Counsel, and certain other conditions. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about September 29, 1998.



The date of this Official Statement is September 28, 1998.

MATURITY SCHEDULE

**\$2,405,000 PRINCIPAL AMOUNT
SERIAL BONDS**

<u>Maturity Date</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Maturity Date</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
1999	\$ 185,000	3.850%	3.850%	2004	\$ 245,000	4.500%	4.500%
2000	205,000	4.050%	4.050%	2005	255,000	4.600%	4.600%
2001	215,000	4.200%	4.200%	2006	265,000	4.700%	4.700%
2002	225,000	4.300%	4.300%	2007	280,000	4.800%	4.800%
2003	235,000	4.400%	4.400%	2008	295,000	4.850%	4.850%
(Plus Accrued Interest)							

**\$2,095,000 AGGREGATE PRINCIPAL AMOUNT
TERM BONDS**

<u>Maturity Date</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2011	\$ 970,000	5.150%	5.150%
2014	1,125,000	5.200%	5.200%
(Plus Accrued Interest)			

MORGAN COUNTY, MISSOURI

Morgan County Courthouse
Versailles, Missouri 65084

COUNTY COMMISSION

Presiding Commissioner

Stanley "Sid" Merriott

Commissioner - Eastern District

Rodney Schad

Commissioner - Western District

Alvin Nolting

COUNTY CLERK

Donna Chasteen

PUBLIC FACILITIES AUTHORITY

Chair and Member

Stanley "Sid" Merriott

Vice Chair and Member

Rodney Schad

Member

Alvin Nolting

Secretary

Donna Chasteen

BOND COUNSEL

McDowell, Rice, Smith & Gaar,
a Professional Corporation
Kansas City, Missouri

UNDERWRITER

Kirkpatrick Pettis
Kansas City, Missouri

No dealer, broker, salesman, or other person has been authorized by the County or the Underwriter to give any information or to make any representations with respect to the Bonds offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been furnished by the County and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. All quotations from, and summaries and explanations of, provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the respective dates as of which information is given herein.

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OFFICIAL STATEMENT

\$4,500,000

**MORGAN COUNTY, MISSOURI, PUBLIC FACILITIES AUTHORITY
LEASEHOLD REVENUE BONDS
SERIES 1998
(MORGAN COUNTY JUSTICE CENTER PROJECT)**

INTRODUCTION

This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.

General

The purpose of this Official Statement is to furnish information in connection with the offering and sale by the Morgan County, Missouri, Public Facilities Authority, a Missouri nonprofit corporation (the "Corporation"), of its Leasehold Revenue Bonds, Series 1998 (Morgan County Justice Center Project), in the aggregate principal amount of \$4,500,000 (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture dated as of September 1, 1998 (the "Indenture"), by and between the Corporation and UMB Bank, N.A., Kansas City, Missouri (the "Trustee"). The Bonds are being issued for the purpose of providing law enforcement and courthouse facilities for Morgan County, Missouri, a third class county of the State of Missouri (the "County"), including (a) to pay the costs of constructing, furnishing and equipping a justice center (the "Facilities") on real property owned by the County, and (b) to pay related Bond issuance costs as described herein. See the captions "THE PROJECT" and "USE OF BOND PROCEEDS" herein.

Plan of Financing

Pursuant to the terms of a Lease Agreement dated as of September 1, 1998 (the "Lease"), between the Corporation and the County, (a) the County will lease certain real estate (the "Project Site") to the Corporation pursuant to a Site Lease dated as of September 1, 1998, between the County and the Corporation (the "Site Lease"), (b) the Corporation will use the proceeds of the Bonds to reimburse the County for the cost of constructing, furnishing and equipping the Facilities on the Project Site, and (c) the Corporation will lease the Project Site and the Facilities (collectively, the "Project") to the County for an initial term ending December 31, 1998 (the "Initial Term"), with successive one-year renewal options (the "Renewal Terms"), and a final Renewal Term ending September 1, 2014. Each Renewal Term is subject to annual budget appropriations by the County Commission.

The Bonds will be payable solely from the rents, revenues and receipts received by the Corporation under the Lease for the use of the Project, from condemnation awards, from certain reserves and interest earnings on moneys in certain funds held by the Trustee, from moneys derived from the lease of the Project or portions thereof after a default under the Lease and not from any other fund or source of the Corporation. Pursuant to the Indenture, the Corporation will pledge and assign such rents, revenues and receipts and other moneys to the payment of the Bonds and the interest thereon. Payments under the Lease are designed to be sufficient, together with other funds

available for such purpose, to pay when due the principal of, redemption premium, if any, and interest on the Bonds. In addition, the Corporation will assign all of its rights, title and interest in and to the Site Lease, the Lease and the Project to the Trustee for the benefit of the owners of the Bonds (the "Registered Owners").

The County intends to satisfy its obligation to make Rental Payments out of revenues generated from a ½-cent law enforcement sales tax within the County, which was approved by a majority of the voters in the County voting on the question at an election held on November 4, 1997, for the purpose of providing law enforcement services for the County, together with other available funds of the County. The ballot question was as follows: "Shall the County of Morgan impose a county wide sales tax of one-half of one percent (½ of 1%) for a period of 20 years for the purpose of providing law enforcement services throughout the county including: the construction, furnishing, operation and maintenance of a Justice Center." Neither the sales tax nor other funds are, or can be, pledged to the payment of the Bonds. The tax became effective April 1, 1998, pursuant to statutory authority, and is effective for twenty (20) years, unless earlier repealed by the vote of a majority of the voters of the County voting upon such repeal. Pursuant to R.S. Mo. Section 67.582, all revenues derived by the County from this tax must be deposited in a special trust fund and used solely for providing law enforcement services for the County. Proceeds of this tax are not, however, required to be used to make Rental Payments under the Lease.

Limited Obligations

Payments made by the County under the Lease are payable solely from amounts which may be, but are not required to be, appropriated annually by the County. Neither the Bonds, the Lease nor any payments required under the Lease constitute a mandatory payment obligation of the County in any year beyond the year during which the County is a lessee under the Lease, or constitute or give rise to a general obligation or other indebtedness of the County. The County is not legally obligated to budget or appropriate moneys for any fiscal year beyond the current fiscal year or any subsequent fiscal year in which the Lease is in effect, and there can be no assurance that the County will appropriate funds to make Rental Payments or renew the Lease after the Initial Term or any Renewal Term of the Lease. The County will have the option to purchase the Corporation's interest in the Project, subject to optional redemption provisions as described herein.

The Bonds and the interest thereon shall be special, limited obligations of the Corporation payable solely out of the rental payments, additional payments and other payments, revenues and receipts derived by the Corporation under the Lease (including, in certain circumstances, Bond proceeds and income from the temporary investment thereof, moneys on deposit in the Bond Reserve Fund held by the County and income from the investment thereof, and proceeds from insurance and condemnation awards), and are secured by a pledge and assignment of the trust estate under the Indenture (the "Trust Estate") to the Trustee in favor of the Registered Owners of the Bonds, as provided in the Indenture.

The Bonds do not constitute a debt or liability of the County or of the State of Missouri or of any political subdivision thereof and do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Bonds does not obligate

the County to levy any form of taxation therefor or to make any appropriation for their payment in any fiscal year subsequent to a fiscal year in which the Lease is in effect. The Corporation has no taxing power.

Additional Bonds

The Indenture provides for the future issuance of Additional Bonds which, if issued, would rank on a parity with the Bonds and any other Additional Bonds then Outstanding under the Indenture, but only if certain requirements of the Indenture are met. See "THE BONDS - Additional Bonds" and the caption "THE INDENTURE - Additional Bonds" in Appendix A hereto.

Definitions and Descriptions; Inspection of Documents

All capitalized terms used in this Official Statement not defined in the text hereof are defined under in Appendix A to this Official Statement. Brief descriptions of the Bonds, the Lease, the Site Lease, the Indenture and certain other matters are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease, the Site Lease and the Indenture are qualified in their entirety by reference to such documents, copies of which may be viewed at the offices of Kirkpatrick Pettis, 4435 Main, Suite 950, Kansas City, Missouri 64111, and following delivery of the Bonds, at the principal corporate trust office of the Trustee, UMB Bank, N.A., 928 Grand Avenue, Kansas City, Missouri 64106, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Bonds are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Lease and the Indenture. See "DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS" in Appendix A to this Official Statement.

THE BONDS

Authorization

The Bonds are being issued pursuant to the Indenture and pursuant to and in full compliance with the constitution and laws of the State of Missouri and pursuant to proceedings duly had by the Corporation.

Description

The Bonds will be dated September 1, 1998, are being issued in the principal amount of \$4,500,000 and will bear interest at the rates per annum set forth on the cover page hereof, payable semiannually on March 1 and September 1 of each year beginning on March 1, 1999, and mature annually on September 1 of each year beginning on September 1, 1999, in the principal amounts set forth on the cover page hereof. The Bonds are issuable as fully registered Bonds without coupons in the denominations of \$5,000 or any integral multiple hereof. Principal of the Bonds is payable at the principal corporate trust office of the Trustee located in the City of Kansas City, Missouri. The interest

payable on each Bond on any interest payment date shall be paid to the person in whose name such Bond is registered at the close of business on the fifteenth (15th) day of the month next preceding an interest payment date (the "Record Date") for such interest (a) by check or draft mailed by the Trustee to such Registered Owner at the address shown on the bond registration books (the "Bond Register") or (b) in the case of an interest payment to any Registered Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Registered Owner upon written notice given to the Trustee by such Registered Owner, not less than fifteen (15) days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account number to which such Registered Owner wishes to have such transfer directed.

Exchange, Transfer and Registration of Bonds

The Bonds are transferable only upon the Bond Register upon **surrender** of the Bonds duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or such Owner's agent in a form satisfactory to the Trustee. Bonds may be exchanged for other Bonds of any denomination authorized by the Indenture in the same aggregate principal amount, series and maturity, upon presentation to the Trustee, subject to the terms, conditions and limitations set forth in the Indenture. The Trustee may make a change for every such transfer or exchange sufficient to reimburse the Trustee for any tax or other governmental charge required to be paid with respect to any such exchange or transfer.

Redemption Provisions

Optional Redemption. The Bonds, including portions thereof, maturing on September 1, 2009 and thereafter are subject to redemption and payment prior to maturity by the Corporation, at the option of the County, on and after September 1, 2008, as a whole at any time, or in part on any interest payment date (the maturities and principal amounts of Bonds of each maturity to be redeemed to be designated by the County), at a redemption price of 100% of the principal amount of the Bonds being called for redemption, plus accrued interest thereon to the redemption date:

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 2011 are subject to mandatory sinking fund redemption in part by lot in the amounts and on the dates, at the redemption price of 100% of the principal amount so redeemed plus accrued interest thereon to the redemption date, without premium, as follows:

<u>Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2009	\$ 305,000
September 1, 2010	325,000
September 1, 2011*	340,000

*Final Maturity

The Term Bonds maturing on September 1, 2014, are subject to mandatory sinking fund redemption in part by lot in the amounts and on the dates, at the redemption price of 100% of the principal amount so redeemed plus accrued interest thereon to the redemption date, without premium, as follows:

<u>Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2012	\$ 355,000
September 1, 2013	375,000
September 1, 2014*	395,000

*Final Maturity

In the event of a partial redemption of the Bonds maturing on September 1, 2011 or September 1, 2014 pursuant to an Optional Redemption or an Extraordinary Optional Redemption as described herein, each future sinking fund redemption payment will be reduced as designated by the County, or in the absence of such designation, by an amount proportional to the amount originally established for such future sinking fund redemption date, rounded to the nearest \$5,000 amount.

Extraordinary Optional Redemption. The Bonds are to be subject to redemption and payment prior to the stated maturity thereof by the Corporation, at the option of the County, as a whole or in part on any date, at a redemption price of 100% of the principal amount of the Bonds being called for redemption, plus accrued interest to the redemption date, upon the occurrence of any of the following conditions or events:

- (a) if title to, or the use for a limited period of, the Project is condemned by any authority having the power of eminent domain;
- (b) if title to the Project is found to be deficient or nonexistent to the extent that the efficient utilization of the Project by the County is impaired;
- (c) if substantially all of the Project is damaged or destroyed by fire or other casualty;
or
- (d) if as a result of changes in the Constitution of Missouri, or of legislative or administrative action by the State of Missouri or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Site Lease, the Lease or the Indenture becomes void or unenforceable, or impossible of performance without unreasonable delay, or in any other way, by reason of such occurrences, unreasonable burdens or excessive liabilities are imposed on the County or the Corporation.

Selection of Bonds to be Redeemed. Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the Outstanding Bonds of any series are to be redeemed and paid prior to maturity, such Bonds shall be redeemed in the order of maturity determined by the Corporation, Bonds of less than a full maturity to be selected by the Trustee in \$5,000 units of face value in such equitable manner as the Trustee may determine.

Trustee's Duty to Redeem Bonds. The Trustee shall call Bonds for redemption and payment as provided in the Indenture and shall give notice of redemption as provided therein upon written request of the Corporation with the consent of the County.

Notice and Effect of Call for Redemption. Official notice of any redemption of Bonds shall be given by the Trustee on behalf of the Corporation by mailing a copy of an official redemption notice at least thirty (30) days prior to the date fixed for redemption by first-class mail to the Underwriter of the Bonds and the Registered Owner of the Bond or Bonds to be redeemed, unless waived by any Owner thereof, at the address shown on the Bond Register as of the date of the notice, as more fully described in the Indenture.

Upon notice having been given as provided in the Indenture, the Bonds or the portions of the principal amount of Bonds called for redemption shall cease to bear interest on the specified redemption date, shall no longer be entitled to the protection, benefit or security of the Indenture and shall not be deemed to be Outstanding under the provisions of the Indenture. Any defect in any notice of redemption or the failure of any party to receive any such notice shall not cause any Bond called for redemption to remain Outstanding.

Defeasance Provisions

When the principal of and interest on all the Bonds have been paid in accordance with their terms or provision has been made for such payment, as described below, and provision also has been made for paying all other sums payable under the Indenture, including the fees and expenses of the Trustee to the date of retirement of the Bonds and all sums payable under the Lease, then the right, title and interest of the Trustee under the Indenture shall cease, terminate and become void.

Bonds shall be deemed to be paid within the meaning of the Indenture when payment of the principal on the Bonds, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either (a) has been made or caused to be made in accordance with the terms of the Indenture, or (b) provision therefor has been made by depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment or (ii) non-callable Government Securities maturing as to principal and interest in such amount and at such times as will ensure the availability of sufficient moneys to make such payment. When a Bond is deemed to be paid under the Indenture, the Bond shall no longer be secured by or be entitled to the benefits of the Indenture, except for the purposes of any payment from such moneys or Government Securities.

In the case of Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit described above shall be deemed a payment of such Bonds until, as to all Bonds which are to be redeemed prior to their respective stated maturities, proper notice of redemption has been given in accordance with the Indenture or irrevocable instructions have been given to the Trustee to give such notice.

Additional Bonds

The Corporation may, at any time upon compliance with certain terms and conditions set forth in the Indenture, issue Additional Bonds. Additional Bonds may be issued for any of the following purposes:

- (a) To provide funds to pay the costs of completing the Project, the total of such costs to be evidenced by a certificate signed by the Authorized County Representative.
- (b) To provide funds to pay all or any part of the costs of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation thereto or thereof.
- (c) To provide funds to pay all or any part of the costs of purchase, construction and installation of Project Additions as the County may deem necessary or desirable.
- (d) To provide funds for refunding Bonds of any series then Outstanding, including the payment of any premium thereon and interest to accrue to the designated redemption date and any expenses in connection with such refunding.

Before any Additional Bonds are issued, the Corporation will adopt a resolution (i) authorizing the issuance of such Bonds, fixing the amount and terms thereof and describing the purpose or purposes for which such Bonds are being issued or describing the Bonds to be refunded, (ii) authorizing the Corporation to enter into a Supplemental Indenture for the purpose of issuing such Additional Bonds, (iii) authorizing the Corporation to enter into an amendment to the Lease with the County to provide for Rental Payments at least sufficient to pay the principal of and redemption premium, if any, and interest on the Bonds then to be Outstanding (including the Additional Bonds to be issued) as the same become due, for the purchase, construction and installation of the Project Additions, for the inclusion of any such Project Additions as a part of the Project, (iv) authorizing the Corporation to enter into an amendment to the Site Lease, if appropriate, to extend the term thereof and to add real property subject to the terms thereof, and (v) for such other matters as are appropriate because of the issuance of the Additional Bonds proposed to be issued which, in the judgment of the Corporation, are not to the prejudice of the Corporation or the Registered Owners of the Bonds previously issued.

Any Additional Bonds will be equally and ratably secured by the Indenture on a parity with the Bonds and except that the Corporation may issue Additional Bonds which are not entitled to the benefits and security of the Bond Reserve Fund. Concurrently with the issuance of any such Additional Bonds, the Corporation and the County shall deliver amendments to the

Lease and the Site Lease obligating the County to make payments of principal thereof and interest thereon in amounts and at times sufficient to provide for the timely payment of principal of and interest on such Additional Bonds.

BOOK ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity as set forth on the cover page hereof, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "Participants") and to facilitate the clearance and settlement of securities transactions among Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need of physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly.

Purchase of Ownership Interests

Ownership interests in the Bonds may be purchased by or through Participants. Such Participants and the persons for whom they acquire interests in the Bonds as nominees (the "Beneficial Owners") will not receive Bonds, but each such Participant will receive a credit balance in the records of DTC in the amount of such Participant's interest in the Bonds, which will be confirmed in accordance with DTC's standard procedures. The ownership interest of each Beneficial Owner in the Bonds is to be recorded on the records of the Participants whose ownership interests are to be recorded on a computerized book-entry system operated by DTC. Each Beneficial Owner may desire to make arrangements with such Participant to have all notices of redemption or other communications of the Corporation to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. **NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR TO SUCH BENEFICIAL OWNERS WITH RESPECT TO PAYMENTS TO OR PROVIDING OF NOTICE FOR SUCH PARTICIPANTS OR FOR SUCH BENEFICIAL OWNERS.**

Payment

DTC will receive payments from the Trustee to be remitted by DTC to the Participants for subsequent disbursement to the Beneficial Owners. Interest, principal, and redemption premium, if any, will be paid by the Trustee to only DTC, or its nominee, when due, and then is to be paid by DTC to the Participants, and thereafter is to be paid by the Participants to the Beneficial Owners. The Corporation and the Trustee cannot and do not give any assurances that DTC, Participants or others will distribute payments on such Bonds paid to DTC or its nominee, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC or the Participants will serve and act in a manner described in this Official Statement.

Actions and Notices

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Corporation to DTC only. Any failure by DTC to advise any Participant, or by any Participant to notify the Beneficial Owner, of any such notice and its contents or effect, will not affect the validity of the redemption of such Bonds called for redemption or any other action premised on such notice.

Confirmations

Beneficial Owners are to receive from the Participants a written confirmation of their purchase detailing the terms of the Bonds acquired. Transfers of ownership interests in the Bonds will be accomplished by book entries made by DTC and the Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interest. So long as Cede & Co. is the registered owner of such Bonds, as nominee of DTC, references herein and in the Indenture to the Bondowners, Owners or registered owners of such Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners.

Discontinuance of DTC Services

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the Corporation and the Bond Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, Bonds are required to be delivered as described in the Indenture. The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

Receipt of Bonds Upon Corporation Determination

The Corporation may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. In such event, Bonds will be delivered as described in the Indenture.

SECURITY FOR THE BONDS

Limited Obligations; Sources of Payment

The Bonds and the interest thereon are special, limited obligations of the Corporation payable solely out of the rental payments, additional payments and other payments, revenues and receipts derived by the Corporation under the Lease (including, in certain circumstances, Bond proceeds and income from the temporary investment thereof, moneys on deposit in the Bond Reserve Fund held by the County and income from the investment thereof, and proceeds from insurance and condemnation awards), and are secured by a pledge and assignment of the trust estate under the Indenture (the "Trust Estate") to the Trustee in favor of the Registered Owners of the Bonds, as provided in the Indenture. Under the Indenture, the Corporation will pledge and assign the Rental Payments under the Lease to the Trustee for the benefit of the Registered Owners, as security for the payment of the Bonds and the interest thereon. In addition, the Corporation will assign all of its rights, title and interest in and to the Site Lease and the Lease to the Trustee for the benefit of the Registered Owners.

The County intends to satisfy its obligation to make Rental Payments out of revenues generated from a 1/2-cent law enforcement sales tax within the County, which was approved by a majority of the voters in the County voting on the question at an election held on November 4, 1997, together with other available funds of the County, for the purpose of providing law enforcement services for the County. The ballot question was as follows: "Shall the County of Morgan impose a county wide sales tax of one-half of one percent (1/2 of 1%) for a period of 20 years for the purpose of providing law enforcement services throughout the county including: the construction, furnishing, operation and maintenance of a Justice Center." Neither the sales tax nor other funds of the County are pledged to the payment of the Bonds. The tax became effective April 1, 1998, pursuant to statutory authority and is effective for twenty (20) years, unless earlier repealed by the vote of a majority of the voters of the County voting upon such repeal. Pursuant to R.S. Mo. Section 67.582, all revenues derived by the County from this tax must be deposited in a special trust fund and used solely for providing law enforcement functions for the County. Proceeds of this tax are not, however, required to be used to make Rental Payments under the Lease.

The Bonds do not constitute a debt or liability of the County or of the State of Missouri or of any political subdivision thereof and do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Bonds does not obligate the County to levy any form of taxation therefor or to make any appropriation for their payment in any fiscal year subsequent to a fiscal year in which the Lease is in effect. The Corporation has no taxing power.

