**BOONE COUNTY, MISSOURI**

**BASIC FINANCIAL STATEMENTS**

BOONE COUNTY, MISSOURI

STATEMENT OF NET ASSETS
DECEMBER 31, 2003

| | Primary Government | Component Unit |
|---|---|---|
| | Governmental Activities | Boone Hospital Trustees |
| ASSETS | | |
| Cash and cash equivalents | $ 398,717 | 3,653,915 |
| Investments | 14,167,088 | 36,092,482 |
| Accrued interest | 106,974 | 297,222 |
| Accounts receivable | 824,680 | 78,734 |
| Commissions receivable | 256,320 | - |
| Property taxes receivable | 3,023,036 | - |
| Assessments receivable | 665,299 | - |
| Sales taxes receivable | 4,144,702 | - |
| Due from other governments | 904,077 | - |
| Due from others | 3,800 | 9,245,564 |
| Loans receivable | 36,350 | - |
| Deferred charges | 157,869 | 329,293 |
| Prepaid items | 50,188 | 16,321 |
| Restricted assets | 4,071,007 | 7,815,503 |
| Capital assets, net: | | |
| Nondepreciable | 6,998,743 | 18,136,271 |
| Depreciable | 30,098,107 | 25,166,904 |
| Total assets | 65,906,957 | 100,832,209 |
| LIABILITIES | | |
| Accounts payable | 3,901,001 | 152,219 |
| Wages payable | 672,559 | - |
| Accrued liabilities | 70,663 | - |
| Due to others | 43,583 | - |
| Estimated liability for claims incurred but not paid | 176,248 | - |
| Deferred revenue | 416,135 | - |
| Interest payable | 108,870 | 568,657 |
| Long-term liabilities | | |
| Due within one year | 525,450 | 1,800,000 |
| Due within more than one year | 6,512,971 | 26,393,894 |
| Total liabilities | 12,427,480 | 28,914,770 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 33,367,459 | 15,109,281 |
| Restricted for: | | |
| Debt service | 1,961,658 | 7,815,503 |
| Other purposes | 3,022,546 | - |
| Unrestricted | 15,127,814 | 48,992,655 |
| Total net assets | $ 53,479,477 | 71,917,439 |

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

| Function/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expenses) Revenue and Changes in Net Assets: Primary Government Governmental Activites | Net (Expenses) Revenue and Changes in Net Assets: Component Unit Boone Hospital Board of Trustees |
|---|---|---|---|---|---|---|
| PRIMARY GOVERNMENT: | | | | | | |
| Governmental activities: | | | | | | |
| Policy and administration | $ 6,024,342 | 3,513,267 | 276,630 | 13,000 | (2,221,445) | - |
| Law enforcement and judicial | 14,861,271 | 1,504,558 | 2,044,474 | 17,003 | (11,295,236) | - |
| Environment, public buildings and infrastructure | 10,636,282 | 16,275 | 1,752,326 | 606,703 | (8,260,978) | - |
| Community health and public services | 1,197,204 | 200 | 167,273 | 500,000 | (529,731) | - |
| Economic vitality | 66,000 | - | - | - | (66,000) | - |
| Beautification and recreation | 27,291 | - | 550 | - | (26,741) | - |
| Protective inspection | 823,532 | 255,236 | 7,338 | - | (560,958) | - |
| Interest and fiscal charges | 401,632 | - | - | - | (401,632) | - |
| Total primary government | 34,037,554 | 5,289,536 | 4,248,591 | 1,136,706 | (23,362,721) | - |
| COMPONENT UNIT: | | | | | | |
| Boone Hospital Board of Trustees | $ 6,575,172 | 11,991,392 | 1,252,393 | - | - | 6,668,613 |
| GENERAL REVENUES: | | | | | | |
| Property taxes | | | | | 3,149,292 | 53,568 |
| Sales taxes | | | | | 22,830,022 | - |
| Franchise taxes | | | | | 164,694 | - |
| Investment revenue | | | | | 220,320 | 1,008,714 |
| Hospital lease revenue | | | | | 1,404,518 | - |
| Gain on sale of capital assets | | | | | 116,848 | 93,283 |
| Miscellaneous | | | | | 438,407 | 14,656 |
| Total general revenues | | | | | 28,324,101 | 1,170,221 |
| Change in net assets | | | | | 4,961,380 | 7,838,834 |
| NET ASSETS - beginning | | | | | 48,518,097 | 64,078,605 |
| NET ASSETS - ending | | | | | 53,479,477 | 71,917,439 |

