

INTRODUCTORY SECTION





BOONE COUNTY AUDITOR

JUNE E. PITCHFORD

BOONE COUNTY GOVERNMENT CENTER

801 East Walnut, Room 205 • Columbia, MO 65201-4890 • (573) 886-4275 OFFICE • (573) 886-4280 FAX

July 15, 2004

Honorable County Commissioners and Citizens of
Boone County, Missouri:

The Comprehensive Annual Financial Report of Boone County, Missouri for the fiscal year ended December 31, 2003, is hereby submitted.

The Comprehensive Annual Financial Report (CAFR) is in conformance with the standards for financial reporting of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association of the United States and Canada (GFOA). This report represents a dramatic change in governmental reporting. The format and the purpose of these changes are addressed in the Management's Discussion and Analysis (MD&A).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operation. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The County's basic financial statements have been audited by KPMG LLP, an independent certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County for the fiscal year ended December 31, 2003, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's basic financial statements for the fiscal year ended December 31, 2003, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

Reporting Entity

The County is a political subdivision of the State of Missouri, providing a broad range of public services required by state law. For financial reporting purposes, the *reporting entity* is comprised of the County (the primary government) including all funds, agencies, and departments that make up its legal entity as well as any legally separate entities that meet criteria established by the Governmental Accounting Standards Board for inclusion in the reporting entity. Such entities are referred to as component units and they include legally separate entities over whom the County is able to impose its will or entities capable of imposing a financial benefit or burden on the County. Component units also include organizations that are financially dependent on the County.

The County has determined that the reporting entity should include one discretely presented component unit, the Boone Hospital Board of Trustees. This entity is financially dependent on the County in that all bond issues for hospital operations must be approved by the County Commission.

Government Structure

Boone County was organized in 1821 under applicable state statutes and continues under the same form of government to this day. Limited-scope policymaking and legislative authority is granted by the state statutes and vested in the County Commission, which consists of a Presiding Commissioner and two Associate Commissioners, each of whom serves full time. As the governing body, the County Commission is responsible for passing ordinances (to the extent permitted by statute), adopting the annual budget, managing county property, appointing committees, and hiring and supervising departmental directors. The Presiding Commissioner is elected at large and the two Associate Commissioners are each elected from within their respective district. Each serves a four-year term.

Boone County's statutory *elective* form of government differs significantly from a charter form of government or a municipal city-manager form of government. Independent elected officials are directly accountable to the people of the County and individually responsible for discharging the statutory functions of their office in accordance with state law. The County Commission has no authority to impose its will on other elected officials, except through its exclusive control of county property and the adoption of the annual budget.

CAFR Format

There are three main sections to a CAFR as described below.

The *Introductory Section* includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, a list of elected officials and the County's organizational chart.

The *Financial Section* includes the independent auditors' report, Management's Discussion and Analysis (MD&A), the basic financial statements for the County, required supplementary information, and other supplementary information.

The *Statistical Section* includes selected financial and demographic information, generally presented on a multi-year basis.

Accounting System, Internal Controls, and Budgetary Controls

The County uses a computerized accounting and budgetary system. The system provides (1) integrated general and subsidiary accounting of all County funds; (2) appropriation/encumbrance accounting and control; and (3) the ability to summarize and report revenue and expenditure data in a variety of ways for budgetary control, financial reporting, and managerial purposes.

In developing and evaluating the County's accounting system and the related policies and procedures, consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding

- The safeguarding of assets against loss from unauthorized use or disposition, and
- The reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it and that the evaluation of assets and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework and we believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The County adopts an annual budget for all of its governmental funds and internal service funds. Project-length budgets are prepared and approved for capital projects and neighborhood improvement district projects; however, these are used as management tools and are not legally adopted. Unexpended and unencumbered appropriations for these budgets are re-appropriated as necessary in the following budget year.

The County Commission approves the annual budget at the fund level; however, the appropriations at the departmental object (or class) level are closely monitored throughout the year for fluctuations and any resulting revisions that may be needed. The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Unencumbered appropriations lapse at fiscal year-end, while open encumbrances are reported as reservations of fund balance at each year-end.

The County's fiscal year is the calendar year and the annual budgetary process is strictly governed by the timetable outlined in state statutes. Budgetary requests are due to the County Auditor by September 1st with a proposed comprehensive budget due from the County Auditor to the County Commission by November 15th. The County Commission may alter, modify, or change the proposed budget in any manner, except for the Court's budgets which may not be altered without the Court's consent or pursuant to mediation by the Judicial Finance Review Commission. The County Commission must comply with public notice and public hearing requirements and adopt the budget on or before January 10th. (In the first year of the Presiding Commissioner's term of office, this deadline is extended to January 31st.) In the event the County Commission does not adopt the budget, the preceding year's budget remains effective.

Factors Affecting Financial Condition

The information presented in the CAFR is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local economy. Boone County is situated in Central Missouri at the cross-roads of Interstate 70 and US Highway 63. It is a fast-growing county known for its highly educated work force, low cost of living, award-winning schools, and unique blend of rural and urban lifestyles. The County contains 685 square miles and includes six cities (Ashland, Centralia, Columbia, Hallsville, Rocheport, and Sturgeon) and three towns (Harrisburg, Hartsburg, and McBaine). Over the past ten years, the County's annual population growth rate has consistently run at a level twice that of the state. Of the County's current population of 141,122, 68 percent (95,963) reside in incorporated areas while 32 percent (45,159) reside in unincorporated areas.