Under the terms of the Lease, if the County elects to renew the Lease at the end of the Initial Term or any Renewal Term, it is obligated to budget, appropriate and set aside a portion of its general revenues derived from sales taxes and other sources, which appropriation shall be sufficient to make the Rental Payments coming due during the ensuing fiscal year. The County is obligated to make Rental Payments to the Trustee on February 15 and August 15 during each fiscal year in which the Lease is in effect, which payments shall be sufficient to enable the Corporation to meet its obligation to pay the principal of and interest on the Bonds becoming due during such fiscal year (but only if the

County elects to renew the Lease for each Renewal Term) THERE CAN BE NO ASSURANCE THAT THE COUNTY WILL APPROPRIATE FUNDS FOR RENTAL PAYMENTS OR RENEW THE LEASE AFTER THE INITIAL LEASE TERM. NEITHER THE BONDS NOR THE LEASE CONSTITUTE A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE COUNTY, NOR A MANDATORY PAYMENT OBLIGATION IN ANY FISCAL YEAR SUBSEQUENT TO A FISCAL YEAR IN WHICH THE LEASE IS IN EFFECT. THE COUNTY IS NOT LEGALLY REQUIRED TO BUDGET OR APPROPRIATE MONEYS FOR ANY SUBSEQUENT FISCAL YEAR BEYOND THE CURRENT FISCAL YEAR.

Bond Reserve Fund

A Bond Reserve Fund is established in the custody of the County pursuant to the Indenture and is required to be funded from existing general funds of the County in an amount equal to \$400,000 (the "Bond Reserve Requirement"). The Bond Reserve Fund will be maintained and held by the County, not by the Trustee. Amounts in the Bond Reserve Fund are to be used to pay principal of and interest on the Bonds to the extent of any deficiency in the Bond Fund and for certain other purposes as described in Appendix A under the caption "THE INDENTURE - Bond Reserve Fund."

Site Lease

The County will, pursuant to the Site Lease, lease the Project Site to the Corporation. The Site Lease is for a term ending December 31, 2030, unless sooner terminated in the event the County makes all payments required by the Lease. If an Event of Default occurs under the Indenture or the Lease, the Trustee shall have the right to possession of the Project Site for the remainder of the Site Lease term and shall have the right to sublease its interest in the Site Lease upon such terms as it deems prudent, provided that the Project Site shall always be operated for a public purpose. The Trustee shall receive the proceeds for such sublease and apply them in accordance with the Indenture. Proceeds shall be applied to the payment of principal and interest then due and unpaid on all of the Bonds, ratably, according to the amounts due respectively for principal and interest, to the Registered Owners.

REGISTERED OWNERS' RISKS

The purchase of the Bonds involves certain investment risks that are discussed throughout this Official Statement. Each prospective purchaser of the Bonds should evaluate all of the information presented in this Official Statement in order to make an informed investment decision. Certain risk factors relating to the Bonds are described below.

Annual Appropriation

The Bonds are payable from amounts due under the Lease, which constitute currently budgeted expenditures of the County, payable only if the County Commission appropriates sufficient moneys to extend the term of the Lease for each successive fiscal year. The Initial Term of the Lease commences as of the date of the initial issuance and delivery of the Bonds and expires on December 31, 1998. The Lease is thereafter subject to successive one-year Renewal Terms commencing on

January 1 of each year, and a final renewal term commencing January 1, 2014, and ending September 1, 2014. The County's obligations under the Lease do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The County Commission has declared its current intention and expectation that the Lease will be renewed annually until the County acquires title to the Project. Such a declaration cannot, however, be construed as contractually obligating or otherwise binding the County. Subsequent County Commissions may elect not to budget and appropriate moneys to make the payments required under the Lease even if sufficient funds are available therefor. Accordingly, the likelihood that the County will renew the Lease throughout the term of the Bonds is dependent upon certain factors which are beyond the control of the Registered Owners, including (a) the continuing need of the County for the Project, (b) the demographic conditions within the County, (c) the ability of the County to generate sufficient revenues from property taxes, sales taxes and other sources to pay its obligations under the Lease and the other obligations of the County and (d) the value of the Project if relet or sold in a foreclosure or other liquidation proceeding instituted by the Trustee in the event of the termination of the Lease as a result of nonappropriation or an Event of Default.

Expiration or Termination of the Lease

The Lease will expire by its terms on December 31 during each year from 1998 through 2013, unless the County in its sole discretion exercises the option provided in the Lease to extend its term for each next succeeding Renewal Term with a final Lease expiration date of September 1, 2014. If the County does not in any year extend the term of the Lease, the County's obligation to make Rental Payments will terminate on the December 31 occurring at the end of the Initial Term or the then current Renewal Term. Upon (a) the expiration of the Initial Term or any Renewal Term during which the County has determined not to appropriate funds for the next succeeding year, or (b) a default under the Lease and an election by the Trustee to terminate the possessory interest of the County under the Lease, the County's right of possession of the Project under the Lease will expire or be terminated, as appropriate. See "THE LEASE - Events of Default and Remedies" in Appendix A hereto.

If the County's right of possession of the Project under the Lease expires or is terminated for either of the reasons described in the preceding paragraph, the obligation of the County to make payments thereunder will continue through the Initial Term or the Renewal Term then in effect, but not thereafter. The Bonds will be payable from, among other sources, moneys that may be available by way of recovery from the County of the Rental Payments that are due through the Initial Term or the Renewal Term then in effect. If the Lease expires at the end of the Initial Term or a Renewal Term without any extension for the next succeeding Renewal Term or if an event occurs as described above pursuant to which the Trustee terminates the County's right of possession of the Project under the Lease, the Trustee may recover and relet the Project as provided in the Indenture. The net proceeds of any reletting of the Project, together with certain other moneys then held by the Trustee under the Indenture, are required to be used to pay the Bonds to the extent of such moneys. No assurance can be given, however, that the Trustee could relet the Project for the amount necessary (after taking into account moneys legally available from other sources) to pay in full the principal and interest on the Bonds. Furthermore, no assurance can be given that the amount, if any, realized upon any reletting of the Project will be available to provide for the payment of the Bonds on a timely basis.

Delays in Exercising Remedies

A termination of the County's right of possession of the Project under the Lease as a result of an Event of Default or expiration of the term of the Lease at the end of the Initial Term or any Renewal Term without an extension for the next succeeding Renewal Term will give the Trustee the right to possession of, and the right to relet, the Project in accordance with the provisions of the Lease and the Indenture. The enforceability of the Lease and the Indenture, however, is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the exercise of judicial authority by State of Missouri or federal courts and the exercise by the United States of America of the powers delegated to it by the federal constitution.

Further, the Project is used by the County for the performance of essential governmental functions of the County. Due to the essential governmental use of the Project and the delays inherent in obtaining judicial remedies, no assurance can be given that (a) a court, in the exercise of judicial discretion, would enforce these remedies in a timely manner, or (b) any moneys realized by the Trustee upon an exercise of any remedies would be sufficient to pay the principal of and interest on the Bonds. If any such moneys are insufficient to pay all outstanding Bonds in full, the Bonds would be paid in part on a *pro rata* basis. Any delays in the ability of the Trustee to obtain possession of the Project, of necessity, will result in delays in any payment of the principal of and interest, on the Bonds.

Destruction of the Project

The Lease requires the Project to be insured as described in "THE LEASE - Insurance" in Appendix A hereto. In the event of damage to or destruction of the Project, the County is nevertheless required to continue to make Rental Payments under the Lease, subject to the exercise of its option provided in the Lease to extend the term of the Lease for each next succeeding Renewal Term and to the application of net proceeds from insurance and certain other sources to rebuild, repair, restore or replace the affected portion of the Project. If the County shall determine that such rebuilding, repairing, restoring or replacing is practicable and desirable, then the net proceeds from insurance are to be so applied. If such net proceeds are insufficient for such purpose, the County is obligated to complete the work and pay any cost in excess of such net proceeds, but only from funds appropriated for such purpose, in order for the affected portion of the Project to be rebuilt, repaired, restored and replaced. If the County shall determine that such rebuilding, repairing, restoring or replacing is not practicable and desirable, then such net proceeds shall be deposited into the Bond Fund and used to redeem Bonds at the first possible date or to pay principal and interest on the Bonds as they become due. There can be no assurance either as to the adequacy of or timely payment under property damage insurance in effect at that time or that the County will elect to extend the term of the Lease for the next Renewal Term succeeding such damage or destruction. See "THE LEASE - Damage and Destruction" in Appendix A hereto.

Limitations on Marketability of the Bonds

Although the Underwriter may engage in secondary market transactions with respect to the Bonds, the Underwriter are not obligated to repurchase the Bonds from the owners thereof. There is no assurance that a secondary market for the Bonds will develop or that Registered Owners who wish to sell their Bonds prior to the stated maturity will be able to do so.

Construction Risks

Weather, availability of supplies, labor disputes, availability of materials and supplies, casualty damages, unanticipated subsoil conditions, unanticipated construction difficulties and other "force majeure" occurrences or events or financial failure or failure to perform by a contractor, subcontractor or supplier may affect the timely construction and installation of the Project. No assurance can be given that the acquisition, construction and installation of the Project will be completed on schedule, within budget or without material errors and defects. Any such failure could affect the County's decision to continue appropriations and the Trustee's ability to relet the Project.

THE PROJECT

Description

The proceeds of the Bonds will be used to pay the costs of constructing, furnishing and equipping a Justice Center (the "Facilities") to be located on real property currently owned by the County (the "Project Site," and together with the Facilities, the "Project").

The Project will be located in the City of Versailles, Missouri, within a one (1) mile radius of the existing County courthouse. The construction cost for the Facilities is estimated at \$3,478,342 which will provide an approximately 49,500 square foot facility. The Facilities will include a detention facility and a courthouse. The detention facility will contain an 88-bed housing unit with adjacent dayroom facilities and complete support services including intake, booking, visitation area, kitchen, multipurpose area. The courthouse will contain clerical spaces, administrative spaces, courtrooms and support areas, as well as unfinished future areas.

The Project Architect

Archetype Design Group, Inc. located in Leawood, Kansas (the "Project Architect"), is a full service architectural and engineering firm that has been in business since 1987. Since 1987, the Project Architect has developed a nationally recognized expertise in the area of criminal justice facilities and has been involved in the planning and design of over 50 projects in 20 states. These minimum, medium and maximum security facilities for counties, states and the federal government contain beds ranging from 10 to 340.

Construction Schedule

The plans and specifications for the Project have been completed and the construction contract for the Project was bid on August 6, 1998.

The Facilities will be well under construction by August 31, 1998, with an estimated completion date during October, 1999.

USE OF BOND PROCEEDS

Following is a summary of the anticipated sources and applications of funds in connection with the construction, furnishing and equipping of the Project, exclusive of accrued interest:

Sources of Funds:

Proceeds of the Bonds	\$ 4,500,000
Less: Underwriting Discount	<u>65,250</u>
Total sources of funds	<u>\$ 4,434,750</u>

Uses of Funds:

Deposit to Construction Fund	\$ 4,434,750
Total uses of funds	<u>\$ 4,434,750</u>

THE CORPORATION

Organization, Powers and Purposes

The Corporation is a nonprofit corporation duly organized and existing under the laws of the State of Missouri, including particularly Chapter 355 of the Revised Statutes of Missouri, for the purpose of providing for the planning, development, acquisition, construction, reconstruction, improvement, extension, widening, repair, remodeling, renovation and financing of public sites, buildings, structures, facilities, streets, roads, bridges, culverts, furnishings and equipment for the benefit or use of the County. The Corporation is authorized to issue the Bonds, to improve, repair, remodel, furnish and equip the Project, to lease the Project to the County and to secure the Bonds under the Indenture as herein described.

The Corporation is organized exclusively for charitable and civic purposes and will be operated for the benefit of the County and its residents. No part of the net earnings or other assets of the Corporation shall inure to the benefit of any director, officer, contributor or other private individual having directly or indirectly any personal or private interest in the activities of the Corporation.

Other Financings

The Project described herein is the only project to be financed by the Corporation to date. Pursuant to the Indenture, the Corporation may at some time in the future, issue Additional Bonds on a parity with the Bonds in order to provide for completion of the Project or further improvements, repairs or renovation of the Project, but there are no current plans for the issuance of such Additional Bonds. The Corporation is also authorized to issue bonds to finance other projects of the County, although no such projects are presently contemplated. Any future financing would not affect the security for the Bonds, except for the effect of Additional Bonds as permitted under the Indenture.

Income of the Corporation

The only anticipated income of the Corporation will be the Rental Payments to be made by the County and investment earnings accruing on funds hold by the Trustee. The Trustee will maintain appropriate records and accounts in order to account for income received and disbursements made by the Corporation.

Board of Directors

The affairs and activities of the Corporation are managed by a three-member Board of Directors. The three members of the Board of Directors are the members of the County Commission.

The current directors of the Corporation are:

<u>Name</u>	<u>Term Expiring</u>
Stanley "Sid" Merriott	December 31, 1998
Rodney Schad	December 31, 2000
Alvin Nolting	December 31, 2000

GENERAL INFORMATION REGARDING MORGAN COUNTY, MISSOURI

INTRODUCTION

Morgan County (the "County") is located in central Missouri, in the region known as the Ozark Region. The City of Versailles is the county seat of Morgan County. According to the 1990 Federal Census, Morgan County, Missouri had a population of 15,574.

GOVERNMENT

The County is a political subdivision and County of the third class, organized and existing under the laws of the State of Missouri. The County was founded in 1833. The County is governed by a County Commission composed of three members who are elected for staggered

four-year terms without restriction as to reelection. The Presiding Commissioner is elected at large for a four-year term without restriction as to reelection. The Presiding Commissioner presides over meetings of the County Commission. The County Commission establishes and authorizes all municipal indebtedness. The County budget is reviewed and adopted by the County Commission. Tax rates are established by the County Commission to support the budget adopted. As required by state law, the aggregate County budget may not include any expenditures in excess of anticipated revenues.

The following table lists the County's governing body:

Name	Title	Term Expires
Stanley "Sid" Merriott	Presiding Commissioner	12/31/98
Rodney Schad	Commissioner - Eastern District	12/31/00
Alvin Nolting	Commissioner - Western District	12/31/00

EMPLOYMENT AND LABOR FORCE

EMPLOYMENT - MORGAN COUNTY, MISSOURI

Year	Civilian Labor Force	Number Employed	Number Unemployed
1990	7,168	6,622	546
1996	8,422	7,898	524

Source: U.S. Census Data.

COMMERCE, INDUSTRY AND EMPLOYMENT

The County's location in the Ozark Region offers its citizens a wide range of employment opportunities. The following table lists the five largest employers located within the County.

Employer	Product/Business	Estimated Employment Total
Gates Rubber Co.	Belts/Rubber Hoses	255
Morgan Co. RII Schools	Education	204
Dixon Ticonderoga	Pencils	165
Good Shepherd Nursing Home	Convalescent Care	150
Perry Manufacturing	Clothing Manufacturer	84

Source: Morgan County Clerk's Office - November 1, 1997.

POPULATION

The County had a population of 15,574 according to the 1990 Census.

EMPLOYEE RELATIONS

The County has 65 employees, none of whom are covered by a wage and work agreement between the County and any collective bargaining unit. The County considers its relations with its employees to be excellent.

EDUCATION

The County is served by two School Districts, Morgan County R-1 of Stover, Missouri and Morgan County R-2 of Versailles, Missouri.

FINANCIAL INSTITUTIONS

There are currently two banks located within the County and eight branch offices. Additionally, the County is served by other area financial institutions.

ELECTED OFFICIALS

Name	Title	Term Began	Term Expires
Stanley "Sid" Merriott	Presiding Commissioner	1/1/91	12/31/98
Rodney Schad	Commissioner, Eastern District	1/1/97	12/31/00
Alvin Nolting	Commissioner, Western District	1/1/97	12/31/00
Barbara Barnard	Clerk Circuit Court and ex officio Recorder of Deeds	1/1/87	12/31/98
Donna Chasteen	Clerk County Commission	1/1/91	12/31/98
Mary Greer	Prosecuting Attorney	1/1/91	12/31/98
L. M. (Sonny) Earnest	Sheriff	1/1/93	12/31/00
Clark Hunter	Collector of Revenue	3/1/83	02/28/99
Bob Raines	Assessor	9/1/89	08/31/01
Debbie K. Hutchison	Treasurer	1/1/87	12/31/98
Gary Garber	Coroner	1/1/97	12/31/00
Carmen E. Hayden	Public Administrator	1/1/92	12/31/00

Source: Morgan County Clerk's Office.

SALES TAX COLLECTIONS - COUNTY - BASED ON ½% COUNTY LOCAL RATE

Year	Amount Received
1997	\$ 697,744
1996	671,861
1995	650,444
1994	601,093
1993	562,312
1992	521,868

Source: Morgan County Clerk's Office.

DEBT STRUCTURE OF THE COUNTY

TEMPORARY NOTES

The County has one temporary note outstanding, as set out below:

Principal Outstanding	Stated Maturity
\$350,000	July 1, 1999

GENERAL OBLIGATION BONDS

The County has no general obligation bond debt outstanding as of the date of closing of this issue.

History of General Obligation Indebtedness

The County has never in its history defaulted on the payment of any of its debt obligations.

NEIGHBORHOOD IMPROVEMENT DISTRICT BONDS

The following table shows the outstanding neighborhood improvement district bonds of the County as of the date of closing of this issue.

<u>Series</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Currently Outstanding</u>
135-12	\$ 1,480,000	05/01/18	\$ 1,480,000
Y-20-B	104,000	05/01/08	104,000
0275-0275A	351,000	03/1/15	316,000
Y-10	450,000	03/1/15	420,000
Y-14	188,000	12/1/14	175,000
Y-13	300,000	12/1/14	270,000
W-3	490,000	03/1/14	435,000
		Total	<u>\$ 3,200,000</u>

Source: Morgan County Clerk's Office.

DEBT SERVICE SCHEDULE

The following debt service schedule show the yearly principal and interest requirements for the Bonds:

Debt Service Schedule

\$4,500,000

Leasehold Revenue Bonds, Series 1998

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 185,000	\$ 215,882.50	\$ 400,882.50
2000	205,000	208,760.00	413,760.00
2001	215,000	200,457.50	415,457.50
2002	225,000	191,427.50	416,427.50
2003	235,000	181,752.50	416,752.50
2004	245,000	171,412.50	416,412.50
2005	255,000	160,387.50	415,387.50
2006	265,000	148,657.50	413,657.50
2007	280,000	136,202.50	416,202.50
2008	295,000	122,762.50	417,762.50
2009	305,000	108,455.00	413,455.00
2010	325,000	92,747.50	417,747.50
2011	340,000	76,010.00	416,010.00
2012	355,000	58,500.00	413,500.00
2013	375,000	40,040.00	415,040.00
2014	395,000	20,540.00	415,540.00

REVENUE BONDS

The County has no revenue bond debt outstanding as of the date of closing of this issue.

LEASE OBLIGATIONS

Other than the lease obligations of this issue, the County has no lease obligations outstanding as of the date of closing of this issue.

OVERLAPPING DEBT

The following table shows the estimated indebtedness of jurisdictions with boundaries overlapping the County according to the records on file in the office of the Morgan County Clerk as of November 1, 1997.

Taxing Jurisdiction	Outstanding General Obligation Indebtedness
City of Versailles	\$85,000
R-1 of Morgan County	\$405,000
R-2 of Morgan County	\$345,000

FUTURE DEBT

The County has no present plans for future general obligation debt or leasehold obligations.

FINANCIAL INFORMATION

The County has established a uniform system of accounting maintained in accordance with the laws of the state of Missouri and generally accepted accounting principles

THE HANCOCK AMENDMENT

On November 4, 1980, Missouri voters approved an amendment to the Missouri Constitution to limit taxation and governmental spending.

The amendment, popularly known as the Hancock Amendment, requires political subdivisions of the State of Missouri to obtain voter approval to impose or to increase any "tax, license or fee." The Missouri Supreme Court, in Keller v. Marion County Ambulance District, has interpreted this phrase to include only general taxes and licenses or fees that, in substance, are taxes.

The amendment also limits the rate of increase and the total amount of taxes on property, which may be imposed in any year without voter approval. If the assessed valuation of property, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each political subdivision must be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.

The Hancock Amendment does not apply to taxes imposed for the payment of principal and interest on general obligation bonds or other indebtedness authorized by a County-wide referendum; however, this provision does not apply to the Bonds.

ASSESSMENT PROCEDURES

Assessment of real property, pursuant to the Constitution of Missouri, requires such property to be classified in subclasses consisting of agricultural, residential or commercial, permits different assessment ratios for each subclass and requires uniformity in taxation of real property within each subclass. Pursuant to the Constitution, agricultural property is assessed at 12% of its productivity value, residential property is assessed at 19% of true value, and commercial property is assessed at 32% of true value. Personal property is assessed at 33% of book value. In 1986, the State Legislature passed a bill requiring reassessment of all real properties every two years, beginning in 1987.

During 1995, legislation was adopted reclassifying apartment from commercial to residential. As previously mentioned, commercial property is assessed at 32% and residential property is assessed at 19%. Since the change resulted in a reduction of taxes from apartments, the legislation also allowed counties to raise their tax rates, without voter approval, to offset the revenue reduction.

ASSESSED VALUATION

The following table shows the aggregate assessed valuation by category of all taxable tangible property situated in the County:

	1993	1994	1995	1996	1997
Real Estate					
Locally Assessed	\$124,004,320	\$126,954,220	\$133,951,210	\$137,192,310	\$167,566,220
State Assessed	15,721,758	16,167,621	15,655,351	15,874,782	15,773,801
TOTAL	\$139,726,078	\$143,121,841	\$149,606,561	\$153,067,092	\$183,340,021
Personal Property					
Locally Assessed	\$31,957,440	\$33,196,170	\$34,666,580	\$38,499,820	\$41,676,520
State Assessed	6,697,038	7,216,618	6,441,247	7,362,214	7,492,090
TOTAL	\$38,654,478	\$40,412,788	\$41,107,827	\$45,862,034	\$49,168,610
TOTAL ASSESSED	\$178,380,556	\$183,534,629	\$190,714,388	\$198,929,126	\$232,508,631

Bond: The above figures include railroad and utility valuations.

Source: Morgan County Clerk's Office.

MAJOR TAXPAYERS

The following table sets forth the five largest property taxpayers in the County for taxes levied in 1996 for year 1997:

Company	Product or Service	1997 Assessed Valuation
Gates Rubber Company	Belts/Rubber Hoses	\$1,936,240
Dixon Ticonderoga	Pencil Factory	1,190,590
Raymond Ollison	Boat & Motor Sales	511,220
Joe Jurgensmeyer	Turkey Barns/Farmer	320,760
Millstone	Marina & Waterways	318,490

Source: Morgan County Clerk's Office.