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

| | Major Funds | | | | |
|---|---|---|---|---|---|
| | General Fund | Road & Bridge Fund | Health Dept Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
| ASSETS | | | | | |
| Cash and cash equivalents | $ 192,791 | 34,210 | 5,049 | 166,667 | 398,717 |
| Investments | 6,340,823 | 2,105,243 | 959,050 | 3,312,155 | 12,717,271 |
| Accrued interest | 70,166 | 10,326 | 3,549 | 15,049 | 99,090 |
| Accounts receivable | 207,008 | 13,292 | 500,000 | 82,214 | 802,514 |
| Commissions receivable | 169,200 | 4,455 | - | 82,665 | 256,320 |
| Property taxes receivable | 2,107,743 | 844,155 | - | 71,138 | 3,023,036 |
| Assessments receivable | - | - | - | 665,299 | 665,299 |
| Sales taxes receivable | 1,845,708 | 1,844,667 | - | 454,327 | 4,144,702 |
| Loans receivable from other funds | 3,015 | - | - | - | 3,015 |
| Due from other funds | 130,019 | 20,156 | - | 153 | 150,328 |
| Due from other governments | 392,191 | 252,971 | - | 258,915 | 904,077 |
| Due from others | 3,800 | - | - | - | 3,800 |
| Loans receivable | 36,350 | - | - | - | 36,350 |
| Prepaid items | 49,968 | - | - | 220 | 50,188 |
| Restricted assets | 355,659 | - | 1,560,000 | 2,155,348 | 4,071,007 |
| Total assets | 11,904,441 | 5,129,475 | 3,027,648 | 7,264,150 | 27,325,714 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | 759,593 | 1,248,124 | 1,575,114 | 302,717 | 3,885,548 |
| Wages payable | 463,805 | 117,929 | - | 69,411 | 651,145 |
| Accrued liabilities | 59,560 | 4,524 | - | 5,100 | 69,184 |
| Due to other funds | 4,639 | - | - | 134,037 | 138,676 |
| Due to others | 23,548 | - | - | 20,035 | 43,583 |
| Deferred revenue | 453,896 | 26,516 | - | 698,382 | 1,178,794 |
| Loans payable to other funds | - | - | - | 3,015 | 3,015 |
| Total liabilities | 1,765,041 | 1,397,093 | 1,575,114 | 1,232,697 | 5,969,945 |
| Fund balances | | | | | |
| Reserved for loans receivable | 39,365 | - | - | - | 39,365 |
| Reserved for prepaid items | 49,968 | - | - | 220 | 50,188 |
| Reserved for debt service | - | - | - | 940,700 | 940,700 |
| Reserved for capital projects | 355,659 | - | 888,639 | 643,186 | 1,887,484 |
| Reserved for encumbrances | 141,917 | 1,098,592 | - | 1,278,712 | 2,519,221 |
| Unreserved | | | | | |
| Designated for capital improvements | 1,823,525 | - | - | 250,000 | 2,073,525 |
| Undesignated, reported in: | | | | | |
| General fund | 7,728,966 | - | - | - | 7,728,966 |
| Specical revenue funds | - | 2,633,790 | - | 2,835,617 | 5,469,407 |
| Capital project funds | - | - | 563,895 | 83,018 | 646,913 |
| Total fund balances | 10,139,400 | 3,732,382 | 1,452,534 | 6,031,453 | 21,355,769 |
| Total liabilities and fund balances | $ 11,904,441 | 5,129,475 | 3,027,648 | 7,264,150 | 27,325,714 |

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | |
|---|---|
| Total fund balance - total governmental funds - balance sheet | $ 21,355,769 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the fund financial statements. | 37,075,634 |
| Some of the County's property taxes and special assessments will be collected after the 60-day availability period and are deferred in the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements | 762,659 |
| Internal service funds are used by management to charge the cost of building and custodial maintenance and self-insurance to the individual governmental funds, generally on a cost reimbursement basis. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 1,263,447 |
| Long-term liabilities applicable to the County's governmental activities (excluding internal service fund accrued compensated absences) are not due and payable in the current period and accordingly are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported on the government-wide statement of net assets. Also, during the year the County issued new debt and refunded some of its existing debt. Premiums and bond issuance costs are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the debt as an adjustment to interest expense on the government-wide financial statements. | |
| Balances as of December 31, 2003 are: | |
| Accrued interest on long-term debt | (108,870) |
| Bonds and capital leases payable | (6,271,064) |
| Unamortized premiums | (84,674) |
| Unamortized bond issuance costs | 157,869 |
| Accrued compensated absences (exluding internal service fund) | (671,293) |
| Total net assets - governmental activities - statement of net assets | $ 53,479,477 |

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003

| | Major Funds | | | | |
|---|---|---|---|---|---|
| | General Fund | Road & Bridge Fund | Health Dept Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
| REVENUES | | | | | |
| Property taxes | $ 2,257,713 | 904,852 | - | - | 3,162,565 |
| Assessments | - | - | - | 209,541 | 209,541 |
| Sales taxes | 9,834,025 | 10,296,708 | - | 2,699,289 | 22,830,022 |
| Other taxes | 137,206 | - | - | - | 137,206 |
| Licenses and permits | 379,811 | 18,416 | - | - | 398,227 |
| Intergovernmental | 2,296,641 | 1,580,653 | - | 552,887 | 4,430,181 |
| Charges for services | 3,442,946 | 62,771 | - | 1,226,698 | 4,732,415 |
| Fines and forfeitures | - | - | - | 27,284 | 27,284 |
| Investment income | 84,725 | 23,803 | 16,078 | 65,493 | 190,099 |
| Interfund services provided | 194,897 | 16,065 | - | - | 210,962 |
| Miscellaneous | | | | | |
| Hospital lease revenue | 1,404,518 | - | - | - | 1,404,518 |
| Contributions | 550 | - | 500,000 | 250 | 500,800 |
| Other | 312,658 | 102,537 | - | 78,532 | 493,727 |
| Total revenues | 20,345,690 | 13,005,805 | 516,078 | 4,859,974 | 38,727,547 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Policy and administration | 4,651,651 | - | - | 889,041 | 5,540,692 |
| Law enforcement and judicial | 11,878,566 | - | - | 2,010,967 | 13,889,533 |
| Environment, public buildings and infrastructure | 99,211 | 10,764,650 | - | 84,031 | 10,947,892 |
| Community health and public services | 1,044,639 | - | - | 151,647 | 1,196,286 |
| Economic vitality | 66,000 | - | - | - | 66,000 |
| Beautification and recreation | 27,291 | - | - | - | 27,291 |
| Protective inspection | 774,519 | - | - | - | 774,519 |
| Interfund services used | 16,065 | 150,000 | - | 44,897 | 210,962 |
| Capital outlay | 530,242 | 1,578,244 | 1,673,401 | 1,153,126 | 4,935,013 |
| Debt service | | | | | |
| Principal retirement | 347,609 | 300,000 | - | 166,000 | 813,609 |
| Interest and fiscal charges | 58,026 | 9,181 | 163,313 | 50,143 | 280,663 |
| Total expenditures | 19,493,819 | 12,802,075 | 1,836,714 | 4,549,852 | 38,682,460 |
| REVENUES OVER (UNDER) EXPENDITURES | 851,871 | 203,730 | (1,320,636) | 310,122 | 45,087 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-term debt issued | 1,867,272 | - | 1,694,580 | 1,678,148 | 5,240,000 |
| Premium on long-term debt | 31,661 | - | 28,733 | 27,200 | 87,594 |
| Transfers in | 7,652 | - | 110,000 | 113,000 | 230,652 |
| Payments for bond refunding | (1,898,933) | - | - | - | (1,898,933) |
| Transfers out | - | - | - | (230,652) | (230,652) |
| Sale of capital assets | 2,000 | 220,274 | - | - | 222,274 |
| Total other financing sources (uses) | 9,652 | 220,274 | 1,833,313 | 1,587,696 | 3,650,935 |
| NET CHANGE IN FUND BALANCES | 861,523 | 424,004 | 512,677 | 1,897,818 | 3,696,022 |
| FUND BALANCES, beginning of year | 9,277,877 | 3,308,378 | 939,857 | 4,133,635 | 17,659,747 |
| FUND BALANCES, end of year | $ 10,139,400 | 3,732,382 | 1,452,534 | 6,031,453 | 21,355,769 |