The local economy reflects a balanced mix of retail, education, insurance, light manufacturing, construction, and finance. The County's largest city and county seat, Columbia, serves as a regional shopping area for central Missouri. The County is also home to the flagship campus of the University of Missouri, Columbia College, and Stephens College. In addition, the County serves as a regional

medical center with 6 hospitals. The largest employers in the County include the University of Missouri, University Hospital and Clinics, Columbia Public Schools, Boone Hospital, insurance institutions, several light manufacturers, and the City of Columbia. The County's varied economic base contributes to economic and employment stability. The County's low unemployment rate of 2.3% is well below that of the state (5.6%) or the nation (6%).

Cash management policies and practices. The elected County Treasurer is responsible for the cash management and treasury functions of the County. Under the direction of the County Treasurer, the County manages a pooled funds investment program for all unrestricted cash. By investing available fund balances as part of the pooled cash account, the County achieves favorable interest rates. Cash temporarily idle during the year was invested in collateralized securities and investments. The average annual yield for fiscal year 2003 was 1.35 percent. This compares to an average yield of 2.38 percent for fiscal year 2002. The total carrying value of cash, cash equivalents, and investments at December 31, 2003 was \$113,748,617. Fiscal year 2003 investment income for all governmental funds combined totaled \$190,099. This compares to \$416,156 for fiscal year 2002.

The County renewed its two-year depository contract with First National Bank for one additional two-year term beginning July 1, 2003. Under this contract, the County receives an annual interest rate equal to 12 basis points above the most recent auction rate for 90-day Treasury bills.

County Commission Order and state statutes provide the framework for the County's investment policies. The County's broad investment objective is to minimize credit and market risks while maintaining a competitive yield on its portfolio. All collateral on deposits was held either by the County or its agent in the County's name, or held by a financial institution's trust department in the County's name. Of the investments held by the County at December 31, 2003, 100 percent are classified in the category of lowest custodial credit risk as defined by the Governmental Accounting Standards Board.

Risk management. The County maintains broad form insurance coverage for property/casualty, general liability, workers compensation, inland marine, EDP, public officials' errors and omissions, law enforcement errors and omissions, and boiler and machinery. The County is a member of the Mid-America Regional Council Insurance Trust (MARCIT) and shares a full-time risk manager through that organization. MARCIT's risk management program was one of the three programs awarded a special award by PRIMA, a national association of Public Risk Managers.

The County maintains two Internal Service Funds to account for its self-insured coverage of County employees and their dependents for health and dental benefits. The County limits its risk through the establishment of maximum coverage amounts for claims and through the purchase of commercial reinsurance for claims in excess of the established health claim maximum. The Boone County Health Trust Committee, comprised of elected officials, county employees, and citizen advisors, is responsible for the risk management of these self-insured programs.

County retirement plans. The County provides a 401(a) plan, the Boone County Matching Pension Plan, to eligible employees. The County's contributions equal participating employees' contributions to the County's Internal Revenue Code (IRC) section 457 deferred compensation plan, but not to exceed \$25 per bi-weekly pay period per each participant. The County's matching contributions for 2003 were \$157,424. This compares to a County contribution of \$149,415 in fiscal year 2002.

Legislation enacted in 1994 provides for a statewide county employee retirement plan administered through the Statewide County Employee Retirement Fund (CERF). This defined benefit plan is funded with fees and employee contributions. The County is not required to make any contributions but is permitted to make contributions. The County made contributions totaling \$43,084 in fiscal year 2003; no contributions have been made in previous years. A state-wide governing board of directors administers the plan.

The County offers its employees a deferred compensation plan established in accordance with IRC Section 457. The plan, available to all county employees, permits them to defer a portion of their salary until future years. All amounts of compensation deferred under the plan are held in trust for the exclusive benefit of plan participants and their beneficiaries.

Other Information

Single audit. The County is required to undergo an annual single audit of federal expenditures in conformity with the provisions of the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Information related to this single audit is included in a separate report.

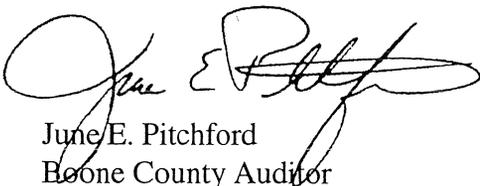
Certificate of Achievement. The County's CAFR for the fiscal year ended December 31, 2002, was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). This was the 20th consecutive year the County has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current CAFR will continue to meet the Certificate of Achievement Program requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgment. I would like to recognize the County Commission and other elected officials for their part in planning and conducting the financial operations of the County. In addition, I want to express my appreciation to the staff members of the Boone County Auditor's office who assisted in the preparation of this report. Assistance was also provided by staff of other departments to whom I also express my appreciation.

Respectfully submitted,



June E. Pitchford
Boone County Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Boone County,
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

BOONE COUNTY, MISSOURI

ELECTED OFFICIALS

For the Year Ended December 31, 2003

County Commission:

Presiding Commissioner	Keith Schnarre
Commissioner – District I	Karen M. Miller
Commissioner – District II	Skip Elkin
Circuit Clerk	Cheryl Whitmarsh
Recorder of Deeds	Bettie Johnson
County Clerk	Wendy S. Noren
Prosecuting Attorney	Kevin Crane
Sheriff	Ted Boehm
Auditor	June Pitchford
Collector of Revenue	Patricia S. Lensmeyer
Assessor	Thomas Schauwecker
Treasurer	Kay R. Murray
Public Administrator	Connie Hendren

Organizational Chart for Boone County, Missouri