NO BOND RATINGS

The Bonds are not rated by any rating agency.

FINANCIAL STATEMENTS

The County maintains its financial records on the basis of a fiscal year ending December 31. Audits of the County are conducted on a biannual basis by the Office of the Auditor of the State of Missouri. Copies of the County's most recent audited financial statements dated June 2, 1998, for the fiscal years ending December 31, 1995 and December 31, 1996, are attached to this Official Statement as Appendix B.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion McDowell, Rice, Smith & Gaar, a Professional Corporation, Kansas City, Missouri, Bond Counsel.

Bond Counsel has participated in the preparation of this Official Statement, but the factual and financial information appearing herein has been supplied or reviewed by certain officials of the County and others as referred to herein. Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof except for the matters appearing in the sections of this Official Statement captioned "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," "APPROVAL OF LEGALITY," "TAX MATTERS" and "APPENDIX A: DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS," and accordingly expresses no opinion as to the accuracy or sufficiency of any other statements, material or financial information contained herein or used in the sale or offering for sale of the Bonds.

TAX MATTERS

Opinion of Bond Counsel

Federal Tax Exemption. In the opinion of McDowell, Rice, Smith & Gaar, a Professional Corporation, Bond Counsel, under existing law, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the Corporation and the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal and Missouri income tax purposes. The Corporation and the County have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuances of the Bonds.

No Other Opinions. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Qualified Tax-Exempt Obligations

The Corporation has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code," and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for eighty percent (80%) of that portion of such financial institution's interest expense allocable to interest on the Bonds.

Other Tax Consequences

Prospective purchasers of the Bonds should be aware that there may be tax consequences of purchasing the Bonds other than those discussed under the caption "Opinion of Bond Counsel," including the following:

- (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code);
- (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds;
- (c) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code;
- (d) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year, if greater than twenty-five percent (25%) of the gross receipts of such Subchapter S corporation is passive investment income; and
- (e) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds.

Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their own tax advisors as to the applicability of these consequences.

ABSENCE OF LITIGATION

There is not now pending or, to the knowledge of the Corporation or the County, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the issuance and delivery of this Official Statement or the Bonds or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the Corporation or the County, threatened which in any manner challenges or threatens the powers of the Corporation and the County to enter into or carry out the transactions contemplated by the Indenture, the Lease or the Site Lease.

CONTINUING DISCLOSURE

Pursuant to the Lease and a Continuing Disclosure Agreement, the County has agreed to provide to certain national repositories the audited financial statements of the County and certain operating data of the County within 180 days after the end of each fiscal year of the County beginning with the Fiscal Year ending December 31, 1998. The financial statements are required to be prepared in accordance with generally accepted accounting principles as applicable to governmental units and to be audited by the County's independent auditors. The County has also agreed to provide prompt notice to certain national repositories or the Municipal Securities Rulemaking Board of the occurrence of certain events with respect to the Bonds, if material. See "DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS - Summary of Continuing Disclosure Agreement" set forth in Appendix A to this Official Statement.

UNDERWRITING

Kirkpatrick Pettis (the "Underwriter") has agreed to purchase the Bonds from the Corporation at a purchase price of 98.55% of the principal amount of the Bonds, plus accrued interest on the principal amount of the Bonds. The Underwriter will purchase all of the Bonds if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public.

The Underwriter intends to offer the Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

MISCELLANEOUS

References herein to the Indenture, the Lease, the Site Lease and certain other matters are brief discussions of certain provisions thereof. Such discussions do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The form of this Official Statement and its distribution and use by the Underwriter have been approved by the Corporation and the County; however, the Corporation has made no warranty or representations regarding either the accuracy or sufficiency of any material contained herein. The County has provided the factual and financial information herein. Neither the Corporation nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the County or the County's ability to make payments required of it under the Lease and the Indenture; and further, neither the Corporation nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Bonds other than those either expressly or by fair implication imposed on the Corporation by the Lease, the Site Lease and the Indenture.

MORGAN COUNTY, MISSOURI,
PUBLIC FACILITIES AUTHORITY

MORGAN COUNTY, MISSOURI

By: /s/ Stanley S. Merriott
Chair

By : /s/ Stanley S. Merriott
Presiding Commissioner

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APPENDIX A

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS

DEFINITIONS OF WORDS AND TERMS

In addition to words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms used in the Indenture, the Lease, the Site Lease, the Continuing Disclosure Agreement and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Indenture, the Lease and the Site Lease for complete definitions of all terms.

"Additional Bonds" means any additional parity Bonds issued pursuant to the Indenture.

"Additional Payments" means the additional payments described in the Lease.

"Arbitrage Instructions" means the Letter of Instructions of Bond Counsel containing instructions regarding the investment of proceeds of the Bonds.

"Authorized Corporation Representative" means the Chair of the Corporation, or such other person at the time designated to act on behalf of the Corporation as evidenced by a written certificate furnished to the County and the Trustee containing the specimen signature of such person and signed on behalf of the Corporation by its Chair. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Authorized Corporation Representative.

"Authorized County Representative" means the Presiding Commissioner of the County Commission or such other person at the time designated to act on behalf of the County as evidenced by a written certificate furnished to the Corporation and the Trustee containing the specimen signature of such person and signed on behalf of the County by the Presiding Commissioner of the County Commission. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Authorized County Representative.

"Bond Counsel" means McDowell, Rice, Smith & Gaar, a Professional Corporation, or other attorney or firm of attorneys with a nationally recognized reputation on the subject of municipal bonds.

"Bond Register" means the registration books of the Corporation kept by the Trustee to evidence the registration, transfer and exchange of Bonds.

"Bond Registrar" means the Trustee when acting as such under the Indenture.

"Bond Reserve Requirement" means (a) with respect to the Bonds, the sum of \$400,000 plus (b) with respect to any series of Additional Bonds, the amount specified in the Supplemental Indenture authorizing such series of Additional Bonds, if any. The Bond Reserve Requirement

with respect to any Additional Bonds shall not exceed the least of (i) ten percent (10%) of the principal amount of Additional Bonds being issued, (ii) 125% of the average annual debt service on such Additional Bonds, (iii) 100% of the maximum annual debt service on such Additional Bonds and (iv) the maximum amount permitted under the Code to be deposited from the proceeds of such Additional Bonds in a debt service reserve fund therefor without being subject to yield restriction under the Code.

"Bonds" means the Morgan County, Missouri, Public Facilities Authority Leasehold Revenue Bonds, Series 1998 (Morgan County Justice Center Project), issued pursuant to the Indenture.

"Business Day" means any day other than (a) a Saturday or Sunday or legal holiday or a day on which banks located in the city in which the principal corporate trust office of the Trustee are required or authorized by law to remain closed or (b) a day on which the New York Stock Exchange is closed.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the United States Treasury Department proposed or promulgated thereunder.

"Completion Date" means the date of completion of the, construction, furnishing and equipping of the Project established as such pursuant to the Lease.

"Construction Contracts" means the construction contract or contracts which have been or will be entered into by the County and which will incorporate the Plans and Specifications.

"Construction Period" means the period from the beginning of construction of the Project to the Completion Date.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the County and UMB Bank, N.A., in its separate capacity as Dissemination Agent, delivered concurrently with the execution and delivery of the Lease.

"Contractors" means the contractors for the Project selected by the Corporation and the County and their successors and assigns.

"Corporation" means the Morgan County, Missouri, Public Facilities Authority, a nonprofit corporation organized and existing under the laws of the State of Missouri, and the Corporation's successors and assigns.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the Trustee, the County or the Corporation.

"County" means Morgan County, Missouri, a political subdivision organized and existing under the laws of the State, and its successors and assigns.

"Defaulted Interest" means interest on any Bond which is payable but not paid on the date due.

"Event of Default" means (a) with respect to the Indenture, any Event of Default as described therein, and (b) with respect to the Lease, any Event of Default as described therein.

"Facilities" means (a) as used in the front portion of this Official Statement, the Facilities as defined under the caption "INTRODUCTION," and (b) as used in this Appendix A, the Facilities described in the recitals and exhibits to the Indenture and to the Lease.

"Fiscal Year" means the fiscal year adopted by the Corporation and the County for accounting purposes, which as of the execution of the Indenture commenced on January 1 and ended on December 31.

"Full Insurable Value" means the actual replacement cost of the Project exclusive of land, excavations, footings, foundations and parking lots, but in no event shall such value be less than the principal of the Bonds at the time Outstanding.

"Indenture" means the Trust Indenture, dated as of September 1, 1998, between the Corporation and the Trustee, as from time to time amended and supplemented by Supplemental Indentures in accordance with the provisions of the Indenture.

"Initial Term" means the period from the effective date of the Lease through the last day of the Fiscal Year in which such effective date occurs.

"Investment Agreement" means an agreement to invest all or any portion of the proceeds of the sale of the Bonds provided any such investment is a Permitted Investment with such Permitted Investment to bear interest at an agreed rate.

"Lease" means the Lease Agreement, dated as of September 1, 1998, between the Corporation and the County, as from time to time amended and supplemented in accordance with the provisions thereof and of the Indenture.

"Lease Term" means the period from the effective date of the Lease until the expiration thereof which includes the Initial Term and any Renewal Term or Terms as provided the Lease.

"Maximum Lease Term" means the Initial Term and all Renewal Terms through the Renewal Term that includes the final maturity date of the Bonds.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

"Net Proceeds" means, when used with regard to any insurance or condemnation award with respect to the Project, the gross proceeds from the insurance or condemnation award less the payment of all expenses (including attorneys' fees, trustee's fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

"Outstanding" means, when used with reference to Bonds, as of any particular date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except the following Bonds:

- (a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (b) Bonds deemed to be paid in accordance with the provisions of the Indenture;
- (c) Bonds alleged to have been mutilated, destroyed, lost or stolen which have been paid as provided in the Indenture; and
- (d) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture; and
- (e) for purposes of any consent or other action to be taken by the Registered Owners of a specified percentage of Bonds under the Indenture or the Lease, Bonds held by or for the account of the Corporation, the County or any person controlling, controlled by or under common control with either of them.

"Paying Agent" means the Trustee and any other bank or trust company designated pursuant to the Indenture as paying agent for any series of Bonds and at which the principal of, redemption premium, if any, and interest on any such Bonds shall be payable.

"Payment Date" means any date on which principal of or interest on any Bonds is payable.

"Permitted Encumbrances" means, as of any particular time (a) liens for ad valorem taxes and special assessments not then delinquent or if delinquent are being contested in accordance with the Lease, (b) the Indenture, (c) the Lease, (d) the Site Lease, (e) any and all Uniform Commercial Code Financing Statements executed to perfect any security interest created in connection with the issuance of the Bonds, (f) utility, access and other easements and rights-of-way, mineral rights, restrictions, exceptions and encumbrances that will not materially interfere with or impair the operations being conducted on the Project Site or easements granted to the Corporation, and (g) such minor defects, irregularities, encumbrances, easements, mechanic's liens, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project as do not in the aggregate materially impair the property affected thereby for the purpose for which it was acquired or is held by the Corporation or the County.

"Permitted Investments" means any of the following securities, if and to the extent the same are at the time legal for investment of the funds of the Corporation and the County; provided that Permitted Investments in the Bond Reserve Fund may not have maturities extending beyond five (5) years:

- (a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):
 - (i) Farmers Home Administration (FmHA)
Certificates of beneficial ownership
 - (ii) Federal Housing Administration Debentures (FHA)
 - (iii) General Services Administration
Participation certificates
 - (iv) Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations Participation certificates)
 - (v) U.S. Maritime Administration
Guaranteed Title XI financing
 - (vi) U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. Government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
 - (i) Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)
 - (ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates (Mortgage-backed securities)
Senior debt obligations

- (iii) Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal.)
 - (iv) Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations
 - (v) Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.
 - (vi) Farm Credit System
Consolidated system-wide bonds and notes
- (d) Money market fund registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAAm-G," "AAAm," or "AAm."
- (e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. CD's must have a one (1) year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short term obligations are rated "A- 1+" or better by Standard & Poor's.
- The collateral must be held by a third party and the Registered Owners must have a perfected first security interest in the collateral.
- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.
- (g) Any Investment Agreement, including GIC, or repurchase agreement entered into with financial institutions such as banks or trust companies organized under state law of national banking associations, insurance companies or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation ("SPIC") or with a dealer or parent holding company, in each such case the debt of which is rated at least "A1A" by Moody's or Standard & Poor's. Such repurchase agreements shall be collateralized by obligations described in (i) or (ii) above, and the provisions of the repurchase agreement shall meet with following criteria:

- (h) Commercial paper rated "Prime - 1" by Moody's and "A-1+" or better by Standard & Poor's.
- (i) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the two highest long-term rating categories assigned by such agencies.
- (j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1+" by Standard & Poor's.
- (k) The Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Corporation (buyer/lender), and the transfer of cash from the Corporation to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Corporation in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria:

- (i) Repos must be between the municipal entity and a dealer bank or securities firm.
 - (A) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated "A" or better by Standard & Poor's and Moody's, or
 - (B) Banks rated "A" or above by Standard & Poor's and Moody's.
- (ii) The written repo contract must include the following:
 - (A) Securities which are acceptable for transfer are:
 - (1) Direct U.S. Government obligations
 - (2) Federal agencies backed by the full faith and credit of the U.S. Government (and FNMA & FHLMC)
 - (B) The term of the repo may be up to thirty (30) days
 - (C) The collateral must be delivered to the Corporation, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

- (D) The trustee has a perfected first priority security interest in the collateral.
- (E) Collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a repo or reverse repo.
- (F) Failure to maintain the requisite collateral percentage, after a two (2) day restoration period, will require the trustee to liquidate collateral.
- (G) Valuation of Collateral
 - (1) The securities must be valued weekly, market-to-market at current market price plus accrued interest
 - (2) The value of collateral must be equal to 104% of the amount of cash transferred by the Corporation to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Corporation, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(iii) Legal opinion which must be delivered to the municipal entity:
Repo meets guidelines under state law for legal investment of public funds.

- (l) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's. If, however, the issue is only rated by Standard & Poor's (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or "AAA"-rated pre-refunded municipals to satisfy this condition.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Plans and Specifications" means the plans and specifications prepared for and showing the Facilities, as amended by the County from time to time prior to the Completion Date, the same being duly certified by the Authorized County Representative, which plans and specifications are on file at the principal office of the County in Versailles, Missouri and shall be available for reasonable inspection by the Corporation and the Trustee and their duly appointed representatives.

"Project" means the Facilities and the Project Site, including all buildings, structures, improvements and fixtures located thereon or to be acquired, constructed and otherwise improved thereon pursuant to the Lease and paid for in whole or in part from the proceeds of Bonds, any Project Additions and all additions, modifications and improvements made to the Project, as they may-at any time exist.

"Project Additions" means all additions, improvements, extensions, alterations, expansions or modifications of the Project or any part thereof financed with the proceeds of Additional Bonds issued pursuant to the Indenture.

"Project Architect" means initially Archetype Design Group, Inc., Leawood, Kansas, appointed for the Project by the County and satisfactory to the Corporation, and thereafter any successor appointed by the County and approved in writing by the Trustee, which shall be an architect, engineer or firm of architects or engineers who is not a full-time employee of either the Corporation or the County.

"Project Costs" means all costs of acquisition, construction, improvement, furnishing and equipping of the Project, including the following costs:

- (a) fees and expenses of architects, appraisers, surveyors and engineers for estimates, surveys, soil borings and soil tests and other preliminary investigations and items necessary to the commencement of construction, preparation of plans, drawings and specifications and supervision of construction, as well as for the performance of all other duties of architects, appraisers, surveyors and engineers in relation to the construction of the Project or the issuance of the Bonds;
- (b) costs and expenses of every nature incurred with respect to the Project, including the actual cost of labor and materials, as payable to contractors, builders, suppliers, vendors and materialmen in connection with the planning, developing, acquisition, construction, reconstruction, repairing, remodeling, renovating, furnishing and equipping of the Project;
- (c) the cost of any insurance and performance and payment bonds maintained during the Construction Period in accordance with the Lease;
- (d) expenses of administration, supervision and inspection properly chargeable to the Project, underwriting expenses, financial advisory fees, legal fees and expenses, fees and expenses of accountants and other consultants, fees and expenses related to credit enhancement, publication and printing expenses, and initial fees and expenses of the Trustee and the Paying Agent to the extent that said fees and expenses are necessary or incident to the issuance and sale of the Bonds or the planning, developing, acquisition, construction, reconstruction, repairing, remodeling, renovating, furnishing and equipping of the Project;

- (e) other items of expense not elsewhere specified in this definition as may be necessary or incident to (i) the authorization, issuance and sale of the Bonds; (ii) the planning, developing, acquisition, construction, reconstruction, repairing, remodeling renovating, furnishing and equipping of the Project; and (iii) the financing thereof, including without limitation interest accrued during such period; and
- (f) reimbursement to the County or those acting for it for any of the above enumerated costs and expenses incurred and paid by them before or after the execution of the Lease.

"Project Site" means the real estate described in the Indenture and any additional real estate described in any amendment to the Indenture.

"Purchase Price" means the Purchase Price for which the County can exercise its option to purchase the Corporation's interest in the Project in accordance with the Lease.

"Purchaser" means Kirkpatrick Pettis, Kansas City, Missouri, the original purchaser of the Bonds.

"Record Date" for the interest payable on any interest Payment Date means the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding such interest Payment Date.

"Registered Owner" when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register.

"Renewal Term" means any optional renewal term of the Lease, each being a duration of one (1) year and a term co-extensive with the County's Fiscal Year, except that the final possible Renewal Term shall terminate on the final maturity date of the Bonds.

"Rental Payments" means the payments set forth in the Lease.

"Site Lease" means the Site Lease dated as of September 1, 1998, between the County and the Corporation, as from time to time amended and supplemented in accordance with the provisions thereof and of the Indenture.

"Special Record Date" means the date fixed by the Trustee pursuant to Section 204(d) of the Indenture for the payment of Defaulted Interest.

"Standard & Poor's" means Standard & Poor's Ratings Group, a Division of McGraw-Hill, Inc., its successors and assigns, and, if such group shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

"State" means the State of Missouri.

"Supplemental Indenture" means any indenture supplemental or amendatory to the Indenture entered into by the Corporation and the Trustee pursuant to the Indenture.

"Trust Estate" means the Trust Estate described in this Appendix A under "SUMMARY OF THE INDENTURE - Trust Estate."

"Trustee" means UMB Bank, N.A., Kansas City, Missouri, in its capacity as Trustee and its successor or successors and any other corporation which at the time may be substituted in its place pursuant to and at the time serving as Trustee under the Indenture.

"Yield" shall have the meaning ascribed to such term by Section 148 of the Code and shall mean that discount rate which when computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the purchase price of the obligation, and, for a series of bonds.

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions contained in the Indenture. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Indenture for a complete recital of the terms thereof.

Trust Estate

In order to secure the payment of the principal of, redemption premium, if any, and interest on all of the Bonds issued and Outstanding under the Indenture, and to secure the performance and observance by the Corporation of all the covenants, agreements and conditions in the Indenture and in the Bonds contained, the Corporation transfers in trust, pledges and assigns unto the Trustee and its successors and assigns forever, the property described below, to wit:

- (a) All leases of the Project, or portions thereof, now or hereafter entered into and all right, title and interest of the Corporation thereunder;
- (b) All right, title and interest of the Corporation in, to and under the Site Lease, the Lease (except the Corporation's rights to indemnity under the Lease) and the Project, including all Rental Payments, Additional Payments and other payments, revenues and receipts derived by the Corporation under and pursuant to and subject to the provisions of the Lease (except for the rights of the Corporation to receive moneys for its own account under the Lease and any payments made by the Corporation, the Trustee or the County to meet the rebate requirement of Section 148 of the Code);

- (c) All moneys and securities from time to time held by the Trustee under the terms of the Indenture (except moneys held in a rebate fund), and any and all other real or personal property pledged, assigned or transferred as and for additional security under the Indenture to the Trustee; and
- (d) All proceeds of the foregoing.

Creation of Funds

There are created and ordered to be established in the custody of the Trustee the following special trust funds in the name of the Corporation, to be designated as follows:

- (a) "Morgan County, Missouri, Public Facilities Authority Project Fund -- Morgan County Justice Center Project" (herein called the "Project Fund").
- (b) "Morgan County, Missouri, Public Facilities Authority Bond Fund -- Morgan County Justice Center Project" (herein called the "Bond Fund").

In addition, there is established in the custody of the County the following special trust fund of the County, to be designated "Morgan County, Missouri, Public Facilities Authority Bond Reserve Fund -- Morgan County Justice Center Project" (herein called the "Bond Reserve Fund").

Disbursements From The Project Fund

The moneys in the Project Fund shall be disbursed by the Trustee for the payment of Project Costs upon receipt of requisition certificates signed by the Authorized County Representative and, except as provided in the Lease, the Project Architect in accordance with the provisions of the Lease, and the Trustee covenants and agrees to disburse such moneys in accordance with such provisions. The Trustee shall not make any inspections of the Project nor any improvements thereon, make any provision to obtain completion bonds, mechanic's or materialmen's lien releases or otherwise supervise any phase of the construction, furnishing or equipping of the Project.

Disposition Upon Completion Of The Project

The completion of the Project and payment of all costs and expenses incidental thereto shall be evidenced by the filing with the Trustee by the Authorized County Representative and the Project Architect of the certificate required by the Lease. As soon thereafter as practicable, any balance remaining in the Project Fund (other than amounts retained by the Trustee as specified in said certificate) shall without further authorization be deposited in the Bond Fund and applied by the Trustee as directed by the County solely to the payment of principal of, redemption premium, if any, and interest on the Bonds through the payment or redemption thereof at the earliest date permissible under the terms of the Indenture.

Disposition Upon Event of Default

If the principal of the Bonds shall have become due and payable pursuant to the Indenture, any balance remaining in the Project Fund shall without further authorization be deposited in the Bond Fund by the Trustee.