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2003

| | | |
|---|---|---|
| Net change in fund balances - governmental funds- statement of revenues, expenditures and changes in fund balances | $ | 3,696,022 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets which meet the capitalization threshold is allocated over their estimated useful life and recorded as depreciation expense. This is amount by which such capital outlays exceeded depreciation expense in the current period. | | 3,821,791 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets. | | (199,295) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. This amount represents the extent to which revenues not providing current financial resources in the prior fiscal year exceeded revenues not providing current financial resources in the current fiscal year. | | (185,627) |
| Governmental funds do not report revenue arising from the receipt of donated or contributed capital assets. However, in the statement of activities, such revenue is recognized and reported. | | 410,162 |
| Internal service funds are used by management to charge the cost of building and custodial maintenance and self-insurance to the individual governmental funds. The net income of internal service funds attributable to governmental activities is reported on the statement of activities. | | 50,928 |
| Bond proceeds are reported as financing sources in governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements but reduces the liability in the statement of net assets. | | |
| Debt issued during the current year: Special obligation bonds payable | (5,240,000) | |
| Repayments during the current year: | | |
| Refunding special obligation bonds payable | 1,865,000 | |
| Annual principal payments on bonds payable and capital leases | 813,609 | |
| | | (2,561,391) |
| Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. | | |
| This adjustment combines the net changes of the following: | | |
| Accrued compensated absences | (54,449) | |
| Accrued interest on bonds | (89,956) | |
| Premiums on debt issuances, net of amortization | (84,674) | |
| Deferred bond issuance costs, net of amortization | 157,869 | |
| | | (71,210) |
| Change in net assets - governmental activities - statement of activities | $ | 4,961,380 |

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2003

| | | Governmental Activities-Internal Service Funds |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Investments | $ | 1,449,817 |
| Accrued interest | | 7,884 |
| Accounts receivable | | 22,166 |
| Total current assets | | 1,479,867 |
| Noncurrent assets: | | |
| Capital assets, net | | 21,216 |
| Total assets | | 1,501,083 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | | 15,453 |
| Wages payable | | 21,414 |
| Compensated absences | | 11,390 |
| Accrued liabilities | | 1,479 |
| Estimated liability for claims incurred but not paid | | 176,248 |
| Due to other funds | | 11,652 |
| Total liabilities | | 237,636 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | | 21,216 |
| Unrestricted | | 1,242,231 |
| Total net assets | $ | 1,263,447 |

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2003

| | | Governmental Activities-Internal Service Funds |
|---|---|---|
| OPERATING REVENUES | | |
| Charges for services | $ | 3,140,408 |
| Miscellaneous | | 4,912 |
| Total operating revenues | | 3,145,320 |
| OPERATING EXPENSES | | |
| Salaries and employee benefits | | 477,422 |
| Claims expense | | 1,602,490 |
| Insurance premiums | | 368,431 |
| Supplies, other services and charges | | 667,872 |
| Depreciation | | 6,420 |
| Total operating expenses | | 3,122,635 |
| Operating income | | 22,685 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | | 30,221 |
| Loss on disposal of capital assets | | (1,978) |
| Total nonoperating revenues | | 28,243 |
| Change in net assets | | 50,928 |
| Total net assets, beginning of year | | 1,212,519 |
| Total net assets, end of year | $ | 1,263,447 |