Separate Accounting of Funds Allocable To Each Series of Bonds

The Trustee shall maintain separate accounts for funds and securities attributable to each series of Bonds in the Project Fund, Bond Fund and any other fund established with the Trustee for any series of Bonds so that the calculations for each series of Bonds can be made separately for such series. Any transfer of Funds or securities or earnings thereon from one fund or account to another shall be made to the appropriate account or subaccount for the same series of Bonds to which such funds or securities are attributed. If, at any time, a payment is made to any such fund that is less than the amount due and payable to such fund, the amount paid shall be credited *pro rata* to each separate account within such fund, based on the amount owed to each such account.

Application of Moneys in the Bond Fund

Moneys in the Bond Fund shall be expended solely for (a) the payment of the principal of, redemption premium, if any, and interest on the Bonds as the same mature and become due or upon the redemption thereof, or (b) to purchase Bonds for cancellation prior to maturity.

Payments Due on Days Other than Business Days

In any case where the date of maturity of principal of, redemption premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day other than a Business Day, then payment of principal of, redemption premium, if any, or interest on the Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Nonpresentment of Bonds

In the event that any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Corporation to the Registered Owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Registered Owner of such Bond, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond. If any Bond shall not be presented for payment within four (4) years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee upon the request of the County shall repay to the County without liability for interest thereon the funds theretofore held by the Trustee

for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the County, and the Registered Owner thereof shall be entitled to look only to the County for payment, and then only to the extent of the amount so repaid, and the County shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Application of Moneys in the Bond Reserve Fund

Moneys on deposit in the Bond Reserve Fund shall be used by the County (a) to make deposits into the Bond Fund in the event that moneys on deposit in said Bond Fund are insufficient to pay principal, premium, if any, and interest on the Bonds as the same become due, (b) to redeem Bonds in whole pursuant to Section 301 hereof, and (c) in payment of the principal and interest due on the Bonds at final maturity or in payment in full of the Bonds prior to maturity. At least annually, on September 1 of each year while any Bond remains Outstanding, and immediately subsequent to any transfer of moneys from the Bond Reserve Fund to the Bond Fund as required herein, the County shall determine the value of all cash and Permitted Investments held in the Bond Reserve Fund. Permitted Investments in the Bond Reserve Fund shall be valued at fair market value, exclusive of accrued interest, and marked to market at least once a year. If the value so determined exceeds the Bond Reserve Requirement, the excess shall be promptly transferred to the Trustee for deposit in the Bond Fund. If the value so determined is less than the Bond Reserve Requirement, the County shall restore such deficiency not later than the next succeeding Payment Date.

Investment of Moneys in Funds

Moneys held in the Funds by the Trustee under the Indenture shall, pursuant to the direction of the County given by the Authorized County Representative in writing, or in the absence of such written direction at the discretion of the Trustee, be separately invested and reinvested by the Trustee in Permitted Investments which mature or are subject to redemption by the holder prior to the date when such moneys will be needed. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times to be a part of the Fund in which such moneys are originally held. The interest earnings and any profit realized from Permitted Investments in any Fund under the Indenture shall be credited to the Bond Fund; provided, however, prior to the Completion Date, all interest earnings and profit realized from Permitted Investments in any Fund shall be credited to the Project Fund. Any loss resulting from Permitted Investments shall be charged to the applicable Fund. After the Trustee has notice pursuant to the Indenture of the existence of an Event of Default, the Trustee shall direct the investment of moneys in the Funds held under the Indenture. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in any Fund is insufficient for the purposes of such Fund. In determining the balance in any Fund, investments in such Fund shall be valued at the lower of their original cost or their fair market value as of the most recent Payment Date.

Events of Default

If any of the following events occur, it is defined as and declared to be and to constitute an Event of Default under the Indenture:

- (a) Default by the Corporation in the due and punctual payment of any interest on any Bond;
- (b) Default by the Corporation in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, whether at the stated maturity or accelerated maturity thereof, or at the redemption date thereof;
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Corporation in the Indenture or in the Bonds contained (other than a default described in (a) or (b) above) or in any other document or instrument that secures or otherwise relates to the debt and obligations secured, and the continuance thereof for a period of thirty (30) days after written notice thereof shall have been given to the Corporation and the County by the Trustee, or to the Trustee (which notice of default the Trustee shall be required to accept), the Corporation and the County by the Registered Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding; provided, however, if any default shall be such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Corporation or the County within such period and diligently pursued until the default is corrected;
- (d) The filing by the County of a voluntary petition in bankruptcy, or failure by the County to promptly lift any execution, garnishment or attachment, of such consequence as would impair the ability of the County to carry on its operation, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of federal bankruptcy law, or under any similar acts which may hereafter be enacted; or
- (e) An Event of Default as specified in the Lease shall have occurred.

Acceleration of Maturity in Event of Default

If an Event of Default shall have occurred and be continuing, the Trustee may and upon the written request of the Registered Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Corporation and the County, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

If, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of principal of and interest on the Bonds, together with the reasonable and proper fees, advances, costs, charges and expenses of the Trustee, including without limitation attorney's fees and expenses, and all other sums then payable by the Corporation under the Indenture shall either be paid or provision satisfactory to the Trustee shall be made for such payment, then and in every such case the Trustee shall, but only with the approval of the Registered Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration of installments of Rental Payments as provided in the Lease.

In case of any rescission, then and in every such case the Corporation, the County, the Trustee and the Registered Owners shall be restored to their former position and rights under the Indenture respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Exercise of Remedies by the Trustee

If an Event of Default shall have occurred and be continuing, the Trustee may, and if requested to do so by the Registered Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, and indemnified as provided in the Indenture, the Trustee shall, pursue and exercise any available remedy at law or in equity by suit, action, mandamus or other proceeding or exercise such one or more of the rights and remedies conferred by the Indenture, the Lease and the Site Lease as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Registered Owners, to enforce the payment of the principal of, redemption premium, if any, and interest on the Bonds then Outstanding and to enforce and compel the performance of the duties and obligations of the Corporation as set forth in the Indenture.

Limitation on Exercise of Remedies by Registered Owners

No Registered Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless (a) a default has occurred of which the Trustee has been notified or is deemed to have notice as provided in the Indenture, (b) such default shall have become an Event of Default, (c) the Registered Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee, shall have offered the Trustee reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, and shall have provided to the Trustee indemnity as provided in the Indenture, and (d) the Trustee shall thereafter fail or refuse to exercise the powers and remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. No one or more Registered Owners shall have any right in any manner whatsoever to affect, disturb or prejudice the Indenture by its, his or their action or to enforce any right under the Indenture except in the manner provided in the Indenture, and all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the Registered Owners of all Bonds then Outstanding. Nothing in the Indenture contained shall,

however, affect or impair the right of any Registered Owner to payment of the principal of and interest on any Bond at and after the maturity thereof or the obligation of the Corporation to pay the principal of, redemption premium, if any, and interest on each of the Bonds issued under the Indenture to the respective Registered Owners thereof at the time, place, from the source and in the manner in the Indenture and in the Bonds expressed.

Application of Moneys in Event of Default

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Section shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee, including without limitation attorney's fees and expenses, be deposited in the Bond Fund. All moneys so deposited in the Bond Fund shall be applied as follows:

- (a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First -- To the payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, in the order in which such installments of interest became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second -- To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due and payable (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment, ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

- (b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on all of the Bonds, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or privilege.

- (c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of subsection (b) above of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a) of this Section.

Acceptance of the Trusts

The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture, but only upon and subject to the express terms and conditions contained in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee.

Resignation of the Trustee

The Trustee and any successor Trustee may at any time resign from the trusts created by giving thirty (30) days' written notice to the Corporation, the County and the Registered Owners whose names and addresses are on file with the Trustee, and such resignation shall take effect upon the appointment of a successor Trustee by the Corporation or by the Registered Owners of at least a majority in aggregate principal amount of Bonds then Outstanding in accordance with the Indenture and the successor Trustee has accepted such appointment; provided, however, that in no event shall the resignation of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted such appointment. In the event that the Corporation or the Registered Owners of at least a majority in aggregate principal amount of Bonds then Outstanding fail to appoint a successor Trustee within thirty (30) days after notice of resignation has been given by the Trustee, the Trustee shall have the right to petition a court to appoint a successor Trustee.

Removal of the Trustee

The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered (a) to the Trustee, the Corporation and the County and signed by the Registered Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding or (b) to the Trustee, the Registered Owners and the County and signed by the Corporation, so long as no Event of Default or condition that with the giving of notice or passage of time, or both, would constitute an Event of Default, shall have occurred and be continuing. In no event shall the removal of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted such appointment. In the event that the Corporation or the Registered Owners of at least a majority in aggregate principal amount of Bonds then Outstanding fail to appoint a successor Trustee within thirty (30) days after said instrument or concurrent instruments removing the Trustee are delivered to the Trustee, the Trustee shall have the right to petition a court to appoint a successor Trustee.

Appointment of Successor Trustee

In case the Trustee under the Indenture shall resign or be removed, or shall otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor Trustee may be appointed by the Corporation or the Registered Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing. Every such Trustee appointed pursuant to the Indenture shall be a trust company or bank in good standing, be qualified to accept such trust, and shall have a reported capital and surplus of not less than \$50,000,000.

Supplemental Indentures Not Requiring Consent of Registered Owners

The Corporation and the Trustee may from time to time, without the consent of or notice to any of the Registered Owners, enter into such Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Indenture or make any other change not prejudicial to the Registered Owners;
- (b) To grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners or the Trustee or any of them;
- (c) To more precisely identify the Project or the Trust Estate or to add property thereto;
- (d) To subject to the Indenture additional revenues, properties or collateral; and
- (e) To comply with the arbitrage rebate requirement of Section 148(f) of the Code.

Supplemental Indentures Requiring Consent of Registered Owners

Exclusive of Supplemental Indentures covered by the Indenture not requiring the consent of the Registered Owners and subject to the terms and provisions contained in the Indenture, the Registered Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, the Corporation and the Trustee shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to enter into such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Corporation for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in this Section contained shall permit or be construed as permitting without the written consent of the Registered Owners of all of the Bonds then Outstanding (a) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture, (b) a reduction in the principal amount of any Bond or the rate of interest thereon, (c) a privilege or

priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of Bonds.

Amendments to the Site Lease or the Lease Not Requiring Consent of Registered Owners

The Corporation and the Trustee may, without consent of the Registered Owners, enter into any amendment, change or modification of the Site Lease or the Lease as may be required (a) by the provisions of the Site Lease, the Lease or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission in the Site Lease, the Lease or in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Registered Owners or (c) so as to more precisely identify the Project or add property thereto.

Amendments to the Lease or the Site Lease Requiring Consent Of Registered Owners

Except for the amendments, changes or modifications as specified in the Indenture not requiring the consent of the Registered owners, neither the Corporation nor the Trustee shall consent to any other amendment, change or modification of the Site Lease or the Lease without the giving of notice and the obtaining of the written approval or consent of the Registered Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and obtained as provided in the Indenture.

Satisfaction and Discharge of the Indenture

When the principal of, redemption premium, if any, and interest on all the Bonds shall have been paid in accordance with their terms or provision has been made for such payment, as provided in the Indenture, and provision shall also be made for paying all other sums payable under the Indenture, including the fees and expenses of the Trustee and the Paying Agent to the date of retirement of the Bonds, the Rebate Amounts (as defined in the Arbitrage Instructions) and all sums payable under the Lease, then the right, title and interest of the Trustee under the Indenture shall thereupon cease, terminate and become void, and thereupon the Trustee shall cancel, discharge and release the Indenture and shall execute, acknowledge and deliver to the Corporation such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the Indenture.

SUMMARY OF THE LEASE

The following is a summary of certain provisions of the Lease. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Lease for a full recital of the provisions thereof.

Termination of Lease Term

The Lease Term shall terminate upon the earliest of any of the following events:

- (a) the expiration of the Initial Term or any Renewal Term of the Lease and the non-renewal of the Lease in the event of nonappropriation of funds pursuant to the Lease;
- (b) the exercise by the County of the option to demand transfer of the Project granted under the provisions of the Lease and payment of the Purchase Price and all amounts payable in connection therewith;
- (c) a default by the County and the Corporation's election to terminate the Lease under the Lease; or
- (d) the payment by the County of all Rental Payments authorized or required to be paid by the County under the Indenture during the Maximum Lease Term.

Continuation of Lease Term

The County currently intends, subject to the provisions of the Lease, to continue the Lease Term through the Initial Term and all of the Renewal Terms and to pay the Rental Payments under the Lease. The County reasonably believes that legally available funds in an amount sufficient to make all Rental Payments during the Initial Term and each of the Renewal Terms can be obtained. The County further currently intends to do all things lawfully within its power to obtain and maintain funds from which the Rental Payments may be made, including making provision for such payments to the extent necessary in each annual budget submitted and adopted in accordance with applicable provisions of State law, to have such portion of the budget approved and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. Notwithstanding the foregoing, the decision whether or not to budget or appropriate funds or to extend the Lease for any Renewal Term is solely within the discretion of the then current governing body of the County.

Nonappropriation

The County is obligated only to pay such Rental Payments under the Lease as may lawfully be made from funds budgeted and appropriated for that purpose during the County's then current Fiscal Year. In the event sufficient funds shall not be appropriated or are not otherwise legally available to pay the Rental Payments required to be paid in the next occurring Renewal Term, the Lease shall be deemed to be terminated at the end of the then current Initial Term or Renewal Term. The County agrees to deliver notice to the Corporation of such termination at least ninety (90) days prior to the end of the then current Initial Term or Renewal Term, but failure to give such notice shall not extend the Lease Term beyond such Initial Term or Renewal Term.

Rental Payments

The County shall pay Rental Payments, subject to the Lease, exclusively from legally available funds, in lawful money of the United States of America to the Trustee on each February 15 and August 15 beginning February 15, 1999, in an amount sufficient to pay the principal of and redemption premium, if any, and interest on the Bonds on the next succeeding Payment Date. Rental Payments shall be in consideration for the County's use of the Project during the fiscal year in which such payments are due.

Possession and Use of the Project

The Corporation covenants and agrees that as long as the County shall not be in default under the Lease, the County shall have sole and exclusive possession of the Project (subject to the Corporation's and the Trustee's right of access pursuant to the Lease) and shall and may peaceably and quietly have, hold and enjoy the Project during the Lease Term. Subject to the provisions of the Lease, the County shall have the right to use the Project for any lawful purpose allowed by law. The County shall comply in all material respects with all statutes, laws, ordinances, orders, judgments, decrees, regulations, directions and requirements of all federal, state, local and other governments or governmental authorities, now or hereafter applicable to the Project or to any adjoining public ways, as to the manner of use or the condition of the Project or of adjoining public ways. The County shall also comply with the mandatory requirements, rules and regulations of all insurers under the policies required to be carried by the provisions of the Lease. The County shall pay all costs, expenses, claims, fines, penalties and damages that may in any manner arise out of, or be imposed as a result of, the failure of the County to comply with the provisions of this Section.

Maintenance, Repairs and Utilities

The County shall, at its own expense, maintain, preserve and keep the Project and all parts thereof in good repair, working order and condition, and shall from time to time make all repairs, replacements and improvements necessary to keep the Project and all parts thereof in safe condition and free from filth, nuisance or conditions unreasonably increasing the danger of fire or other casualty. The Corporation shall have no responsibility for any of these repairs, replacements or improvements. The County shall contract in its own name and pay for all utilities and utility services used by the County in, on or about the Project, and the County, shall, at its sole cost and expense, procure any and all permits, licenses or authorizations necessary in connection therewith.

Liens

Except with respect to Permitted Encumbrances and as otherwise provided in the Lease or in the Indenture, neither the Corporation nor the County shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project. Whenever and as often as any mechanics' or other similar lien is filed against the Project, or any part thereof, the County shall discharge the same of record within sixty (60) days after the date of filing.

Taxes, Assessments and Other Governmental Charges

The County shall promptly pay and discharge, as the same become due, all taxes and assessments, general and special, and other governmental charges of any kind whatsoever that may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Project, or any part thereof or interest therein (including the leasehold estate of the County therein) or any buildings, improvements, machinery and equipment at any time installed thereon by the County, or the income therefrom or Rental Payments and other amounts payable under the Lease, including any new taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all utility charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which, if not paid when due, would impair the security of the Bonds or encumber the Corporation's title to the Project; provided that with respect to any special assessments or other governmental charges that are lawfully levied and assessed but which may be paid in installments, the County shall be obligated to pay only such installments thereof as become due and payable during the Lease Term.

Casualty Insurance

The County shall at all times during the Construction Period maintain at its sole cost and expense, or cause the Contractor under the Construction Contract to maintain, in full force and effect a policy or policies of Builder's Risk-Completed Value Form Insurance insuring the Project against fire, lightning and all other risks covered by the extended coverage endorsement then in use in the State to the Full Insurable Value of the Project (subject to a reasonable loss deductible provision). Prior to or simultaneously with the expiration of said Builder's Risk Insurance, the County shall at its sole cost and expense obtain and shall maintain throughout the Lease Term, a policy or policies of insurance to keep the Project constantly insured against loss or damage by fire, lightning and all other risks covered by the extended coverage insurance endorsement then in use in the State in an amount equal to the Full Insurable Value thereof (subject to a reasonable loss deductible clause). Such coverage must apply exclusively to the Project and must be available to repair or rebuild the Project under all circumstances after the occurrence of an insured peril. Full payment of insurance proceeds shall not, under any circumstances, be contingent on the degree of damage sustained at other facilities owned or leased by the County. The Full Insurable Value of the Project shall be determined from time to time at the request of the Corporation, the County or the Trustee (but not more frequently than once in every three (3) years) by an architect, contractor, appraiser, appraisal company or one of the insurers, to be selected by the County, provided that it is not unacceptable to the Trustee, and paid by the County. The insurance required pursuant to this Section shall be maintained at the County's sole cost and expense, and shall be maintained with a commercial insurance company or companies rated A by Best or in the two highest rating categories of Standard & Poor's and Moody's, authorized to do business in the State as may be selected by the County. Copies of the insurance policies required under this Section, or originals or certificates thereof, each bearing notations evidencing payment of the premiums or other evidence of such payment, shall be delivered annually by the County to the Trustee within thirty (30) days of purchase or renewal. All such policies of insurance pursuant to this Section, and all renewals

thereof, shall name the Corporation, the County and the Trustee as loss payees as their respective interests may appear, shall contain a provision that such insurance may not be cancelled by the issuer thereof without at least thirty (30) days' advance written notice to the Corporation, the County and the Trustee, shall waive any co-insurance penalty and shall be payable to the Trustee. In the event the County fails to obtain and maintain such insurance, the Corporation or the Trustee may obtain and maintain the same at the County's expense to be repaid as Additional Payments as provided in the Lease, together with interest equal to the base lending rate of the Trustee plus two percent (2%).

Public Liability Insurance

The County shall at its sole cost and expense maintain or cause to be maintained at all times during the Lease Term general accident and public liability insurance (including but not limited to coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle) with a commercial insurance company or companies rated A by Best or in the two highest rating categories of Standard & Poor's and Moody's, under which the Corporation, the County and the Trustee shall be named as insureds, properly protecting and indemnifying the Corporation and the Trustee, in an amount not less than \$1,000,000 for bodily injury (including death) in any one occurrence (subject to reasonable loss deductible clauses) and not less than \$1,000,000 for property damage in any one occurrence (subject to reasonable loss deductible clauses).

Workers' Compensation Insurance

The County agrees throughout the Lease Term to maintain or cause to be maintained, in connection with the Project, the Workers' Compensation coverage required by the laws of the State of Missouri.

Blanket Insurance Policies

The County may satisfy any of the insurance requirements set forth in the Lease by using blanket policies of insurance or self-insurance, provided that the County complies with each and all of the requirements and specifications of the Lease respecting insurance. Self insurance or insurance reserves maintained by the County must be in amounts sufficient to satisfy the requirements of this Section and approved on an annual basis by an independent insurance consultant.

Hazardous Materials

The County shall not cause or permit the Project, the Project Site or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable federal, state and local laws or regulations, nor shall the County cause or permit, as a result of any intentional or unintentional act or omission of the County or any tenant or subtenant, a release of Hazardous Materials onto the Project or the Project Site. The County shall comply with and ensure compliance by all tenants and

subtenants with all applicable federal, state and local laws, ordinances, rules and regulations, wherever and by whomever triggered, and shall obtain and comply with, and ensure that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder.

Damage and Destruction

If during the Lease Term, the Project is damaged or destroyed, in whole or in part, by fire or other casualty, to such extent that the claim for loss (including any deductible amount pertaining thereto) resulting from such damage or destruction is greater than \$25,000, the County shall promptly notify the Corporation and the Trustee in writing as to the nature and extent of such damage or loss and whether it is practicable and desirable to rebuild, repair, restore or replace such damage or loss.

If the County shall determine that such rebuilding, repairing, restoring or replacing is practicable and desirable, the County shall proceed promptly with and complete with reasonable dispatch such rebuilding, repairing, restoring or replacing of the property damaged or destroyed so as to place said Project in substantially the same condition as existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the County and as will not impair utility of the Project. In such case, any Net Proceeds of casualty insurance required by the Lease and received with respect to any such damage or loss to the Project, if such Net Proceeds exceed \$25,000, shall be paid to the Trustee and shall be deposited into a separate account in the Project Fund to be established under the Indenture and shall be used and applied in accordance with the disbursement requirements of the Lease for the purpose of paying the cost of such rebuilding, repairing, restoring or replacing such damage or loss. Any amount remaining in the Project Fund after completion of such rebuilding, repairing, restoring or replacing shall be deposited into the Bond Fund. If said Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding or restoration, the County shall nonetheless complete the work thereof and shall pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

If the County shall determine that rebuilding, repairing, restoring or replacing the Project is not practicable and desirable, any Net Proceeds of casualty insurance required by the Lease and received with respect to any such damage or loss to the Project shall be paid into the Bond Fund and shall be used to redeem Bonds on the earliest possible redemption date pursuant to the Indenture or to pay the principal of any Bonds as the same become due or to purchase Bonds for cancellation pursuant to the Indenture. The County and the Corporation agree that Bonds are redeemable pursuant to the Indenture only to the extent of such Net Proceeds deposited in the Bond Fund.