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2003

| | Governmental Activities-Interna Service Funds |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | $ 3,143,473 |
| Other operating cash receipts | 4,912 |
| Payments to employees | (460,952) |
| Payments to suppliers for goods and services | (2,748,494) |
| Net cash used in operating activities | (61,061) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Advance from other funds | 11,652 |
| Subsidy from other funds | 347,262 |
| Net cash provided by noncapital and related financing activities | 358,914 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from sales and maturities of investments | 569,481 |
| Purchase of investments | (2,019,297) |
| Interest | 40,235 |
| Net cash used in investing activities | (1,409,581) |
| Net decrease in cash and cash equivalents | (1,111,728) |
| Cash and cash equivalents, beginning of year | 1,111,728 |
| Cash and cash equivalents, end of year | $ - |
| Reconciliation of operating income to net cash used in operating activities: | |
| Operating income | $ 22,685 |
| Depreciation | 6,420 |
| Change in assets and liabilities: | |
| Decrease in receivables | 3,065 |
| Decrease in accounts payable | (66,460) |
| Increase in wages payable | 5,048 |
| Increase in accrued liabilities | 32 |
| Increase in estimated liability for claims incurred but not paid | (43,241) |
| Increase in compensated absences | 11,390 |
| Net cash used in operating activities | $ (61,061) |

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2003

| | Pension Trust Fund | Private-purpose Trust Funds | Agency Funds |
|---|---|---|---|
| ASSETS | | | |
| Cash and cash equivalents | $ - | 5 | 22,245,810 |
| Investments: | | | |
| U.S. Government and agency securities | - | 38,872 | 72,065,157 |
| Money market mutual funds | 689,707 | - | - |
| Investment contract agreements | 72,254 | - | - |
| Accrued interest | - | 162 | 53,258 |
| Accounts receivable | - | - | 130,433 |
| Property taxes receivable | - | - | 8,375,610 |
| Due from others | - | - | 242,389 |
| Total assets | 761,961 | 39,039 | 103,112,657 |
| LIABILITIES | | | |
| Accounts payable | - | - | 310,945 |
| Due to other political subdivisions | - | - | 102,801,712 |
| Total liabilities | - | - | 103,112,657 |
| NET ASSETS | | | |
| Held in trust for: | | | |
| Employees' retirement plan | 761,961 | - | - |
| Restricted | - | 39,039 | - |
| Total net assets | $ 761,961 | 39,039 | - |

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2003

| | | Pension Trust Fund | Private-purpose Trust Funds |
|---|---|---|---|
| ADDITIONS | | | |
| Contributions - employer | $ | 157,043 | 300 |
| Other | | 381 | - |
| Investment income | | 111,517 | 421 |
| Total additions | | 268,941 | 721 |
| DEDUCTIONS | | | |
| Benefits | | 24,812 | - |
| Scholarships | | - | 981 |
| Total deductions | | 24,812 | 981 |
| Change in net assets | | 244,129 | (260) |
| NET ASSETS, beginning of year | | 517,832 | 39,299 |
| NET ASSETS, end of year | $ | 761,961 | 39,039 |

See accompanying notes to the basic financial statements.

## (1) Summary of Significant Accounting Policies

Boone County, Missouri (the County), is a first-class County, effective January 1, 1991, governed by a county commission comprised of a northern district commissioner, southern district commissioner and presiding commissioner. Elected officials are responsible for the operations of certain County offices including the assessor, collector, treasurer, clerk, auditor, sheriff, public administrator, prosecuting attorney and recorder offices and the circuit court with its various divisions.

The accounting policies and financial reporting practices of the County conform to accounting principles generally accepted in the United States of America applicable to governmental entities. The following is a summary of the more significant policies:

### *(a) Reporting Entity*

The County's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. These standards identify the County's financial accountability for potential component units as the primary, but not only, criteria for inclusion. The County is financially accountable if it appoints a voting majority of a potential component unit governing body and is able to impose its will on that potential component unit, or there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the County. The County's financial reporting entity consists of Boone County, Missouri (the primary government) and its component unit.

*Component Unit*

The County has no blended component units. The component unit column in the government-wide financial statements presents the financial data of the County's discretely presented component unit discussed below.

Board of Trustees of Boone County Hospital – The Board of Trustees of Boone County Hospital (Trustees) is the governing body of Boone Hospital Center (Hospital), which provides acute health care services to Columbia and the surrounding region. In September of 1998, the Trustees and the County entered into a lease agreement with CH Allied Services, Inc. (CHAS) to operate the Hospital. In January 2001, the lease agreement was amended and restated. The Hospital lease agreement is explained in Note 11. The Trustees serve as lessor and share in certain Hospital management responsibilities pursuant to the lease agreement. The original lease and any renewals require the approval of the County Commissioners. The Trustees, who are elected by County voters, do not have authority to issue debt without approval by the County Commissioners.

The Trustees also govern the Boone Hospital Foundation and The Walter Johnson Palliative Care Foundation. Both Foundations began business in 2002, and are included as discretely presented component units of the Trustees. The purpose of the Boone Hospital Foundation is to provide support



(Continued)

and provision of care to and in respect to patients at the Hospital and its facilities. The purpose of the Walter Johnson Palliative Care Foundation is to provide support and provision of palliative care to patients and their families at the Hospital and its facilities. Financial information presented for the Trustees is for the fiscal year ended December 31, 2003.

Complete financial statements for the discretely presented component unit can be obtained from its administrative office as follows:

Boone Hospital Center
1600 E. Broadway
Columbia, Missouri 65201

*Related Organizations*

The County Commissioners are also responsible for appointing the members of Boone County Group Homes and Family Support, the Board of Trustees of the Boone County Regional Sewer District, the Industrial Development Authority, the Boone County Library Board, and the Boone County Mental Health Board of Trustees. The County's accountability for these organizations does not extend beyond making the appointments. Thus, these organization are not component units of the County and, accordingly, no financial data for these organizations are included in the County's basic financial statements.

***(b) Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County and its component unit. The effect of interfund activity has been removed from these statements. The County's nonfiduciary activities consist entirely of governmental activities, which normally are supported by taxes and intergovernmental revenues. The County has no business-type activities which rely to a significant extent on charges for services from external parties. Additionally, the County is reported separately from the legally separate component unit for which the County is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

Following the government-wide financial statements are separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Fiduciary activities are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the general fund, the road and bridge fund, and the health department capital projects fund are major governmental funds. All other governmental funds are reported in one column labeled "Other Governmental Funds". The total fund balances for all governmental funds is reconciled to total net assets for governmental activities as shown on the statement of net assets. The net change in fund balance for all governmental funds is reconciled to the total change in net assets as shown on the statement of activities in the government-wide statements. Additionally, the County has five internal service funds (governmental activities): self-insured health plan, self-insured dental plan, facilities and grounds, building and grounds capital repair and replacement fund, and utilities fund. All internal service fund activity is combined into a single column on the proprietary fund statements, since major fund reporting requirements do not apply to internal service funds.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds are reported by the County:

*Governmental Funds*

Governmental funds are those through which most governmental functions are financed. The acquisition, uses and balances of the County's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Fund – The general fund is the general operating fund of the County. All general tax revenues and other receipts not allocated by law or contractual agreement to another fund are accounted for in this fund. This fund provides for general operating expenditures, fixed charges and the capital improvement costs not paid through other funds.

Road and Bridge Fund – The road and bridge fund is a special revenue fund used to account for the operations of the public works department. Financing is funded by a one-half cent sales tax, revenue from the State of Missouri, and occasional transfers from the general fund.

Health Department Capital Projects Fund – The health department capital projects fund is used to account for the resources used in the planning, renovating, and expanding of the City/County Health Facility.

The other governmental funds of the County are considered nonmajor. They are special revenue funds which account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes; debt service funds which account for the accumulation of resources for, and repayment of, general obligation long-term debt principal, interest and related costs; and capital projects funds which account for financial resources used for the acquisition or construction of major capital facilities.

*Proprietary Funds*

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income and capital maintenance.

The following are the County's proprietary funds:

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis. The following internal service funds have been established: the self-insured health plan fund, the self-insured dental-plan fund, the facilities and grounds fund, the building and grounds capital repair and replacement fund, and the utilities fund. The self-insured health plan fund accounts for operations of the self-insured health plan for County employees. The self-insured dental plan fund accounts for operations of the self-insured dental plan for County employees. The facilities and grounds fund accounts for the operations of the facilities maintenance and housekeeping departments. The buildings and grounds capital repair and replacement fund provides for the accumulation of resources to be used for major repairs and replacements for county-owned buildings. The utilities fund accounts for building utilities for the Government Center, the Johnson Building, the Courthouse, and the County-owned space in the Centrailia Clinic.

In the government-wide and proprietary fund financial statements, the County applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. The discretely presented component unit has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

*Fiduciary Funds*

Trust and Agency – Trust and agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These include pension trust funds, private purpose trust funds, and agency funds. Pension trust funds and private purpose trust funds are accounted for and reported similar to proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

### *(c) Basis of Accounting*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund, pension trust fund, private purpose trust fund and agency fund financial statements, as well as the discretely presented component unit. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating expenses for the internal service funds consist of the cost of providing services to other County funds, and operating revenues consist of the charges to other County funds for these services. Investment income and gains or losses on disposals of capital items are considered nonoperating.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term "available" is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the County, available is defined as expected to be received within sixty days of fiscal year-end, except for government grants, which is within two hundred and seventy days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (i.e. matured).

GASB Statement No. 33 groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

The County recognizes assets from derived tax revenue transactions (such as sales taxes) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

The County recognizes assets from imposed nonexchange revenue transactions (such as property taxes, licenses and permits, and fines and forfeitures) in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The County recognizes revenues from property taxes, net of refunds and estimated uncollectible amounts, in the period for which the taxes are levied.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are therefore not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

For the pension trust funds, under the accrual basis of accounting, contributions are recognized in the period in which the contributions are due and benefits are recognized when they become due and payable.

### *(d) Cash and Investments*

The County Treasurer maintains a cash and investment pool that is available for use by all funds except the pension trust fund. Within the financial statements, income from investments associated with one fund is not assigned to another fund for other than legal or contractual reasons. In addition, cash and investments are separately maintained by County court officials, and third-party trustee and fiscal agents.

Investments are recorded at fair value. Fair values for investments are determined by closing market prices at year end.

### *(e) Inventories*

Purchases of materials and supplies in the governmental funds are charged to expenditures as incurred. Amounts of inventories are immaterial.

### *(f) Capital Assets*

Capital assets, which include buildings, improvements, equipment, infrastructure assets (e.g., roads, drainage structures, and similar items), and works of art are reported in the governmental activities column in the government-wide financial statements, net of accumulated depreciation. Capital assets are also recorded in the proprietary fund financial statements. Capital assets are defined by the County as

assets with an estimated useful life in excess of one year with an initial, individual cost of $5,000 or more, infrastructure with a cost of $50,000 or more, and all land and land improvements.

Pursuant to the transition provisions of GASB Statement No. 34, infrastructure assets acquired prior to January 1, 2003, have not been reported within the County's basic financial statements. These infrastructure assets will be retroactively reported in future years.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of depreciable capital assets are as follows:

| | Years |
|---|---|
| Buildings and improvements | 5 to 50 |
| Vehicles and equipment | 4 to 7 |
| Office furniture and equipment | 3 to 4 |
| Infrastructure | 10 to 50 |

*Component Unit*

Capital assets acquired for use by the component unit are recorded at cost. Donated capital assets are recorded at fair market value at the date of donation. The component unit's assets are depreciated on a straight-line basis over the estimated useful life of each class of depreciable asset.