Condemnation or Deficiency of Title

In the event that title to all or a portion of the Project is challenged or threatened by means of competent legal or equitable action, the County covenants that it shall cooperate with the Corporation and the Trustee and shall take all reasonable actions, including where appropriate the lawful exercise of the County's power of eminent domain, in order to quiet title to

the Project in the Corporation. If title to all or a portion of the Project is found to be deficient or non-existent by a court of competent jurisdiction, the County covenants that it shall, in such an event, deposit with the Trustee for the account of the Corporation an amount which, when added to the proceeds of any title insurance or leasehold owner's insurance received by the Trustee, equals the fair market value as determined by appraisal (or a *pro rata* portion thereof, as appropriate) of the Project. Under the Indenture, the Trustee is obligated to use such amounts for the redemption of Bonds at the earliest permissible date.

If during the Lease Term title to all or part of the Project is condemned by any authority having the power of eminent domain, the condemnation proceeds shall be paid into the Bond Fund and shall be used by the Trustee to redeem Bonds pursuant to the Indenture or to purchase and cancel Bonds pursuant to the Indenture. The County and the Corporation agree that Bonds are redeemable pursuant to the Indenture only to the extent of such Net Proceeds deposited in the Bond Fund.

Tax Covenants

The County covenants and agrees that (a) it will comply with all applicable provisions of the Code, including Sections 103 and 141 through 150, necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds and (b) it will not use or permit the use of any proceeds of the Bonds or any other funds of the County nor take or permit any other action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds. The County will also adopt such other resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decision, in order to ensure that the interest on the Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the County.

Assignment and Subleasing

Except as provided in the Lease, the County may not assign the Lease in whole or in part, and may not sublease the Project in whole or in part, as long as any Bonds remain Outstanding, unless it receives an opinion of Bond Counsel that such assignment or sublease will not cause the inclusion of interest on the Bonds in gross income for federal income tax purposes. In the event of any sublease of any kind or part or all of the Project, the County shall remain fully liable under the terms and conditions of the Lease. The County may sublease the Project on a short-term (less than twelve (12) months) basis including all renewal options.

Restrictions on Sale or Mortgage of the Project by the Corporation

The Corporation agrees that, except as set forth in the Lease or in other provisions of the Lease or the Indenture, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Project during the Lease Term.

Events of Default

If any one or more of the following event shall occur and be continuing, it is defined as and declared to be and to constitute an Event of Default under the Lease:

- (a) Default in the due and punctual payment of a Rental Payment or any Additional Payments during the Initial Term or any Renewal Term;
- (b) Default in the due observance or performance of any other covenant, agreement, obligation or provision of the Lease on the County's part to be observed or performed, and such default shall continue for thirty (30) days after the Corporation or the Trustee has given to the County written notice specifying such default or such longer period as shall be reasonably required to cure such default; provided that (i) the County has commenced such cure within said 30-day period, and (ii) the County diligently prosecutes such cure to completion;
- (c) The County shall (i) admit in writing its inability to pay its debts as they become due; or (ii) file a petition in bankruptcy or for reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the United States Bankruptcy Code or any other similar present or future federal or state statute or regulation, or file a pleading asking for such relief; or (iii) make an assignment for the benefit of its creditors; or (iv) consent to the appointment of a trustee, receiver or liquidator for all or a major portion of its property or shall fail to have vacated or set aside the appointment of any trustee, receiver or liquidator which was made without the County's consent or acquiescence; or (v) be finally adjudicated as bankrupt or insolvent under any federal or state law; or (vi) be subject to any proceeding or suffer the entry of a final and non-appealable court order, under any federal or state law appointing a receiver, trustee or liquidator for all or a major part of its property or ordering the winding-up or liquidation of its affairs, or approving a petition filed against it under the United States Bankruptcy Code, which order or proceeding, if not the subject of the County's consent, shall not be dismissed, vacated, denied, set aside or stayed within sixty (60) days after the day of entry or commencement; or (vii) suffer a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial portion of its property, and such writ or warrant of attachment or any similar process is not contested, stayed or is not released within sixty (60) days after the final entry, or levy or after any contest is finally adjudicated or any stay is vacated or set aside; or
- (d) The County shall vacate or abandon the Project, and the same shall remain uncared for and unoccupied for a period of sixty (60) days.

Remedies on Default

If any Event of Default specified in the Lease shall have occurred and be continuing, then the Corporation may, at the Corporation's election (subject, however, to any restrictions contained in the Indenture against acceleration of the maturity of the Bonds or termination of the Lease), then or at any time thereafter, and while such default shall continue, take any one or more of the following actions:

- (a) cause the Rental Payment and any Additional Payments for the remainder of the then current Lease Term to become due and payable, as provided in the Indenture; or
- (b) give the County written notice of intention to terminate the Lease on a date specified in such notice, which date shall not be earlier than thirty (30) days after such notice is given, and if all defaults have not then been cured, on the date so specified, the County's rights to possession of the Project shall cease and the Lease shall thereupon be terminated, and the Corporation may re-enter and take possession of the Project; or
- (c) without terminating the Lease, re-enter the Project or take possession thereof pursuant to legal proceedings or pursuant to any notice provided for by law, and having elected to re-enter or take possession of the Project without terminating the Lease, the Corporation shall use reasonable diligence to relet the Project, or parts thereof, for such term or terms and at such rental and upon such other provisions and conditions as the Corporation may deem advisable, with the right to make alterations and repairs to the Project, and no such re-entry or taking of possession of the Project by the Corporation shall be construed as an election on the Corporation's part to terminate the Lease, and no such re-entry or taking of possession by the Corporation shall relieve the County of its obligation to pay Rental Payments or Additional Payments (at the time or times provided in the Lease), or of any of its other obligations under the Lease, all of which shall survive such re-entry or taking of possession, and the County shall continue to pay the Rental Payments and Additional Payments specified in the Lease until the end of the then current Lease Term, whether or not the Project has been re-let, less the net proceeds, if any, of any reletting of the Project after deducting all of the Corporation's reasonable expenses in or in connection with such reletting, including without limitation all repossession costs, brokerage commissions, legal expenses, expenses of employees, alteration costs and expenses of preparation for reletting. Said net proceeds of any reletting shall be deposited in the Bond Fund.

Having elected to re-enter or take possession of the Project without terminating the Lease, the Corporation may (subject, however, to any restrictions in the Indenture against termination of the Lease), by notice to the County given at any time thereafter while the County is in default in the payment of Rental Payments or Additional Payments or in the performance of any other obligation under the Lease, elect to terminate the Lease on a date to be specified in such notice, which date

shall be not earlier than thirty (30) days after re-entry under the preceding paragraph, and if all defaults shall not have then been cured, the Lease shall thereupon be terminated on the date so specified. If in accordance with any of the foregoing provisions the Corporation shall have the right to elect to re-enter and take possession of the Project, the Corporation may enter and expel the County and those claiming through or under the County and remove the property and effects of both or either (forcibly if necessary) without being guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or for preceding breach of covenant. The Corporation may take whatever action at law or in equity which may appear necessary or desirable to collect rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the County under the Lease.

Amendments, Changes and Modifications

Except as otherwise provided in the Lease, or in the Indenture, subsequent to the initial issuance of Bonds and prior to the payment thereof having been made in accordance with the provisions of the Indenture, the Lease may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee, given in accordance with the provisions of the Indenture.

SUMMARY OF THE SITE LEASE

The following is a summary of certain provisions of the Site Lease. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Site Lease for a full recital of the provisions thereof.

Lease of Project Site

The County demises and leases the Project Site to the Corporation, and the Corporation leases the Project Site from the County, subject to Permitted Encumbrances, on the terms and conditions set forth in the site Lease. The term of the Site Lease shall commence as of the date of the delivery of the Site Lease and shall end on December 31, 2030, unless such term is sooner terminated as provided in the Site Lease. The parties to the Site Lease agree that the County intends to acquire additional real property on which a portion of the Facilities will be located. Upon such acquisition, the legal description attached to the Site Lease will be amended to include such additional property and such additional property will be part of the Project Site.

Assignments, Subleases and Mortgage

The Corporation may not mortgage or otherwise assign its rights under the Site Lease or sublet the Project Site without the written consent of the County except (a) the sublease and lease of the Project Site and the Facilities pursuant to the Lease, (b) the assignment pursuant to the Indenture of its rights under the Site Lease and the Lease, (c) if the Lease is terminated for any reason and the Site Lease is not otherwise terminated as provided in the Site Lease, or (d) if an Event of Default

under the Lease has occurred or any other event has occurred resulting in the termination of the Lease.

Except with respect to Permitted Encumbrances and as otherwise provided in the Site Lease or in the Indenture, neither the Corporation nor the County shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project other than the respective rights of the Corporation and the County as provided in the Lease and in the Site Lease. Whenever and as often as any mechanics' or other similar lien is filed against the Project, or any part thereof, purporting to be for or on account of any labor done or materials or services furnished in connection with any work in or about the Project, the County shall discharge the same of record within sixty (60) days after the date of filing.

Termination

The Site Lease shall terminate upon the completion of the Site Lease Term specified in the Site Lease; provided, however, in the event the County pays all Rental Payments and Additional Payments required by the Lease, or exercises the option to purchase the remaining interest of the Corporation under the Site Lease and pays all amounts as provided in the Lease, then the Site Lease shall be considered assigned to the County and terminated through merger of the leasehold interest with the fee interest if the County is the owner of the fee interest and elects to terminate the leasehold interest so acquired from the Corporation. The Corporation agrees, upon such assignment and termination of the Site Lease Term, to quit and surrender the Project as it then exists to the County free and clear of encumbrances, except Permitted Encumbrances.

Default by the County

If an Event of Default under the Lease occurs for any reason, or if the County terminates the Lease and fails to purchase the Corporation's interest in the Project as provided in the Lease, the Corporation, or its assignee, shall have the right to possession thereof for the remainder of the Site Lease Term and shall have the right to sublease the same or sell its interest therein and in the Site Lease upon whatever terms and conditions it deems prudent; provided that the Project shall always be operated for a public purpose. In such event, the Corporation shall obtain the same insurance coverage with respect to the Project as the County is required to obtain under the Lease for the remainder of the Site Lease Term and will furnish the County with evidence thereof. In the event that the Corporation shall receive a payment for the sale of its interest or total rental payments for subleasing that are, after the payment of the Corporation's expenses in connection therewith including fees and expenses of the Trustee, in excess of the purchase price applicable at the time of termination or default plus interest thereon at the interest rate per annum borne by the Bonds (which must be an amount sufficient to pay the principal of and all interest on the Bonds, or to provide for the payment thereof as provided in the Indenture, with amounts so received to be credited first to such interest and then to principal), then such excess shall be paid to the County by the Corporation, its assigns or its sublessee.

Amendments, Changes and Modifications

The Site Lease may not be effectively amended, changed, modified, altered or terminated, except as provided in the Indenture.

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions of the Continuing Disclosure Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Continuing Disclosure Agreement for a full recital of the provisions thereof.

Definitions

For purposes of this section, the following terms have the following meanings, in addition to capitalized terms defined elsewhere:

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" shall mean any information repository recognized by the Securities and Exchange Commission as a nationally recognized municipal securities information repository under Rule 15c2-12.

"Rule 15c2-12" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SID means any public or private information depository, if any, designated by the State of Missouri as such for purposes of Rule 15c2-12.

Provision of Annual Reports

Within 180 days after the close of each fiscal year beginning with the fiscal year ending December 31, 1998, the County shall furnish to each NRMSIR and to the SID, if any, (a) a copy of the budget reports of the County prepared in accordance with generally accepted accounting principles as applicable to governmental units, and (b) the operating data of the County, updated for the Fiscal Year then ended, in substantially the scope and form contained in this Official Statement in the sections captioned:

- (a) Sales Tax Collections - County;
- (b) History of collection, in tabular form, of the law enforcement sales tax described under Law Enforcement Sales Tax;

- (c) Assessed Valuation; and
- (d) Major Property Taxpayers.

In addition, the County shall furnish to each NRMSIR and to the SID, if any, upon receipt, a copy of the audited financial statements of the County. At the present time, audits of the County are conducted on a biannual basis by the Office of the Auditor of the State of Missouri.

Any or all of the financial information or operating data required by this paragraph may be incorporated by reference from other documents, including official statements of debt issues with respect to the County that have been filed with each NRMSIR or the Securities and Exchange Commission, and in the case of a final official statement, that is available from the MSRB. The County shall clearly identify in each annual report filed under this paragraph each document incorporated by reference and the source from which it is available.

Reporting of Material Events

The County shall disseminate to the SID, if any, and to each NRMSIR or to the MSRB, promptly upon the occurrence thereof notice of any of the following events with respect to the Bonds, if material:

- (a) Any principal or interest payment delinquencies;
- (b) Any non-payment related default;
- (c) Any unscheduled draw on debt service reserves reflecting financial difficulties;
- (d) Any unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Any substitution of credit or liquidity providers, or their failure to perform;
- (f) Any adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) Any modifications to rights of Registered Owners;
- (h) Any calls (other than mandatory sinking fund prepayments);
- (i) Any defeasances;
- (j) Any release, substitution or sale of property securing repayment of the Bonds; and
- (k) Any rating changes.

The County shall also provide to the SID, if any, and to each NRMSIR or to the MSRB, as promptly as practicable notice of any failure of the County to provide the NRMSIRs and the SID, if any, the annual financial information or operating data required by under "Provision of Annual Reports" above on or before the date specified.

Termination of Reporting Obligation

The County's obligations under this Section shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver

The provisions of this Section may be amended by a written instruments executed by the Presiding Commissioner of the County or other person acting for the County without complying with the provisions of the Lease if the County receives an opinion from Bond Counsel to the effect that the amendment is in compliance with Rule 15c2-12 and all current amendments thereto and interpretations thereof that are applicable to the undertaking made in this Section by the County.

If an amendment is made to this Section pursuant to paragraph (e), the County shall describe in the next annual financial report submitted to the NRMSIRs pursuant to paragraph (b) the substance of the amendment, the reasons for such amendment and the impact of such amendment on the type of operating data or financial information required to be provided under this Section.

Noncompliance

Nothing in this Section shall be deemed to prevent the County from disseminating any other information, or including any other information in any report or notice made under the Lease, in addition to that which is required by the Continuing Disclosure Agreement. If the County chooses to include any information in any report or notice made under the Lease in addition to that which is specifically required by the Continuing Disclosure Agreement, the County shall have no obligation to update such information or include it in any future report or notice.

Additional Information

The provisions of the Continuing Disclosure Agreement shall be subject to specific enforcement or action in mandamus in a court of equity by any registered owner of the Bonds. A breach of the provisions of the Continuing Disclosure Agreement shall not constitute an Event of Default.

Dissemination Responsibility of the Trustee

The Trustee has agreed that if the County provides the Trustee with the annual financial information required under "Provision of Annual Reports" or any event notice required under "Reporting of Material Events," the Trustee will transmit the same to the NRMSIRs, the SID, if any, or the MSRB, as applicable, on behalf of and as Trustee for the County within three business days.

The Trustee may provide a copy of the same to any Registered Owner upon request of such Registered Owner. If the Trustee has actual knowledge of any failure of the County to comply with the provisions under "Reporting of Material Events," the Trustee is authorized, but not required, to give such event notice to the SID, if any, and to each NRMSIR or to the MSRB, including notice of any failure of the County to provide the annual financial information required under "Provision of Annual Reports."

APPENDIX B

AUDITED FINANCIAL STATEMENTS

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**OFFICES OF THE
STATE AUDITOR OF MISSOURI
JEFFERSON CITY**

**MORGAN COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 1996**

MARGARET KELLY, CPA



Report No. 98-39
June 2, 1998

MORGAN COUNTY, MISSOURI

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FINANCIAL SECTION

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State Auditor's Reports

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STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P. O. Box 869
(573) 751-4624

To the County Commission
and
Officeholders of Morgan County, Missouri

INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS

We have audited the special-purpose financial statements, identified in the table of contents, of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1996 and 1995. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Morgan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Morgan County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Morgan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1996 and 1995, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Morgan County,

Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS
AT THE FINANCIAL STATEMENT LEVEL

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1996 and 1995, and have issued our report thereon dated January 29, 1998.

We conducted our audit in accordance with generally accepted auditing standards and 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 special-purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Morgan County, Missouri, is the responsibility of the county's management. As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Morgan County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the special-purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants, that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the special-purpose financial statements. The results of our tests of compliance disclosed no material instances of noncompliance. However, the results of our tests disclosed certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of Morgan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

INDEPENDENT AUDITOR'S REPORT ON THE
INTERNAL CONTROL STRUCTURE AT THE
FINANCIAL STATEMENT LEVEL

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1996 and 1995, and have issued our report thereon dated January 29, 1998.

We conducted our audit in accordance with generally accepted auditing standards and 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 special-purpose financial statements are free of material misstatement.

The management of Morgan County, Missouri, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments

by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the special-purpose financial statements in accordance with the cash basis of accounting.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.


In planning and performing our audit of the special-purpose financial statements of various funds of Morgan County, Missouri, for the years ended December 31, 1996 and 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the special-purpose 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted certain matters involving the internal control structure and its operation that we consider to be material weaknesses. These matters are presented in the accompanying Management Advisory Report and were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the special-purpose financial statements of various funds of Morgan County, Missouri, for the years ended December 31, 1996 and 1995.

This report is intended for the information of the management of Morgan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Margaret Kelly". The signature is written in a cursive style with a large, stylized "M" and "K".

Margaret Kelly, CPA
State Auditor

January 29, 1998, except for the event
discussed in Note 3, as to which the date
is March 24, 1998

Financial Statements

MORGAN COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1996

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 645,076	1,386,053	1,431,719	599,409
Special Road and Bridge	523,682	1,575,132	1,614,308	484,506
Assessment	0	256,363	256,363	0
Law Enforcement Training	3,483	2,903	3,192	3,194
Prosecuting Attorney Training	4,632	2,402	1,373	5,661
Health Center	435,638	411,931	635,276	212,293
911	0	287,136	286,644	492
Local Emergency Planning Committee	3,691	1,005	1,991	2,705
Prosecuting Attorney Delinquent Sales Tax Collection	7,252	2,795	11	10,036
Courthouse Repair	84	17	5	96
Domestic Violence	428	705	505	628
Bad Check Collection	22,046	27,074	16,426	32,694
Recorder's User Fees	25,002	15,305	17,552	22,755
Prosecuting Attorney Library	733	2,053	2,559	207
Johnson Grass	15,275	1,192	4,757	11,710
Neighborhood Improvement District Debt Service	294,654	671,056	776,243	189,467
Neighborhood Improvement District Maintenance	230,260	108,432	9,669	329,023
Senate Bill 40	11,242	97,757	95,108	13,891
Circuit Clerk Interest	13,686	2,818	2,829	13,675
Associate Circuit Court Interest	11,646	2,919	773	13,792
Mental Health Board	3,110	130	419	2,821
Sheriff's Drug Seizure	801	0	801	0
Neighborhood Improvement District Construction	0	350,583	3,500	347,083
Total	\$ 2,252,421	5,205,761	5,162,023	2,296,159

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

MORGAN COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1995

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 544,131	1,448,710	1,347,765	645,076
Special Road and Bridge	587,645	1,269,200	1,333,163	523,682
Assessment	0	231,142	231,142	0
Law Enforcement Training	2,215	3,546	2,278	3,483
Prosecuting Attorney Training	3,929	2,273	1,570	4,632
Health Center	388,708	448,472	401,542	435,638
911	79,977	262,597	342,574	0
Local Emergency Planning Committee	5,208	2,325	3,842	3,691
Prosecuting Attorney Delinquent Sales Tax Collection	6,230	1,948	926	7,252
Courthouse Repair	12	77	5	84
Domestic Violence	828	800	1,200	428
Bad Check Collection	26,190	21,379	25,523	22,046
Recorder's User Fees	27,058	14,539	16,595	25,002
Prosecuting Attorney Library	139	2,205	1,611	733
Johnson Grass	17,702	1,295	3,722	15,275
Neighborhood Improvement District Debt Service	251,339	523,003	479,688	294,654
Neighborhood Improvement District Maintenance	174,952	106,234	50,926	230,260
Senate Bill 40	28,189	93,048	109,995	11,242
Circuit Clerk Interest	21,429	3,994	11,737	13,686
Associate Circuit Court Interest	11,420	3,237	3,011	11,646
Mental Health Board	3,110	835	835	3,110
Sheriff's Drug Seizure	19,150	0	18,349	801
Total	\$ 2,199,561	4,440,859	4,387,999	2,252,421