### *(g) Restricted Assets*

Restricted assets are comprised of cash and cash equivalents and investments and represent those funds that are restricted as to use either at the time of receipt, by action of a governing body or by legal requirement. At December 31, 2003, the County's restricted assets represent the proceeds of bond issuances restricted as to their use.

### *(h) Reserved Fund Balance*

Reserved fund balance represents the portion of fund balance that is not available for subsequent year appropriation and is legally segregated for a specific future use.

### *(i) Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the appropriation, is utilized in the governmental funds. Encumbrances are reported as reservations of fund balances because they do not constitute expenditures or liabilities for GAAP basis financial statements. Encumbrances will remain in force and be liquidated under the current year's budget.

### *(j) Amortization*

In government-wide financial statements, bond premiums are recorded as an addition to the debt obligation and bond issuance costs are recorded as a deferred charge. Such amounts are amortized using the interest method or bonds outstanding method over the term of the related revenue bonds.

In the fund financial statements, governmental funds recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *(k) Compensated absences*

Under terms of the County's personnel policies, employees are granted vacation and sick leave in varying amounts. County employees are allowed to carry their total accrued vacation leave balance. However, in the event of termination, County employees are only paid for accrued vacation leave up to a maximum of two times their annual accrual of vacation leave. Employees are not paid for accumulated sick leave upon termination. The vacation earned by County employees, subject to the aforementioned maximum, has been recorded as a long-term liability in the government-wide financial statements. A liability for compensated absences is recorded within the fund financial statements only to the extent that this liability has matured.

### *(l) Interfund Transactions*

In the fund financial statements, the County has the following types of transactions among funds:

Transfers

Legally authorized transfers are reported when incurred as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.



(Continued)

Interfund Services Provided/Used

Charges for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the County.

### *(m) Statement of Cash Flows*

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash and all highly liquid investments (including restricted assets) with a maturity of three months or less at the date of purchase.

### *(n) Use of Estimates*

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

### *(o) Accounting Changes*

Effective January 1, 2003, the County adopted GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments* (GASB No. 34), GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* (GASB No. 37), GASB Statement No. 38, *Certain Financial Statement Note Disclosures* (GASB No. 38) and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.* These statements represent a significant change in the financial reporting model used by state and local governments.

GASB No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting. Government-wide financial statements do not provide information by fund or account group, but distinguish between the County's governmental activities, business-type activities (if applicable), and activities of its discretely presented component unit on the statement of net assets and statement of activities. Additionally, the County's statement of net assets includes capital assets and long-term liabilities of the County, which were previously recorded in the general fixed assets account group and the general long-term debt account group, respectively. In addition to the capital assets previously recorded in the general fixed assets account group, the County now capitalizes infrastructure assets. Pursuant to the transition provisions of GASB No. 34, the County has elected to defer the reporting of infrastructure acquired or constructed prior to January 1, 2003, until future years. In addition, the government-wide statement of activities reflects depreciation expense on the County's capital assets, including infrastructure.



(Continued)

In addition to the government-wide financial statements the County has prepared fund financial statements, which continue to use the modified accrual basis of accounting for the County's general fund, road and bridge fund, health department capital projects fund, and other nonmajor governmental funds, which is similar to that previously presented for these funds in the County's financial statements, although the format of financial statements has been modified by GASB No. 34. Agency fund financial statements continue to be presented on the accrual basis of accounting. Additionally, the proprietary funds and pension trust fund financial statements continue to apply the accrual basis of accounting and focus on the determination of net income and capital maintenance. The County also now presents two private purpose trust funds, which account for the assets of the George Spencer Trust Fund and the Union Cemetery Trust Fund. Prior to the adoption of GASB No. 34, the County recorded these assets within its agency funds.

GASB No. 34 also includes, as required supplementary information, Management's Discussion and Analysis, which provides an analytical overview of the County's financial activities. In addition, a budgetary comparison schedule is presented that compares the original and final revised budgets for the General Fund and Road and Bridge Fund with actual results.

GASB No. 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of GASB No. 34. While this statement did not affect amounts reported in the basic financial statements of the County, certain note disclosures have been added and amended including descriptions of activities of major funds, future debt service and lease obligations in five year increments, short-term obligations, and interfund balances and transactions.

These GASB statements had a significant effect on the County's financial reporting model. All GASB statements were retroactively applied to January 1, 2003. A reconciliation of fund equity at December 31, 2002 to net assets of governmental activities as of January 1, 2003 is as follows:

| | | |
|---|---|---|
| General Fund | $ | 9,277,877 |
| Special Revenue Funds | | 6,412,202 |
| Debt Service Fund | | 872,077 |
| Capital Projects Fund | | 1,097,591 |
| Internal Service Fund | | 1,212,519 |
| Total fund equity, December 31, 2002 | $ | 18,872,266 |
| Required GASB 34 adjustments: | | |
| Capital assets, net accumulated depreciation | $ | 33,042,976 |
| Long-term and other liabilities | | (4,345,431) |
| Revenue and asset recognition | | 948,286 |
| Total net assets, January 1, 2003 | $ | 48,518,097 |



(Continued)

## (2) Individual Fund Deficits

At December 31, 2003, the Special Revenue – Neighborhood Improvement Districts fund accumulated deficit of $70,420 is the result of expenditures exceeding assessment revenue in 2003. The deficit will be offset by future assessment revenue.

## (3) Cash and Investments

*Primary Government*

The County's investment policies are governed by County Commission Order, state statutes, and management policies. County monies are deposited in FDIC-insured banks located within the state.

The County is authorized to invest in the following:

a. United States Treasury Securities;
b. United States Agency Securities, including coupon and zero coupon securities, discount notes, callable securities, step-up securities, floating rate securities, and mortgage backed securities;
c. Repurchase agreements;
d. Collateralized Public Deposits (certificates of deposit);
e. Banker's Acceptance; and
f. Commercial Paper.

At year end the balance of cash and cash equivalents included property tax payments received by the County Collector at year end and deposited after year end. At December 31, 2003, the carrying amount of cash deposits was $22,644,532 and the bank balances totaled $7,952,269. Of the bank balance, $100,000 was insured by the Federal Depository Insurance Corporation (FDIC), and $7,852,269 was covered by collateral held by the pledging bank's trust department or agent in the pledging bank's name.

Collateral is required for demand deposits and certificates of deposit. The market value of the collateral must equal at least 100% of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are of the same type in which the County may invest. Obligations pledged to secure deposits are delivered to the bank's joint-custody account at the Federal Reserve Bank.

In accordance with Governmental Accounting Standards Board (GASB) Statement 3, the County's investments at year end are categorized below to give an indication of the level of custodial credit risk assumed by the County. The investments of the County are categorized as either: (1) insured or registered, with securities held by the County or its agent in the County's name; (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the County's name; or (3) uninsured and unregistered with securities held by the counterparty or their trust departments or agents but not in the County's name.

| | Category 1 | Category 2 | Category 3 | Total Carrying Value |
|---|---|---|---|---|
| U.S. Government and agency securities | $ 86,271,117 | — | — | 86,271,117 |
| | $ 86,271,117 | — | — | 86,271,117 |
| Money market mutual funds | | | | 4,071,007 |
| Pension trust fund investments – | | | | |
| Money market mutual funds | | | | 689,707 |
| Investment contract agreements | | | | 72,254 |
| Total investments – primary government | | | | $ 91,104,085 |

The following is a reconciliation of the County's deposit and investment balances of December 31, 2003 for the primary government:

| | Cash and Cash Equivalents | Investments | Restricted Assets | Total |
|---|---|---|---|---|
| Cash deposits | $ 22,644,532 | — | — | 22,644,532 |
| Investments | — | 87,033,078 | 4,071,007 | 91,104,085 |
| | $ 22,644,532 | 87,033,078 | 4,071,007 | 113,748,617 |

| | Government-wide Statement of Net Assets | Fiduciary Funds Statement of Fiduciary Net Assets | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 398,717 | 22,245,815 | 22,644,532 |
| Investments | 14,167,088 | 72,865,990 | 87,033,078 |
| Restricted assets | 4,071,007 | — | 4,071,007 |
| | $ 18,636,812 | 95,111,805 | 113,748,617 |



(Continued)

*Component Unit*

State statutes and the component unit investment policies are the same as for the primary government. The investments of the Trustees are categorized as follows:

| | Category 1 | Category 2 | Category 3 | Total Carrying Value |
|---|---|---|---|---|
| U.S. Government and agency securities | $ 42,016,091 | — | — | 42,016,091 |
| Repurchase agreements | — | 5,317,684 | — | 5,317,684 |
| Marketable equity securities | 228,125 | — | — | 228,125 |
| | $ 42,244,216 | 5,317,684 | — | 47,561,900 |
| Total cash equivalents and investments – component unit | | | | $ 47,561,900 |

## (4) Property Tax

The County's property tax is levied by September 20 of each year based on the assessed value listed for all property located in the County and appropriate taxing districts as of January 1 of that year. Property taxes are due by December 31, following the levy date. Taxes become delinquent if not paid by February 28 and a lien is placed on the property as of March 1 if the delinquent taxes are not paid. Assessed values are established by the County Assessor, subject to review by the Board of Equalization.

Property taxes levied for 2003, which are intended to finance the budgeted year of 2003, are recorded as receivables, net of estimated uncollectibles. Property taxes that have been billed and are expected to be collected before March 1 of the subsequent year are recognized as revenues in the current year within the governmental fund financial statements. Property taxes expected to be collected after March 1 have been recorded as property taxes receivable and deferred revenue within the governmental fund financial statements. All property taxes billed are recognized as revenue on the government-wide statements, regardless of when they are expected to be collected.



(Continued)

The County is permitted by Missouri State statutes to levy taxes for various purposes. The following schedule presents the maximum allowable County-wide tax levies and the County's actual levy for 2003:

| Purpose | Per $100 of Assessed Valuation: Maximum Levy Allowed by Law (a) | Per $100 of Assessed Valuation: County's Levy 2003 |
|---|---|---|
| General, other than payment of principal and interest on long term debt | $ 0.33 | 0.13 |
| Road and bridge (excluding special road districts) | 0.28 | 0.05 |
| Boone County Hospital | 0.14 | — |
| Group Homes | 0.12 | 0.12 |
| Combined County-wide tax rate (noncommercial and commercial) | | $ 0.30 |
| County-wide surtax on commercial property (Class III) | 0.61 | $ 0.61 |

(a) Missouri State statutes require the County to reduce its property tax levy (levies) in an amount sufficient to decrease the total property taxes it expects to collect in a year by not less than 50% of the amount of general revenue sales taxes received by the County.

In addition to the tax levies described above, various independent taxing districts within the County, including school, city, library, fire, special road and levee districts, levy a tax which is collected by the County Collector. The property tax collections resulting from these levies are disbursed by the County to the appropriate taxing districts.