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

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - GENERAL REVENUE FUND

	Year Ended December 31,					
	1996			1995		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 155,050	174,742	19,692	221,757	189,274	(32,483)
Sales taxes	675,000	676,940	1,940	632,000	641,283	9,283
Intergovernmental	50,000	15,616	(34,384)	6,900	134,009	127,109
Charges for services	307,700	312,508	4,808	296,900	300,948	4,048
Interest	40,000	44,178	4,178	27,700	33,668	5,968
Other	74,400	120,918	46,518	82,250	104,412	22,162
Transfers in	37,400	41,151	3,751	0	45,116	45,116
Total Receipts	1,339,550	1,386,053	46,503	1,267,507	1,448,710	181,203
DISBURSEMENTS						
County Commission	72,362	71,513	849	71,657	70,872	785
County Clerk	72,072	72,061	11	70,436	69,593	843
Elections	24,200	21,750	2,450	8,000	2,694	5,306
Buildings and grounds	28,788	29,142	(354)	27,418	26,290	1,128
Employee fringe benefits	68,700	67,054	1,646	66,050	62,289	3,761
County Treasurer	22,134	21,766	368	21,784	21,659	125
County Collector	79,039	78,855	184	77,503	77,614	(111)
Ex Officio Recorder of Deeds	44,523	45,159	(636)	38,870	31,573	7,297
Circuit Clerk	6,500	5,373	1,127	5,550	5,517	33
Associate Circuit Court	19,240	12,138	7,102	12,116	12,121	(5)
Circuit Judges-Div.1&2	5,997	1,655	4,342	5,997	2,611	3,386
Court administration	5,000	8,000	(3,000)	5,000	5,000	0
Public Administrator	10,200	11,214	(1,014)	8,725	9,529	(804)
Insurance	28,000	20,714	7,286	22,000	27,645	(5,645)
Univ. Extension Service	26,419	25,604	815	26,354	25,040	1,314
Utilities	23,000	24,164	(1,164)	23,000	22,791	209
Telephone	22,000	19,056	2,944	17,500	21,697	(4,197)
Equipment	15,000	24,729	(9,729)	110,000	119,375	(9,375)
Detention Fees	13,000	42,004	(29,004)	13,000	10,379	2,621
Capital Imp. Courthouse	110,000	81,958	28,042	45,000	29,963	15,037
Other	43,650	27,136	16,514	43,850	36,263	7,587
Sheriff	349,848	308,742	41,106	308,614	297,291	11,323
Jail	51,500	65,282	(13,782)	49,300	49,373	(73)
Prosecuting Attorney	102,223	105,134	(2,911)	100,458	100,656	(198)
Juvenile Officer	80,182	62,097	18,085	89,603	55,223	34,380
County Coroner	5,312	6,814	(1,502)	4,712	5,064	(352)
Transfers out	206,373	172,605	33,768	178,400	149,643	28,757
Emergency Fund	46,058	0	46,058	42,274	0	42,274
Total Disbursements	1,581,320	1,431,719	149,601	1,493,171	1,347,765	145,406
RECEIPTS OVER (UNDER) DISBURSEMENTS	(241,770)	(45,666)	196,104	(225,664)	100,945	326,609
CASH, JANUARY 1	645,076	645,076	0	544,131	544,131	0
CASH, DECEMBER 31	403,306	599,410	196,104	318,467	645,076	326,609
OTHER AVAILABLE NET RESOURCES	114,639			135,002		
BUDGETED BALANCE AFTER						
OTHER AVAILABLE NET RESOURCES	\$ 517,945			453,469		

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

Exhibit C

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	219,700	217,040	198,598	210,740
Intergovernmental	1,270,000	1,309,473	1,250,000	896,173
Interest	35,000	38,957	30,000	39,136
Other	12,500	9,662	11,500	11,751
Equipment sales	170,000	0	90,000	111,400
Total Receipts	1,707,200	1,575,132	1,580,098	1,269,200
DISBURSEMENTS				
Salaries	275,000	276,746	286,500	252,658
Employee fringe benefits	45,450	41,690	51,270	43,098
Supplies	75,000	68,271	75,000	65,788
Insurance	10,000	7,128	10,000	9,093
Road and bridge materials	145,000	151,299	125,000	124,849
Equipment repairs	30,000	20,013	30,000	29,198
Equipment purchases	225,000	222,893	200,000	339,796
Construction, repair, and maintenance	750,000	605,544	795,000	270,759
CART to special road districts	143,610	151,648	138,984	134,498
Other	22,800	27,926	25,300	21,666
Transfers out	41,150	41,150	41,760	41,760
Total Disbursements	1,763,010	1,614,308	1,778,814	1,333,163
RECEIPTS OVER (UNDER) DISBURSEMENTS	(55,810)	(39,176)	(198,716)	(63,963)
CASH, JANUARY 1	523,682	523,682	587,645	587,645
CASH, DECEMBER 31	467,872	484,506	388,929	523,682
OTHER AVAILABLE NET RESOURCES	158,249	16,634	125,047	134,753
BUDGETED BALANCE AFTER				
OTHER AVAILABLE NET RESOURCES	\$ 626,121		513,976	

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

Exhibit D

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - ASSESSMENT FUND

	Year Ended December 31,				
	1996		1995		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
RECEIPTS					
Intergovernmental	\$ 205,795	206,519	724	195,630	1,447
Interest	750	849	99	500	238
Other	250	0	(250)	500	(131)
Transfers in	59,961	48,995	(10,966)	34,429	(1,471)
Total Receipts	266,756	256,363	(10,393)	231,059	83
DISBURSEMENTS					
Assessor	266,756	256,363	10,393	231,059	3,273
Transfers out	0	0	0	0	(3,356)
Total Disbursements	266,756	256,363	10,393	231,059	(83)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0
OTHER AVAILABLE NET RESOURCES	0	0	0	0	0
BUDGETED BALANCE AFTER					
OTHER AVAILABLE NET RESOURCES	\$ 0			0	

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

Exhibit E

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
RECEIPTS				
Charges for services	\$ 3,500	2,903		
Total Receipts	3,500	2,903	3,000	3,546
DISBURSEMENTS				
Sheriff				
Total Disbursements	3,000	3,192	3,500	2,278
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	(289)	500	1,268
CASH, JANUARY 1	3,483	3,483	2,215	2,215
CASH, DECEMBER 31	3,983	3,194	1,715	3,483
OTHER AVAILABLE NET RESOURCES	0		0	
BUDGETED BALANCE AFTER				
OTHER AVAILABLE NET RESOURCES	\$ 3,983		1,715	

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

Exhibit F

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
				Variance Favorable (Unfavorable)
RECEIPTS				
Charges for services	\$ 2,300	2,402	2,000	2,273
Total Receipts	2,300	2,402	2,000	2,273
DISBURSEMENTS				
Tuition	1,000	172	1,000	434
Transfer to State	1,150	1,201	1,000	1,136
Total Disbursements	2,150	1,373	2,000	1,570
RECEIPTS OVER (UNDER) DISBURSEMENTS	150	1,029	0	703
CASH, JANUARY 1	4,632	4,632	3,929	3,929
CASH, DECEMBER 31	4,782	5,661	3,929	4,632
OTHER AVAILABLE NET RESOURCES	0		0	
BUDGETED BALANCE AFTER				
OTHER AVAILABLE NET RESOURCES	\$ 4,782		3,929	

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

Exhibit G

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - HEALTH CENTER FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 148,000	154,790	141,000	145,646
Intergovernmental	264,228	207,916	273,418	258,128
Charges for services	11,000	11,441	6,000	9,860
Interest	9,000	21,337	13,000	19,269
Donations	11,000	9,822	11,000	11,261
Other	4,500	6,625	5,000	4,308
Total Receipts	447,728	411,931	449,418	448,472
DISBURSEMENTS				
Salaries	328,000	316,012	314,000	296,633
Office expenditures	37,000	28,186	30,468	26,545
Building and Grounds	150,000	178,351	20,000	5,766
Equipment	55,000	46,601	2,500	711
Mileage and training	16,500	13,803	14,000	14,532
Prenatal	34,000	29,892	38,000	33,295
Family Planning	16,750	14,832	16,750	13,168
Other	10,478	7,599	13,700	10,892
Total Disbursements	647,728	635,276	449,418	401,542
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200,000)	(223,345)	0	46,930
CASH, JANUARY 1	435,488	435,638	388,708	388,708
CASH, DECEMBER 31	235,488	212,293	388,708	435,638
OTHER AVAILABLE NET RESOURCES	0	(23,195)	0	46,930
BUDGETED BALANCE AFTER				
OTHER AVAILABLE NET RESOURCES	\$ 235,488		388,708	

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

Exhibit H

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - 911 FUND

	Year Ended December 31,				
	1996		1995		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
RECEIPTS					
Intergovernmental revenues	\$ 30,750	29,579	26,879	28,768	1,889
Interest	2,500	102	1,500	2,561	1,061
Transfers in	146,412	123,609	143,969	116,685	(27,284)
User fees	125,000	133,846	105,017	111,533	6,516
Other	0	0	0	3,050	3,050
Total Receipts	304,662	287,136	277,365	262,597	(14,768)
DISBURSEMENTS					
Salaries	167,738	169,220	126,188	126,073	115
Office expenditures	7,724	8,444	12,810	6,421	6,389
Equipment	60,500	39,991	131,375	147,204	(15,829)
Mileage and training	7,900	6,422	2,400	2,908	(508)
Mapping of county	30,000	35,813	60,000	42,531	17,469
Line charges	20,000	22,015	10,910	10,515	395
Other	10,800	4,739	13,659	6,922	6,737
Total Disbursements	304,662	286,644	357,342	342,574	14,768
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	492	(79,977)	(79,977)	0
CASH, JANUARY 1	0	0	79,977	79,977	0
CASH, DECEMBER 31	0	492	0	0	0
OTHER AVAILABLE NET RESOURCES	0	492	0	0	0
BUDGETED BALANCE AFTER					
OTHER AVAILABLE NET RESOURCES	\$ 0	0	0	0	0

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

Exhibit I

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - LOCAL EMERGENCY PLANNING COMMITTEE FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
RECEIPTS				
Interest	100	178	0	173
Other	2,200	827	2,600	2,152
Total Receipts	2,300	1,005	2,600	2,325
DISBURSEMENTS				
Office expenditures	2,700	1,741	0	2,964
Equipment	0	250	1,350	0
Mileage and training	2,900	0	1,250	878
Total Disbursements	5,600	1,991	2,600	3,842
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,300)	(986)	0	(1,517)
CASH, JANUARY 1	3,691	3,691	5,208	5,208
CASH, DECEMBER 31	391	2,705	5,208	3,691
OTHER AVAILABLE NET RESOURCES	0		0	
BUDGETED BALANCE AFTER				
OTHER AVAILABLE NET RESOURCES	\$ 391		\$ 5,208	

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

Exhibit J

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - PROSECUTING ATTORNEY DELINQUENT SALES TAX COLLECTION FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
RECEIPTS				
Charges for Services	1,600	2,278	678	576
Interest	375	517	142	122
Other	0	0	0	(65)
Total Receipts	1,975	2,795	820	633
DISBURSEMENTS				
Office Expenditures	0	11	(11)	(11)
Equipment	3,000	0	3,000	85
Total Disbursements	3,000	11	2,989	74
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,025)	2,784	3,809	707
CASH, JANUARY 1	7,252	7,252	0	0
CASH, DECEMBER 31	6,227	10,036	3,809	707
OTHER AVAILABLE NET RESOURCES	0			
BUDGETED BALANCE AFTER				
OTHER AVAILABLE NET RESOURCES	\$ 6,227		\$ 6,545	

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

Exhibit K

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - COURTHOUSE REPAIR FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
RECEIPTS				
Sales Taxes	60	17	20	77
Total Receipts	60	17	20	77
DISBURSEMENTS				
Office Expenditures	5	5	0	5
Other	139	0	32	0
Total Disbursements	144	5	32	5
RECEIPTS OVER (UNDER) DISBURSEMENTS	(84)	12	(12)	72
CASH, JANUARY 1	84	84	12	12
CASH, DECEMBER 31	0	96	0	84
OTHER AVAILABLE NET RESOURCES	0		0	
BUDGETED BALANCE AFTER				
OTHER AVAILABLE NET RESOURCES	\$ 0		\$ 0	

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

Exhibit L

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - DOMESTIC VIOLENCE FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
RECEIPTS				
Charges for services	825	670	700	765
Interest	35	35	0	35
Total Receipts	860	705	700	800
DISBURSEMENTS				
Other	1,010	505	1,208	1,200
Total Disbursements	1,010	505	1,208	1,200
RECEIPTS OVER (UNDER) DISBURSEMENTS	(150)	200	(508)	(400)
CASH, JANUARY 1	428	428	828	828
CASH, DECEMBER 31	278	628	320	428
OTHER AVAILABLE NET RESOURCES	0		0	
BUDGETED BALANCE AFTER				
OTHER AVAILABLE NET RESOURCES	\$ 278		\$ 320	

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

Exhibit M

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - BAD CHECK COLLECTION FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
RECEIPTS				
Intergovernmental				
Charges for services	20,400	8,154	0	4,846
Interest	16,000	17,337	14,000	15,323
	1,300	1,583	1,000	1,210
Total Receipts	37,700	27,074	15,000	21,379
DISBURSEMENTS				
Salaries	30,500	14,641	14,000	13,933
Office expenditures	0	401	3,000	3,632
Equipment	2,266	142	6,000	5,728
Mileage and training	1,000	511	2,000	1,017
Other	1,300	731	500	1,213
Total Disbursements	35,066	16,426	25,500	25,523
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,634	10,648	(10,500)	(4,144)
CASH, JANUARY 1	22,046	22,046	26,190	26,190
CASH, DECEMBER 31	24,680	32,694	15,690	22,046
OTHER AVAILABLE NET RESOURCES	0	8,014	0	6,356
BUDGETED BALANCE AFTER	24,680	40,708	15,690	28,402
OTHER AVAILABLE NET RESOURCES	\$ 24,680	\$ 40,708	\$ 15,690	\$ 28,402

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

Exhibit N

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - RECORDER'S USER FEES FUND

	Year Ended December 31,				
	1996		1995		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
RECEIPTS					
Charges for services	13,300	13,886	13,500	13,228	(272)
Interest	1,200	1,419	850	1,311	461
Total Receipts	14,500	15,305	14,350	14,539	189
DISBURSEMENTS					
Office expenditures	9,100	17,552	9,000	16,595	(7,595)
Total Disbursements	9,100	17,552	9,000	16,595	(7,595)
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,400	(2,247)	5,350	(2,056)	(7,406)
CASH, JANUARY 1	25,002	25,002	27,058	27,058	0
CASH, DECEMBER 31	30,402	22,755	32,408	25,002	(7,406)
OTHER AVAILABLE NET RESOURCES	0		0		
BUDGETED BALANCE AFTER					
OTHER AVAILABLE NET RESOURCES	\$ 30,402		\$ 32,408		

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

Exhibit O

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - PROSECUTING ATTORNEY LIBRARY FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
				Variance Favorable (Unfavorable)
RECEIPTS				
Law Library fees	2,200	2,053	1,500	2,200
Interest	5	0	10	5
Total Receipts	2,205	2,053	1,510	2,205
DISBURSEMENTS				
Law Library	1,500	2,559	1,500	1,611
Total Disbursements	1,500	2,559	1,500	1,611
RECEIPTS OVER (UNDER) DISBURSEMENTS	705	(506)	10	594
CASH, JANUARY 1	748	733	139	139
CASH, DECEMBER 31	1,453	227	149	733
OTHER AVAILABLE NET RESOURCES	0		0	
BUDGETED BALANCE AFTER				
OTHER AVAILABLE NET RESOURCES	\$ 1,453		\$ 149	

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

Exhibit P

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - JOHNSON GRASS FUND

Year Ended December 31,						
1996			1995			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 400	320	(80)	1,200	366	(834)
Interest	900	872	(28)	750	929	179
Other	200	0	(200)	200	0	(200)
Total Receipts	1,500	1,192	(308)	2,150	1,295	(855)
DISBURSEMENTS						
Salaries	3,950	3,706	244	3,950	3,324	626
Office expenditures	200	21	179	200	165	35
Other	942	1,030	(88)	1,100	233	867
Total Disbursements	5,092	4,757	335	5,250	3,722	1,528
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,592)	(3,565)	27	(3,100)	(2,427)	673
CASH, JANUARY 1	15,275	15,275	0	17,702	17,702	0
CASH, DECEMBER 31	11,683	11,710	27	14,602	15,275	673
OTHER AVAILABLE NET RESOURCES	0			0		
BUDGETED BALANCE AFTER						
OTHER AVAILABLE NET RESOURCES	\$ 11,683			14,602		

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

Exhibit Q

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - NEIGHBORHOOD IMPROVEMENT DISTRICT DEBT SERVICE FUND

	Year Ended December 31,				
	1996		1995		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
RECEIPTS					
Property tax	142,080	221,263	178,207	501,529	323,322
Interest	14,450	16,552	8,320	16,474	8,154
Assessments	11,160	0	0	0	0
Balance from bond payoff	30,000	429,380	0	0	0
Payoff on construction loan	0	0	135,000	0	(135,000)
Other	0	3,861	802	5,000	4,198
Total Receipts	197,690	671,056	322,329	523,003	200,674
DISBURSEMENTS					
Commissions	10,110	0	6,020	1,255	4,765
Payment on bond issue	234,284	676,388	225,924	203,522	22,402
Transfer to maintenance fund	85,171	97,875	102,540	67,105	35,435
Legal fees	0	1,683	1,000	3,267	(2,267)
Payback to property owners	0	297	0	204,539	(204,539)
Misc. transfer	0	0	111,000	0	111,000
Other	46,000	0	5,000	0	5,000
Total Disbursements	375,565	776,243	451,484	479,688	(28,204)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(177,875)	(105,187)	(129,155)	43,315	172,470
CASH, JANUARY 1	294,654	294,654	236,583	251,339	14,756
CASH, DECEMBER 31	116,779	189,467	107,428	294,654	187,226
OTHER AVAILABLE NET RESOURCES	0		144,891		
BUDGETED BALANCE AFTER					
OTHER AVAILABLE NET RESOURCES	\$ 116,779			252,319	

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

Exhibit R

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - NEIGHBORHOOD IMPROVEMENT DISTRICT MAINTENANCE FUND

	Year Ended December 31,				
	1996		1995		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
RECEIPTS					
Property tax	0	0	5,551	0	(5,551)
Interest	13,600	10,557	0	8,306	8,306
Assessments	1,700	0	6,298	0	(6,298)
Transfers in	85,171	97,875	124,540	97,113	(27,427)
Other	0	0	0	815	815
Total Receipts	100,471	108,432	136,389	106,234	(30,155)
DISBURSEMENTS					
Commissions	793	0	293	22	271
Road maintenance	32,500	0	32,500	13,294	19,206
UMB transfer	0	0	0	274	(274)
Legal fees	3,000	9,669	0	7,328	(7,328)
Transfers out	0	0	30,000	30,008	(8)
Total Disbursements	36,293	9,669	62,793	50,926	11,867
RECEIPTS OVER (UNDER) DISBURSEMENTS	64,178	98,763	73,596	55,308	(18,288)
CASH, JANUARY 1	230,260	230,260	174,953	174,952	(1)
CASH, DECEMBER 31	294,438	329,023	248,549	230,260	(18,289)
OTHER AVAILABLE NET RESOURCES	0		0		
BUDGETED BALANCE AFTER					
OTHER AVAILABLE NET RESOURCES :	\$ 294,438		\$ 248,549		

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

Exhibit S

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - SENATE BILL 40 FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
RECEIPTS				
				Variance Favorable (Unfavorable)
Property taxes	\$ 92,000	94,870	89,218	92,009
Interest	1,000	1,287	700	1,039
Grant for education	0	1,600	0	0
Total Receipts	93,000	97,757	89,918	93,048
DISBURSEMENTS				
Office expenditures	0	0	1,600	0
Wonderland Camp/Children's Therapy Center	6,250	5,500	6,500	10,000
Quality Industries	54,000	54,000	65,500	65,000
Stover Developmental	15,600	13,400	25,000	8,857
Mo. Co Mental Health Association	20,000	20,000	0	20,000
Special Olympics	1,700	1,700	1,700	1,450
MACDDS membership	100	100	0	100
Other	0	408	0	4,588
Total Disbursements	97,650	95,108	100,300	109,995
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,650)	2,649	(10,382)	(16,947)
CASH, JANUARY 1	11,242	11,242	28,189	28,189
CASH, DECEMBER 31	6,592	13,891	17,807	11,242
OTHER AVAILABLE NET RESOURCES	0		0	
BUDGETED BALANCE AFTER				
OTHER AVAILABLE NET RESOURCES	\$ 6,592		17,807	

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

Exhibit T

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
RECEIPTS				
Interest				
Total Receipts	3,600	2,818	3,500	3,994
	3,600	2,818	3,500	3,994
DISBURSEMENTS				
Office supplies	10,000	2,829	11,000	8,999
Building improvements	0	0	0	2,738
Total Disbursements	10,000	2,829	11,000	11,737
	(6,400)	(11)	(7,500)	(7,743)
RECEIPTS OVER (UNDER) DISBURSEMENTS	13,686	13,686	22,194	21,429
CASH, JANUARY 1	7,286	13,675	14,694	13,686
CASH, DECEMBER 31	0	0	0	0
OTHER AVAILABLE NET RESOURCES				
BUDGETED BALANCE AFTER				
OTHER AVAILABLE NET RESOURCES	\$ 7,286		14,694	

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

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - ASSOCIATE CIRCUIT COURT INTEREST FUND

	Year Ended December 31,			
	1996		1995	
	Budget	Actual	Budget	Actual
RECEIPTS				
Interest				
Total Receipts	\$ 3,300	2,919	2,400	3,237
DISBURSEMENTS				
Office expense				
Total Disbursements	6,000	773	2,500	3,011
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,000	773	2,500	3,011
CASH, JANUARY 1	(2,700)	2,146	(100)	226
CASH, DECEMBER 31	10,940	11,646	11,532	11,420
OTHER AVAILABLE NET RESOURCES	8,240	13,792	11,432	11,646
BUDGETED BALANCE AFTER	0		0	
OTHER AVAILABLE NET RESOURCES	\$ 8,240		11,432	

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

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Notes to the Financial Statements

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MORGAN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Morgan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Morgan County Health Center Board, the Senate Bill 40 Board, or the Mental Health Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements were prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. 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 1994 and RSMo Supp. 1995, the county budget law. These budgets are adopted on the cash basis of accounting; however, some budgets also include other resources available to finance current or future year disbursements. Generally, other available net resources represent current year property taxes not received before December 31.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Mental Health Board Fund and the Sheriff's Drug Seizure Fund for the years ended December 31, 1996 and 1995 and the Neighborhood Improvement District Construction Fund for the year ended December 31, 1996.

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31.</u>
Assessment Fund	1995
Law Enforcement Training Fund	1996
Local Emergency Planning Committee Fund	1995
Bad Check Collection Fund	1995
Recorder's User Fees Fund	1996 and 1995
Prosecuting Attorney Library Fund	1996 and 1995
Neighborhood Improvement District Debt Service Fund	1996 and 1995
Senate Bill 40 Fund	1995
Circuit Clerk Interest Fund	1995
Associate Circuit Court Interest Fund	1995

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. In addition to information regarding the county's indebtedness, assessed valuations, and property tax rates, the financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. However, the county's published financial statements for the years ended December 31, 1996 and 1995, did not include the Circuit Division Interest Fund and Associate Circuit Court Interest Fund.

2. Cash

The county has not adopted formal investment policies for its monies. However, the county has determined through experience that checking accounts, money market accounts, and certificates of deposit are appropriate types of accounts or instruments for its needs.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and NOW accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1996 and 1995, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 1996 and 1995, were entirely covered by federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name.

The Senate Bill 40 Board's and the Mental Health Board's deposits at December 31, 1996 and 1995 were entirely covered by federal depositary insurance.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

Through December 31, 1996, the county has received \$134,158 in local use tax. The DOR has estimated the county's share of the total refund liability to be \$61,413.

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**FEDERAL FINANCIAL ASSISTANCE -
SINGLE AUDIT SECTION**

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State Auditor's Reports



STATE AUDITOR OF MISSOURI
JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

P. O. Box 869
(573) 751-4824

To the County Commission
and
Officeholders of Morgan County, Missouri

**INDEPENDENT AUDITOR'S REPORT ON THE
SUPPLEMENTARY SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1996 and 1995, and have issued our report thereon dated January 29, 1998. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements of various funds of Morgan County, Missouri, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the special-purpose financial statements taken as a whole.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1996 and 1995, and have issued our report thereon dated January 29, 1998.

We also have applied procedures to test the compliance of Morgan County, Missouri, with the following requirements applicable to its federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the years ended December 31, 1996 and 1995: political activity, Davis-Bacon Act, civil rights, cash management, federal financial reports, allowable costs/cost principles, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB's) Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no instances of noncompliance with the requirements listed in the second preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Morgan County, Missouri, had not complied, in all material respects, with those requirements.

This report is intended for the information of the management of Morgan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO
MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1996 and 1995, and have issued our report thereon dated January 29, 1998.

We also have audited the compliance of Morgan County, Missouri, with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance, for the year ended December 31, 1996. The management of Morgan County, Missouri, is responsible for the county's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the preceding paragraph occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our auditing procedures disclosed no instances of noncompliance with the requirements referred to in the second preceding paragraph. In our opinion, Morgan County, Missouri, complied, in all material respects, with the requirements governing types of services

allowed or unallowed; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program for the year ended December 31, 1996.

This report is intended for the information of the management of Morgan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH THE SPECIFIC REQUIREMENTS
APPLICABLE TO NONMAJOR FEDERAL FINANCIAL
ASSISTANCE PROGRAM TRANSACTIONS

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1996 and 1995, and have issued our report thereon dated January 29, 1998.

In connection with our audit of the special-purpose financial statements and with our consideration of the internal control structure used by Morgan County, Missouri, to administer federal financial assistance programs, as required by OMB Circular A-128, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the years ended December 31, 1996 and 1995.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Morgan County, Missouri, had not complied, in all material respects, with those requirements.

This report is intended for the information of the management of Morgan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

INDEPENDENT AUDITOR'S REPORT ON
THE INTERNAL CONTROL STRUCTURE USED IN
ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1996 and 1995, and have issued our report thereon dated January 29, 1998. We also have audited the compliance of Morgan County, Missouri, with requirements applicable to its major federal financial assistance program and have issued our report thereon dated January 29, 1998.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-128. Those standards and OMB Circular A-128 require that we plan and perform the audits to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement and about whether Morgan County, Missouri, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the years ended December 31, 1996 and 1995, we considered the internal control structure of Morgan County, Missouri, in order to determine our auditing procedures for the purpose of expressing our opinions on the special-purpose financial statements and on the county's compliance with requirements applicable to its major federal financial assistance program, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the special-purpose financial statements in a separate report dated January 29, 1998.

The management of Morgan County, Missouri, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the special-purpose financial statements in accordance with the cash basis of accounting, and that federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Activity cycles

- Revenues/receipts
- Purchases/disbursements
- Payroll/personnel

General requirements

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management

Federal financial reports
Allowable costs/cost principles
Administrative requirements

Specific requirements

Types of services allowed or unallowed
Eligibility
Matching, level of effort, or earmarking
Reporting
Claims for advances and reimbursements
Amounts claimed or used for matching

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

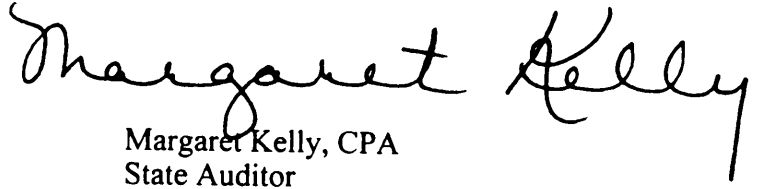
For the years ended December 31, 1996 and 1995, Morgan County, Missouri, expended its total federal financial assistance under the major and nonmajor programs identified in the accompanying Schedule of Federal Financial Assistance. We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with requirements applicable to the county's federal financial assistance programs. Our procedures were less in scope than would be necessary to express an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the county's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program 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 structure policies and procedures used in administering federal financial assistance would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted certain matters involving the internal control structure and its operation that we consider to be material weaknesses. These matters are presented in the accompanying Management Advisory Report and were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of Morgan County, Missouri, with requirements applicable to its major federal financial assistance program for the year ended December 31, 1996.

This report is intended for the information of the management of Morgan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.


Margaret Kelly, CPA
State Auditor

January 29, 1998

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Schedule

MORGAN COUNTY, MISSOURI
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
TWO YEARS ENDED DECEMBER 31, 1996

Federal Grantor and Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	
			Year Ended December 31,	
			1996	1995
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health - Special				
Supplemental Nutrition Program for				
Women, Infants, and Children	10.557	ER0045-6171	\$ 49,885	51,116
Total U. S. Department of Agriculture			<u>49,885</u>	<u>51,116</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through state Department of Public Safety:				
Criminal History Record Improvement Program				
Allocation to States	16.550	93-NCD(B)-36	16,129	0
Total U.S. Department of Justice			<u>16,129</u>	<u>0</u>
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and				
Transportation Commission - Highway				
Bridge Replacement and Rehabilitation				
Program - Off-System	20.205	BRO-071(5)	344,445	13,042
Total U.S. Department of Transportation			<u>344,445</u>	<u>13,042</u>
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
Donation of Federal Surplus Personal Property	39.003	N/A	0	243
Total General Services Administration			<u>0</u>	<u>243</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety:				
Disaster Assistance	83.516	DR-MO-995	0	4,100
Total Federal Emergency Management Agency			<u>0</u>	<u>4,100</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health - Immunization Action Plan	93.268		21,129	6,669
Department of Health - Maternal and				
Child Health Services Block Grant to the				
States	93.994		40,041	48,618
Total U. S. Department of Health and				
Human Services			<u>61,170</u>	<u>55,287</u>
OTHER FEDERAL ASSISTANCE				
Passed through Missouri Sheriffs' Association -				
Domestic Cannabis Eradication/Suppression	N/A			
Program			1,007	0
Total Other Federal Assistance			<u>1,007</u>	<u>0</u>
Total Federal Financial				
Assistance			<u>\$ 472,636</u>	<u>123,788</u>

N/A Not applicable

The accompanying Note to the Schedule of Federal Financial Assistance is an integral part of this schedule.

**Note to the Schedule of
Federal Financial Assistance**

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MORGAN COUNTY, MISSOURI
NOTE TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying schedule of federal financial assistance has been prepared to comply with OMB Circular A-128. This circular requires a schedule of federal financial assistance showing total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA) and identification of programs that have not been assigned a CFDA number as "Other Federal Assistance."

The schedule includes all federal financial assistance programs administered by Morgan County, Missouri.

B. Basis of Presentation

The schedule is presented in accordance with OMB Circular A-128, which defines federal financial assistance as "... assistance provided by a federal agency in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations, but does not include direct federal cash assistance to individuals. It includes awards received directly from federal agencies, or indirectly through other units of state and local governments." Accordingly, the schedule includes nonmonetary as well as monetary assistance.

The schedule presents both major and nonmajor federal financial assistance programs administered by the county. OMB Circular A-128 establishes the levels of expenditures or disbursements to be used in defining major and nonmajor programs. For Morgan County, major programs are those having expenditures exceeding the larger of \$300,000 or 3 percent of total federal financial assistance expenditures for the years ended December 31, 1996 and 1995.

C. Basis of Accounting

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

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA Number 39.003) represent the estimated fair market value of property received (determined as 23.3 percent of the original acquisition cost).

MANAGEMENT ADVISORY REPORT SECTION

**Management Advisory Report -
State Auditor's Current Recommendations**

MORGAN COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Neighborhood Improvement Districts (pages 49-52)

Various concerns were noted regarding the handling of five neighborhood improvement districts (NIDs) which were established by the county. It appears the county did not have authority to assess and collect a special assessment for maintenance for various NIDs. Also, the County Commission should consider whether to discontinue withholding assessment funding from special assessment collections and refund those monies already withheld. The special assessments levied were not based on the final costs of the improvements of the NIDs. The County Commission changes the special assessments for each NID annually even though it does not appear it has the authority to do so under current statutory provisions.

2. Budgetary Procedures (page 53)

Actual expenditures exceeded budgeted amounts for several funds.

3. County Expenditures (pages 54-55)

Bids were not solicited and awarded for purchases in accordance with statutory requirements. Documentation was not maintained to support efforts made to determine reasonableness and fairness of prices paid. An independent opinion or appraisal regarding the value of property acquired by the county was not obtained.

4. County Officials' Compensation (page 55)

The county does not have a written legal opinion from the Prosecuting Attorney to support the actions of the 1997 salary commission.

5. Associate Circuit Division's Accounting Controls and Procedures (pages 55-57)

Accounting and bookkeeping duties are not properly segregated. Monthly listings of liabilities are not prepared for the civil and criminal accounts and consequently, liabilities are not reconciled with the book and reconciled bank balances. An unidentified cash balance existed for the civil account and cash shortages were noted in the criminal and bond accounts. Bond monies in the amount of \$15,990 received prior to 1990 have not been disbursed.

6. Health Center Depositing Procedures (pages 57-58)

Deposits are not made intact and on a timely basis. Deposit records were not sufficiently detailed.

MORGAN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 1996 and 1995, and have issued our report thereon dated January 29, 1998. We also have audited the compliance of Morgan County, Missouri, with requirements applicable to its major federal financial assistance program and have issued our report thereon dated January 29, 1998.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. The objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings and recommendations arising from both our review of the elected county officials referred to in the second paragraph and our audits of the special-purpose financial statements of Morgan County and of its compliance with requirements applicable to its major federal financial assistance program.

1.

Neighborhood Improvement Districts

For 1996 and 1995, Morgan County had five established neighborhood improvement districts (NIDs) (W-3, Y-10, Y-13, Y-14 and O-275) pursuant to a petition or public vote from the residents in the proposed districts. The NIDs were established to develop certain roads in the respective districts. The total estimated cost of these projects is approximately \$2,000,000. Temporary notes were issued by the County Commission to fund

each project's construction. General obligation special assessment bonds have been issued to pay off the temporary notes related to these district projects. These bonds were issued to be paid off over a period of twenty years.

While the County Commission is ultimately responsible for the repayment of the general obligation bonds, the bonds are intended to be repaid through the collection of special assessments on the benefited properties within each district. Two payment options were developed by the county allowing property owners to pay the assessments in one lump sum or allocate the special assessment and related interest costs over a twenty year payment period.

Our review of the county's handling of the NIDs during the two years ended December 31, 1996, disclosed the following concerns:

- A. The county has included a maintenance levy in the special assessments levied to landowners of the NIDs. At December 31, 1996, the maintenance funds of the various neighborhood districts had a total fund balance of \$329,023. It appears the county did not have the authority to assess and collect a special assessment for maintenance.

Section 67.457, RSMo 1994 allows the proposed method or methods of assessment for a NID to include an annual assessment for maintenance of the improvement; however, such an assessment is not to begin until after the bonds issued for the original improvement are paid in full.

In addition, this provision of the statute was new effective August 28, 1994. For NIDs organized prior to that date (this would apply to all five NIDs in Morgan County), Section 67.457.6, RSMo 1994, authorizes assessment of a maintenance levy to begin (after the original assessment period approved for the property has expired) only if the residents in the neighborhood district either vote to assess property in the district for maintenance costs or if the owners of two-thirds of the area of all real property located in the district sign a petition for such a purpose. The maintenance levy was assessed without any additional elections or petitions from the property owners in the five NIDs regarding this issue.

The County Commission indicated that they are no longer referring to the maintenance costs as maintenance, but instead are referring to these as continuing construction costs and, therefore, the collection of the maintenance levy should be allowable. However, the maintenance levy monies are used to pay for resurfacing costs which appear to be maintenance and repair costs rather than continuing construction costs.

It appears that the county should discontinue assessing and collecting the maintenance levy for all NIDs and refund all maintenance monies collected. In addition, if the assessment of a maintenance levy is determined to be necessary, appropriate district petitions should be obtained or elections held authorizing such an assessment. If approved, the maintenance assessments should not be levied and collected until after the applicable bonds have been paid in full.

- B. During the audit period, the County Commission authorized the County Collector to withhold assessment funding from the special assessment collections. As a result, during the two years ended February 28, 1997, the County Collector withheld \$7,210 from the special assessment collections for distributions to the Assessment Fund.

We could find no express statutory authority for these withholdings. While costs actually incurred by the county can be charged in the proportionate assessments on property benefited, the county provided no documentation of out-of-pocket costs actually incurred from the Assessment Fund related to the projects. Moreover, it does not appear reasonable to continue to charge undocumented "assessment" costs annually over the life of the financing for assessments that are required to be fixed after construction is complete.

- C. It appears that the special assessments levied on property owners were not based on the final costs of the improvements for the NIDs, but also included estimated maintenance costs (in addition to those considered in the maintenance assessments discussed in part A above). In most cases this brought the total project costs to be assessed to 125 percent of the estimated cost of the improvement which is the statutory maximum. It does not appear there is statutory authority for the county to include these estimated maintenance costs in the project costs being apportioned.

Section 67.463.2, RSMo 1994, requires the assessments to be based on the final costs of the improvement after construction is complete. As a result, it appears the county did not use the actual costs when determining the special assessments and was not in full compliance with applicable statutory provisions.

The above conditions were all noted in our prior report and discussed with the County Commission. In response to our prior report, the County Commission stated they would take our recommendations under consideration; however, they believed their actions were supported by opinions of legal counsel and authority implied in state statutes. The County Commission does not have a written opinion from the county Prosecuting Attorney to support its position.

- D. The County Commission changes the special assessments for each NID annually based on changes in the assessed valuation or parcel counts, as applicable depending on the assessment method for that district.

It does not appear the county has authority to change the assessments annually under current statutory provisions. Section 67.463, RSMo 1994 states that special assessments shall be payable in substantially equal installments for the duration of the assessment. While Section 67.467.2, RSMo 1994 does allow the County Commission to establish new assessments when assessments are inadequate, excessive, or invalid, these situations should not be occurring on an annual basis.

This condition was also noted in our prior report and discussed with the County Commission. In response to our prior report, the County Commission stated they believed they were using the customary method of levying such assessments and the alternative would be administratively impractical.

WE AGAIN RECOMMEND the County Commission:

- A. Discontinue the maintenance levy on all NIDs and refund all maintenance monies previously collected to the affected property owners. In addition, if the assessment of a maintenance levy is determined to be necessary, appropriate district petitions should be obtained or elections held authorizing such an assessment. If approved, any maintenance assessments should be levied and collected according to law after the applicable bonds have been paid in full.
- B. Review the issue of withholding assessment funding from special assessment collections and consider discontinuing any future assessment withholdings and refunding those amounts already withheld. If actual incremental assessments costs were incurred related to applicable NID projects it may be appropriate to include those costs in the special assessments apportioned to the landowners.
- C. Ensure special assessments are based on actual, documented costs in accordance with statutory provisions. In addition, the county should determine if any adjustments to special assessment amounts for these NID projects are necessary when considering actual costs as compared to the costs included in the original assessments.
- D. Ensure special assessments are assessed to property owners in accordance with state law. This would require the commission to revise the assessment method to ensure the assessments are substantially equal.

Furthermore, if the County Commission decides to continue its current practices, a written legal opinion supporting its action should be obtained from the Prosecuting Attorney.

AUDITEE'S RESPONSE

- A&C. *The County Commission stated the costs of regular repair and maintenance for the NIDs are paid from county road and bridge monies since the county performs the work associated with these costs. The NID maintenance monies will only be used to completely resurface the NID roads every five to seven years. The County Commission believes this resurfacing is a necessary continuing construction cost and will pay a private contractor to perform the resurfacing since the county does not have the needed equipment. The Commission further indicated the county cannot afford to pay for the resurfacing costs unless the NID maintenance levy is continued, and that the overwhelming majority of residents in the NIDs would agree the resurfacing is necessary and collection of the maintenance levy is proper. The County Commission indicated they would seek a written opinion from the Prosecuting Attorney regarding this matter.*
- B. *The County Commission stated they believe the assessment withholdings are justified due to the work performed by the Assessor's office on the NID levies.*
- D. *The County Commission does not believe it would be fair to property owners not to reassess the levies each year because new people who move into the NID would not share in the costs.*

Our review of the budgetary procedures noted that actual disbursements exceeded budgeted amounts in the following funds:

Fund	Year Ended December 31,	
	1996	1995
Assessment	\$ N/A	83
Law Enforcement Training	192	N/A
Local Emergency Planning Committee	N/A	1,242
Bad Check Collection	N/A	23
Recorder's User Fees	8,452	7,595
Prosecuting Attorney Library	1,059	111
Neighborhood Improvement District		
Debt Service	400,678	28,204
Senate Bill 40	N/A	9,695
Circuit Clerk Interest	N/A	737
Associate Circuit Court Interest	N/A	511

The significant overspending of the Neighborhood Improvement District Debt Service Fund in 1996 was due to the refund and reassessment of the Y-10 NID assessments resulting from a lawsuit. Overspending in the other funds occurred primarily because the applicable officials were not aware of the legal restrictions established by the budgetary process.

It was ruled in State ex. rel. Strong V. Cribb, 364 Mo. 1122, 273 S. W. 2d 246 (1954), that county officials are required to strictly comply with the county budget laws. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budgets with the State Auditor's Office. In addition, Section 50.622 RSMo Supp. 1997, provides that counties may amend the annual budget during any year in which the county received additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

WE RECOMMEND the County Commission and Senate Bill 40 Board keep expenditures within budgetary limits. If necessary, extenuating circumstances should be fully documented and budgets properly revised and filed with the State Auditor's Office.

AUDITEE'S RESPONSE

The County Commission agrees with this recommendation.

The Senate Bill 40 Board stated they would comply with the recommendation and would make proper revisions if necessary.

During our review of expenditures made by the county, we noted the following:

- A. In January 1995, the county purchased 5 patrol cars without bids at a cost of \$16,500 each. Per documentation in the county's files, the county could have purchased these cars off a state contract from another local vendor for \$14,733 each which would have been a savings to the county of \$8,835.

Although not documented, the County Commission stated efforts were made to obtain the best price on the cars. The Presiding Commissioner stated they considered the car offered on state contract, however, there were several options which would have had to be added to the car to make it comparable to the car purchased. The additional cost for these options would have increased the price of the state contract car to within a few hundred dollars of what was actually paid. The County Commission also stated they purchased the patrol cars at the higher price because this vendor had the patrol cars in stock and the county could take immediate delivery upon purchase.

It appears efforts were made to obtain a fair price and the reasons for the actions taken appear reasonable, however, this information was not documented in the county bid files or the County Commission meeting minutes.

Section 50.660, RSMo. Supp. 1997, requires the advertisement for bids for purchases of \$3,000 or more, and the lowest or best bid to be accepted. If the lowest bid is not accepted the reason therefor should be documented.

- B. In April 1995, the county paid \$11,500 for a used 1988 Ford 350 truck; bids were not obtained. This truck had been advertised for sale in the local newspaper and was purchased by the county for use by the road and bridge department. The County Commission stated the truck was inspected by a County Commissioner and some of the county road and bridge employees prior to purchase. In addition, the county also stated they looked in the NADA guide to help determine how much the vehicle was worth. Although the county indicated efforts were made to ensure the price was reasonable, no documentation of these efforts was maintained. Per our review of the April 1995 NADA guide, the value of this vehicle ranged from \$6,500 to \$9,675. To ensure county purchases are proper and reasonable, documentation of all efforts made to ensure fair pricing should be maintained.
- C. The county paid \$3,000 for approximately two acres of land on which to place the county 911 tower. The County Commission did not have the land appraised prior to purchase, but instead indicated the land owner was to check with a local real estate agent to determine the land's value. The county did not have any documentation to support what was determined.

To ensure the county is paying a reasonable price for land acquisitions, all parcels should be appraised prior to purchase or other efforts should be made to obtain the opinion of an independent real estate agent.

WE RECOMMEND the County Commission:

- A&B. Solicit and award bids for purchases in accordance with Section 50.660, RSMo Supp. 1997. Documentation of bids solicited and the county's justification for bid awards should be retained. If bids are not considered feasible, all efforts made to ensure the reasonableness and fairness of the price paid should be documented.
- C. Obtain an independent appraisal or opinion from an independent real estate agent as to the value of property acquisitions.

AUDITEE'S RESPONSE

- A&B. *The County Commission stated the truck which was purchased had a steel bed and hoist which increased its value. However, the County Commission agrees the circumstances related to these purchases should have been better documented.*
- C. *The County Commission stated there were a limited number of sites which were suitable for the 911 tower, and the site purchased was the only one for sale. The Commission did not want to price the land for the owner, and believes that having the owner obtain an estimate from the real estate agent was proper. However, the County Commission agrees the circumstances related to this purchase should have been better documented.*

4.

County Officials' Compensation

Senate Bill No. 11, effective August 28, 1997, amended numerous statutory sections relating to the compensation of county officials. The salary commission met on November 20, 1997 and the minutes indicate the commission voted unanimously to set all officials' salaries at 100 percent of the base salary allowed by state law effective January 1, 1998. This effective date ultimately resulted in several officials receiving a change in their salary rate during their term of office.

A written opinion as to the legality of the actions taken was not obtained from the county Prosecuting Attorney.

WE RECOMMEND the salary commission request a written legal opinion from the Prosecuting Attorney as to the legality of the salary increases that went into effect on January 1, 1998.

AUDITEE'S RESPONSE

The County Commission indicated they would seek a legal opinion from the Prosecuting Attorney.

5.

Associate Circuit Division's Accounting Controls and Procedures

The Associate Circuit Division collects various fees for civil and criminal cases. Receipts for the Associate Circuit Division were approximately \$429,000 and \$372,000 in 1996 and

1995, respectively. Our review of the Associate Circuit Division's internal control procedures noted the following concerns:

- A. Accounting duties are not adequately segregated. There are three clerks and duties are divided by type of case. One clerk collects, records, and disburses monies for the civil and bond accounts, a second clerk does the same for the criminal accounts. A third clerk prepares bank reconciliations for the civil and bond accounts; however, this same clerk occasionally collects receipts for these accounts. In addition, bank reconciliations for the criminal account are prepared by the same clerk who performs the other duties for this account.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation cannot be achieved due to limited staff available, a periodic supervisory review should be performed and documented. Proper supervision helps to ensure financial records are properly maintained and helps detect errors on a timely basis.

- B. Monthly listings of liabilities (open items) are not always prepared for the civil and criminal accounts and, consequently, liabilities are not reconciled with the book and reconciled bank balances. The civil account included an unidentified cash balance of \$6,427 as of October 31, 1996. The criminal and bond accounts had cash shortages of \$310 and \$1,244, respectively, as of December 31, 1996.

Monthly listings of open items should be prepared and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Further, an attempt should be made to ensure the accuracy of the open items listing and to determine the reasons for any differences. If proper disposition of the unidentified monies in the civil account cannot be determined, these monies should be disposed of in accordance with the requirements of Chapter 447 and Section 50.500, RSMo 1994.

- C. In January 1994, a reserve account was opened in the amount of \$15,990 to account for bond monies received prior to 1990. Although a listing was prepared to identify specific cases involved, no effort has been made to determine the disposition of these funds. As a result, no bond monies have been distributed from the account.

Efforts should be made to determine the proper disposition of these monies. Case files should be reviewed to determine if the bond money should be distributed as applicable court costs and fines or should be refunded to the individual posting the bond. If a refund is required and the individual to which these monies are due cannot be located, various statutory provisions provide for disposition of these monies. Among them are Sections 447.500 through 447.595, RSMo 1994, which provide for unclaimed monies to be distributed to the state's Unclaimed Property Section.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the Associate Circuit Judge:

- A. Ensure receipting and accounting duties are adequately segregated. If adequate segregation is not possible, at a minimum, independent reviews should be performed and documented as necessary.
- B. Prepare monthly listings of open items and reconcile the listings to the cash balance. An attempt should be made to investigate the differences noted between the open items listings and cash balances.
- C. Ensure all monies in the reserve bond account are distributed to the appropriate funds or parties. For any amounts that remain unclaimed or unidentified, the monies should be disposed of through the applicable statutory provisions.

AUDITEE'S RESPONSE

- A. *We are trying to segregate duties among the three clerks as far as receipting, writing checks, depositing and bank reconciliations. This can be very difficult as in an office this size each clerk has to do more than one duty associated with the bookkeeping procedure in each case. We have one clerk to receipt bonds, one to deposit the bond money, and one to write checks out of the account, however, if one person is gone it can come down to whatever clerk is available has to write the checks. As far as the civil account is concerned the civil clerk receipts and sometimes deposits these monies. As far as refunds on balances another clerk usually writes those checks. We are definitely trying to segregate the duties in the accounting area but it is not always easy. We will try to perform periodic supervisory reviews.*
- B. *We are trying to do better on open items listings and to at least prepare a list every four months.*
- C. *We have tried to contact the owners of the monies in the reserve bond account but these bonds are so old that we did not get much of a response since people do not tend to stay at the same address very long. Many of our notices came back undeliverable. We will, time permitting, review these cases.*

6.

Health Center Depositing Procedures

The health center does not deposit monies on a timely basis or intact. Deposits are made approximately once a week or when time allows and always exceed \$100. In addition, receipts are not itemized on the deposit slips and there is no indication in cash control which receipts are included in each deposit. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact on a daily basis or when accumulated receipts exceed \$100. Deposit records should be sufficiently detailed to allow the reconciliation of receipts to specific deposits.

WE RECOMMEND the Health Center Board ensure deposits are made intact daily or when accumulated receipts exceed \$100 and the deposit records contain sufficient information to reconcile receipts to deposits.

AUDITEE'S RESPONSE

The Health Center Administrator stated they would implement the recommendations.

This report is intended for the information of the management of Morgan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor's Prior Recommendations

MORGAN COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by Morgan County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our prior report issued for the two years ended December 31, 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Neighborhood Improvement Districts

- A. The county included a maintenance levy in the special assessments levied to landowners of the NIDs.
- B. The County Collector withheld \$7,756 from special assessment collections for distribution to the Assessment Fund.
- C. The special assessments levied on property owners were not based on the final costs of the improvements for the NIDs, but also included estimated maintenance costs.
- D. The County Commission indicated the county planned to change the special assessments for each NID annually based on changes in the assessed valuation or parcel counts.
- E. The method of assessing project costs to the Y-10 district's property owners as adopted by the County Commission required an equal assessment amount for each unique property owner in the district regardless of the number, size, or location of their parcel(s).
- F. The county records regarding the five NIDs were not well organized.

Recommendation:

The County Commission:

- A. Discontinue the maintenance levy on all NIDs and refund all maintenance monies previously collected to the affected property owners. In addition, if the assessment of a maintenance levy is determined to be necessary, appropriate district petitions should be obtained or elections held authorizing such an assessment. If approved, any maintenance assessments should be levied and collected according to law after the applicable bonds have been paid off in full.
- B. Review the issue of withholding assessment funding from special assessment collections and consider discontinuing any future assessment withholdings and refunding those amounts already withheld. If actual incremental assessment costs were incurred related to applicable NID projects it may be appropriate to include those costs in the special assessments apportioned to the landowners.

- C. Ensure special assessments are based on actual, documented costs in accordance with statutory provisions. In addition, the county should determine if any adjustments to special assessment amounts for these NID projects are necessary when considering actual costs as compared to the costs included in the original assessments.
- D. Ensure special assessments are assessed to property owners in accordance with state law. This could require the commission to reconsider its current intention of changing the assessments annually.
- E. Ensure all important information that could affect the special assessments assessed and levied to individual landowners is adequately communicated to the applicable property owners.
- F. Ensure that information regarding administrative decisions, financial transactions, and any other important details related to each NID project are fully documented and maintained in a central project file.

Status:

A-D. Not implemented. See MAR No. 1.

E. Implemented.

F. Partially implemented. Although the county was unable to locate supporting documentation for levies calculated for 1995, records for 1996 and 1997 were maintained in an orderly manner.

2. Railroad and Utility Tax Distributions

The County Clerk did not correctly apportion 1994 and 1993 railroad and utility tax collections to the various school districts.

Recommendation:

The County Clerk adjust future railroad and utility tax distributions for the amounts due to (from) the various school districts and use the proper percentages (by extending the percentages to an appropriate number of decimal places) in computing future distributions.

Status:

Implemented.

3. Sheriff's Records and Procedures

- A. The Sheriff maintained a separate bank account outside the county treasury into which federal drug forfeiture monies were deposited.

- B. The Sheriff's office failed to maintain a complete and accurate inventory record of seized and confiscated property which exposed the department to risk of loss or misuse of this property.
- C. Uniform allowances of \$50 per month were paid to the Sheriff and his deputies during the two years ended December 31, 1994. The Sheriff and his deputies were not required to submit an itemized report of expenditures to support the allowances, nor were these amounts reported on the individual's W-2 forms.

Recommendation:

- A. The Sheriff turn over custody of the Drug Seizure Account to the County Treasurer. This fund should then be included in the budgetary process and any expenditures should be properly authorized by the County Commission.
- B. The Sheriff ensure an accurate and up-to-date inventory record is maintained of all seized and confiscated property. In addition, someone in the department should be given primary responsibility for maintaining the inventory record.
- C. The County Commission require the applicable individuals to submit itemized reports of expenditures to support the uniform allowances or report the payments as other income on the employees' W-2 forms.

Status:

- A. Partially implemented. The Sheriff did not turn over custody of the account. Law enforcement equipment purchases of \$18,894 were made directly by the Sheriff's office and were not authorized or budgeted by the County Commission. The account was closed in February 1996 and the remaining balance of \$256 was put into a drug buy account. The Sheriff's office did not receive any federal drug forfeiture monies during our current audit period; however, \$4,400 in federal drug forfeiture monies were received in 1997. These monies were placed in a Drug Seizure account which is being maintained by the County Treasurer. Although not repeated in the current report, our recommendation that expenditures of federal drug seizure monies be included in the budgetary process and approved by the County Commission remains as stated above.

B&C. Implemented.

4. Prosecuting Attorney's Accounting Controls and Procedures

- A.1 The computer system established to track bad check complaints was not operating as intended. Numerous control numbers were being omitted and duplicate control numbers were being assigned.
- 2. The computer system was not effectively tracking the bad check complaints filed. The Prosecuting Attorney's office was unable to generate a report which detailed the numerical sequence of the control numbers and the current status of the related bad check complaints. In addition, none of the reports were run on a regular basis and reconciled to receipts issued and deposits made.

- B. Monthly listings of liabilities (open items) were not prepared and, consequently, liabilities were not reconciled with the book and reconciled bank balances.

Recommendation:

The Prosecuting Attorney:

- A. Ensure records are maintained to account for the numerical sequence and ultimate disposition of each bad check complaint received. If the computer system control number problems cannot be resolved, the office should consider using prenumbered bad check complaint forms. In addition, reports should be generated periodically detailing bad check complaint activity and these reports should be reconciled to receipts issued and deposits made.
- B. Ensure open items listings are prepared on a monthly basis and reconciled to the cash balance.

Status:

- A. Implemented. The computer system noted in the prior report is no longer in use. The Prosecuting Attorney maintains a manual listing to account for the numerical sequence and ultimate disposition of each bad check complaint received.
- B. Not implemented. An open items listing is not prepared on a monthly basis; however, the majority of the cash balance at the end of each month is restitution payments and bad check fees collected during the month but not paid out until the next month. Although not repeated in the current report, our recommendation remains as stated above.

5. Circuit Clerk's Accounting Records and Procedures

- A. Monthly listings of liabilities (open items) were not prepared for the Circuit Clerk's fee account and, consequently, liabilities were not reconciled with the book and reconciled bank balances. At our request, a list was prepared and indicated the cash balance exceeded total identified open items by \$3,286.
- B. As of December 31, 1994, the Circuit Clerk maintained accumulated interest income totaling \$21,429 in her accounts.

Recommendation:

The Circuit Clerk:

- A. Ensure monthly open items listings for the fee account are prepared and reconciled to the cash balance on a monthly basis. Any excess balance which cannot be ultimately identified should be disposed of in accordance with applicable statutory provisions.
- B. Disburse the balance of accumulated interest income to the County Treasurer in accordance with Section 483.310.2, RSMo 1994, and turn over interest on a periodic

basis if not used for allowable expenditures. If the Circuit Clerk is accumulating interest for a specific purpose, this information should be provided to the County Commission.

Status:

- A. Partially implemented. The Circuit Clerk prepares an open items list and reconciles the open items balance to the cash balance on a monthly basis. However, there is still a balance of \$3,488 unidentified as of December 31, 1996. Although not repeated in the current report, our recommendation remains as stated above.
- B. Partially implemented. The Circuit Clerk did not turn over any monies to the County Treasurer and at December 31, 1996, had an accumulated interest balance of \$13,675. While the Circuit Clerk verbally indicated her plans were to use this money for computers and other equipment when staff moves into the new judicial center, she has not formally informed the County Commission of these specific plans. Although not repeated in the current report, our recommendation remains as stated above.

6. Associate Circuit Division's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated. Duties were divided by case. Each clerk received, recorded, and disbursed monies for a specific case type.
- B.1. Monthly listing of liabilities (open items) were not prepared and, consequently, liabilities were not reconciled with the book and reconciled bank balances. Lists prepared for the bond account as of December 31, 1994 and for the civil fee account as of March 31, 1995 indicated the cash balance exceeded the identified liabilities by \$5,252 and \$5,602, respectively.
- 2. The listings prepared for the civil fee account included cases dating back several years.
- 3. A reserve bond account was opened in the amount of \$15,990 to account for bond monies received prior to 1990. No monies were distributed from this account after it was opened. A listing was not maintained identifying the specific cases to which these bond monies related.
- C. The civil, bond, and interest bank accounts in this office were not reconciled on a timely basis.

Recommendation:

The Associate Circuit Judge:

- A. Adequately segregate accounting duties to the extent possible to provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If duties cannot be adequately segregated, at a minimum, there should be a documented supervisory review performed of the various bookkeeping functions of the office.

- B.1. Require open items listing be prepared and reconciled to the cash balances on a monthly basis. Any excess balances which cannot be ultimately identified should be disposed of in accordance with the applicable statutory provisions.
- B.2. Ensure cases are identified for which there are uncollectible accrued costs and that the related monies held by the court be distributed on a prorata basis.
- B.3. Ensure all monies in the reserve bond account and the old outstanding bonds in the current account are identified if possible and distributed to the appropriate parties. In addition, for any amounts that remain unclaimed or unidentified, the monies should be disposed of through the applicable statutory provisions.
- C. Require formal bank reconciliations be prepared for all accounts on a monthly basis.

Status:

- A. Not implemented. See MAR No. 5.
- B.1 Partially implemented. An open items list is prepared for the bond account on a monthly basis, however, they are not consistently prepared for the civil and criminal account. See MAR No. 5.
- 2. Implemented.
- 3. Partially implemented. A listing was prepared to identify the cases involved, however, steps have not been taken to disburse these funds. See MAR No. 5.
- C. Partially implemented. Bank reconciliations were prepared and up to date for the months covered by our current audit period. However, we noted the clerks were several months behind on the bank reconciliations for 1997. Although not repeated in the current report, our recommendation remains as stated above.

7. Probate Division's Accounting Procedures

Monthly listings of liabilities or amounts to be distributed were not prepared and reconciled with the book and reconciled bank balances.

Recommendation:

The Associate Circuit Division Judge ensure liabilities or amounts to be distributed are reconciled to the cash balances on a monthly basis.

Status:

Partially implemented. Liabilities or amounts to be distributed are still not reconciled to the cash balance on a monthly basis, however, we did not note any additional problems. Although not repeated in our current report, our recommendation remains as stated above.

8. Health Center Fund Balance

At December 31, 1994, the county health center had an ending fund balance of \$533,110 and expenditures totaled \$374,719.

Recommendation:

The Health Center Board consider reducing the current surplus when setting future tax levies or report the planned uses for the accumulated fund balance on future budget documents.

Status:

Implemented. A portion of the surplus was used to make improvements to the Health Center building.

9. Senate Bill 40 Board

- A. Expenditures exceeded budgeted amounts in the Senate Bill 40 Board Fund by \$2,205 and \$12,759 for the years ended December 31, 1994 and 1993, respectively.
- B. During the two years ended December 31, 1994, the Senate Bill 40 Board provided a total of \$25,000 in funding to the Morgan County Mental Health Association (MCMHA) for use by a counseling center operating in the county. The Center appeared to be providing services to the general public instead of only mentally retarded or developmentally disabled (MRDD) individuals. The board was unable to locate any contract which stipulated any limitation on the usage of these monies.

Recommendation:

The Senate Bill 40 Board:

- A. Keep expenditures within budgetary limits. If it becomes necessary to incur additional expenditures, any extenuating circumstances should be fully documented in the board minutes. In addition, any budget amendments should be filed with the County Clerk and the State Auditor's office.
- B. Review its current funding of the counseling center and determine whether that funding should continue. If so, the board should enter into a contract with the MCMHA which stipulates that any monies provided will be used only to fund services only for MRDD individuals. In addition, a reporting mechanism should be developed which documents how the funding was used and the extent of services provided to MRDD individuals.

Status:

- A. Not implemented. See MAR No. 2.
- B. Partially implemented. Although the 1995 and 1996 MCMHA contracts did not clearly stipulate that monies provided could only be used for MRDD individuals and

an adequate reporting mechanism had not been developed, our recommendations were fully implemented in 1998.

10. Mental Health Board

- A. The Treasurer and other members of the Morgan County Mental Health Board (MCMHB) who accept and handle donations and grant proceeds were not bonded.
- B. The MCMHB hired two individuals as independent contractors for \$1,000 each to assist in developing and distributing information related to a 1994 mental health tax levy ballot proposal. These payments were not reported to the Internal Revenue Service through the 1099-MISC tax forms.
- C. A review of the MCMHB minutes indicated that the board appeared to be involved with the activity of the same counseling center as the Senate Bill 40 Board. It appeared the lack of any property tax monies to administer led the MCMHB to stray from its intended purpose.

Recommendation:

The Mental Health Board:

- A. Obtain adequate bond coverage for all persons handling monies.
- B. Ensure payments totaling greater than \$600 to nonemployees and unincorporated businesses are reported to the Internal Revenue Service as required.
- C. Reevaluate its current activity as it relates to its intended purpose and reconsider the need to be directly involved with the local counseling center.

Status:

A-C. Implemented.

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STATISTICAL SECTION

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**History, Organization, and
Statistical Information**

MORGAN COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1833, the county of Morgan was named after General Daniel Morgan, a Revolutionary War hero. Morgan county is a county-organized, third class county and is part of the 26th Judicial Circuit. The county seat is Versailles.

Morgan 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 county roads and 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 of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows where Morgan County received its money in 1996 and 1995 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	1996		1995	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 391,782	13	400,014	15
Sales taxes	676,940	23	641,283	23
Federal and state aid	1,325,089	44	1,030,182	38
Fees, interest, and other	567,374	20	646,431	24
Total	\$ 2,961,185	100	2,717,910	100

The following chart shows how Morgan County spent monies in 1996 and 1995 from the General Revenue and Special Road and Bridge Funds:

USE	1996		1995	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 883,650	29	840,158	31
Public safety	548,069	18	507,607	19
Highways and roads	1,614,308	53	1,333,163	50
Total	\$ 3,046,027	100	2,680,928	100

The county maintains approximately 35 county bridges and 750 miles of county roads.

The county's population was 10,068 in 1970 and 15,574 in 1990. The following chart shows the county's growth in assessed valuation since 1970:

	Year Ended December 31,				
	1996	1995	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 137.2	133.7	106.8	30.7	17.6
Personal property	38.7	35.0	12.6	7.5	5.6
Railroad and utilities	23.5	22.3	20.8	14.5	7.3
Total	\$ 199.4	191.0	140.2	52.7	30.5

* First year of statewide reassessment.

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

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

	Year Ended December 31,	
	1996	1995
General Revenue Fund	\$ 0.11	0.08
Special Road and Bridge Fund*	0.21	0.21
Health Center Fund	0.09	0.08
Senate Bill 40 Fund	0.05	0.05

* The county retains all tax proceeds from areas not within road districts. The county has four road districts that receive four-fifths of the tax collections from property within these districts, and one-fifth is retained in the Special Road and Bridge Fund. One special road district had an additional voted levy during the audit period.

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 cities). Taxes collected were distributed as follows:

	Year Ended February 28 (29),	
	1997	1996
State of Missouri	\$ 60,452	56,913
General Revenue Fund	236,137	194,904
Road Funds	471,175	440,762
Assessment Fund	86,571	83,682
Health Center Fund	178,051	150,519
Schools	5,822,514	5,443,914
Library district	160,048	150,519
Nursing Home district	367,890	346,553
Johnson Grass Fund	240	289
Junior College	17,787	17,890
Ambulance district	358,125	336,580
Senate Bill 40 Fund	99,796	93,951
Fire District	476,695	431,029
Neighborhood Improvement District		
Debt Service Fund	217,723	492,918
Cities	32,924	31,977
County Clerk	608	543
County Employees' Retirement	38,514	54,674
Commissions and fees:		
General Revenue Fund	168,965	160,805
Total	\$ <u>8,794,215</u>	<u>8,488,422</u>

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),	
	1997	1996
Real estate	92 %	91 %
Personal property	91	90
Railroad and utilities	100	100

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

	Rate	Expiration Date	Required Property Tax Reduction
General	0.05	N/A	50.00%

On November 4, 1997, Morgan County adopted a one-half percent sales tax for the purpose of providing funding for the construction, furnishing, operation and maintenance of a law center. This tax became effective April 1, 1998.

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

Officeholder	1997	1996	1995
County-Paid Officials:			
Stanley Sid Merriot, Presiding Commissioner	\$	18,004	18,004
Warren Anderson, Associate Commissioner		18,004	18,004
Vincel Allee, Associate Commissioner		18,004	18,004
Donna Chasteen, County Clerk		30,818	30,818
Mary Greer, Prosecuting Attorney		34,370	34,370
L.M. Earnest, Sheriff		34,200	34,200
Debbie Hutchison, County Treasurer		20,134	20,134
Jack Gunn, M.D, County Coroner		2,312	2,312
Carmen Hayden, Public Administrator *		10,372	8,709
Clark Hunter, County Collector, year ended February 28 (29),	37,152	37,152	
Robert Raines, County Assessor, year ended August 31, **		32,077	32,077

* Includes \$4,000 in salary paid by the county and fees received from probate cases.

** Includes \$900 annual compensation received from the state.

State-Paid Officials:

Barbara Barnard, Circuit Clerk and Ex Officio Recorder of Deeds	33,347	31,753
Patricia F. Scott, Associate Circuit Judge	78,341	74,597

A breakdown of employees (excluding the elected officials) by office at December 31, 1996, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	1	0
Circuit Clerk and Ex Officio Recorder of Deeds	3	2
County Clerk	3	0
Prosecuting Attorney	2	1
Sheriff	13	0
County Collector	3	0
County Assessor	7	0
Associate Division	1	3
Probate Division	1	0
Road and Bridge	16	0
Health Center	15	4
Janitor	1	0
911	13	0
Total	<u>79</u>	<u>10</u>

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Morgan County's share of the 26th Judicial Circuit's expenses is 15 percent.

The county has established five neighborhood improvement districts. During the two years ended December 31, 1996, the county issued temporary notes to finance the construction of these districts' infrastructure. In 1996 and 1997, permanent bonds were issued totaling \$1.8 million. Although these are general obligation bonds of the county, special assessments will be levied on the property located in the districts to pay the debt principal and interest.

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