### (5) Intergovernmental Revenue and Receivables

Intergovernmental revenue for governmental funds for fiscal year 2003 consisted of the following:

| | General Fund | Road and Bridge Fund | Other Governmental Funds |
|---|---|---|---|
| Federal | $ 855,366 | 206,228 | 238,590 |
| State | 1,328,870 | 1,374,425 | 289,197 |
| Local | 112,405 | — | 25,100 |
| Total intergovernmental revenue | $ 2,296,641 | 1,580,653 | 552,887 |



(Continued)

Within the fund financial statements, amounts due from other governments at December 31, 2003 include the following:

| | General Fund | Road and Bridge Fund | Other Governmental Funds |
|---|---|---|---|
| Federal | $ 132,791 | — | 252,045 |
| State | 236,655 | 252,971 | — |
| Local | 22,745 | — | 6,870 |
| Total intergovernmental receivables | $ 392,191 | 252,971 | 258,915 |

## (6) Interfund Balances

Interfund receivable and payable balances at December 31, 2003 were as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Other Governmental Funds – Nonmajor | $ 130,019 |
| | | 130,019 |
| Road and Bridge Fund | General Fund | 4,508 |
| | Other Governmental Funds – Nonmajor | 3,996 |
| | Internal Service Fund | 11,652 |
| | | 20,156 |
| Other Governmental Funds – Nonmajor | General Fund | 131 |
| | Other Governmental Funds – Nonmajor | 22 |
| | | 153 |
| | | $ 150,328 |

All of these interfund balances are due to timing differences, and are expected to be repaid during the fiscal year ended December 31, 2004.

Loans receivable and payable between funds at December 31, 2003 are as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Other Governmental Funds – Nonmajor | $ 3,015 |
| | | $ 3,015 |



(Continued)

## (7) Interfund Transfers

Transfers between funds of the County for the year ended December 31, 2003 were as follows:

| Transfers To | Transfers From | Amount |
|---|---|---|
| General Fund | Other Governmental Funds – Nonmajor | $ 7,652 |
| | | 7,652 |
| Health Department Capital Projects Fund | Other Governmental Funds – Nonmajor | 110,000 |
| | | 110,000 |
| Other Governmental Funds – Nonmajor | Other Governmental Funds – Nonmajor | 113,000 |
| | | 113,000 |
| | | $ 230,652 |

Interfund transfers were used to move revenues from the fund that ordinance or budget requires to collect them to the fund that ordiance or budget requires to expend them.



(Continued)

## (8) Capital Assets

*Primary Government*

The following is a summary of changes in capital assets for the year ended December 31, 2003:

| | Balance January 1, 2003 | Additions | Deletions | Balance December 31, 2003 |
|---|---|---|---|---|
| *Capital assets not being depreciated:* | | | | |
| Land | 4,526,403 | 124,112 | — | 4,650,515 |
| Construction in progress | 48,508 | 2,179,492 | — | 2,228,000 |
| Works of art | 120,228 | — | — | 120,228 |
| Total capital assets not being depreciated | 4,695,139 | 2,303,604 | — | 6,998,743 |
| *Capital assets being depreciated:* | | | | |
| Buildings and improvements | 28,403,233 | 533,303 | — | 28,936,536 |
| Vehicles and equipment | 7,380,224 | 1,714,791 | 772,846 | 8,322,169 |
| Office furniture and equipment | 3,077,872 | 190,989 | 532,129 | 2,736,732 |
| Infrastructure | — | 1,099,478 | — | 1,099,478 |
| Total capital assets being depreciated | 38,861,329 | 3,538,561 | 1,304,975 | 41,094,915 |
| *Less accumulated depreciation for:* | | | | |
| Buildings and improvements | 4,156,431 | 507,251 | — | 4,663,682 |
| Vehicles and equipment | 3,715,133 | 689,701 | 571,573 | 3,833,261 |
| Office furniture and equipment | 2,641,928 | 355,084 | 532,129 | 2,464,883 |
| Infrastructure | — | 34,982 | — | 34,982 |
| Total accumulated depreciation | 10,513,492 | 1,587,018 | 1,103,702 | 10,996,808 |
| Total capital assets being depreciated, net | 28,347,837 | 1,951,543 | 201,273 | 30,098,107 |
| Capital assets, net | 33,042,976 | 4,255,147 | 201,273 | 37,096,850 |

Construction in progress consists primarily of the City/County Health Facility and the JJC expansion and renovation.



(Continued)

Within the statement of activities, depreciation expense is charged to the functions of the primary government as follows:

| | |
|---|---|
| Policy and administration | $ 502,190 |
| Law enforcement and judicial | 561,166 |
| Environment, public buildings, and infrastructure | 507,220 |
| Protective inspection | 16,442 |
| | $ 1,587,018 |

*Component Unit*

The following is a summary of the component unit capital assets at December 31, 2003:

| | |
|---|---|
| Land and land improvements | $ 13,170,603 |
| Buildings | 76,078,546 |
| Fixed equipment | 1,966,397 |
| Major moveable equipment | 18,772,504 |
| Construction in progress | 4,965,668 |
| | 114,953,718 |
| Less accumulated depreciation | (71,650,543) |
| | $ 43,303,175 |

## (9) Long Term Liabilities

*Primary Government*

Following is a summary of the changes in long term debt liabilities for the year ended December 31, 2003:

| | Balance January 1, 2003 | Additions | Deletions | Balance December 31, 2003 | Due Within One Year |
|---|---|---|---|---|---|
| General obligation bonds payable | $ 1,125,000 | — | (166,000) | 959,000 | 174,000 |
| Special obligation bonds payable | 2,180,000 | 5,240,000 | (2,180,000) | 5,240,000 | 310,000 |
| Note payable | 300,000 | — | (300,000) | — | — |
| Capital leases | 104,673 | — | (32,609) | 72,064 | 35,610 |
| Unamortized premiums | — | 87,594 | (2,920) | 84,674 | 5,840 |
| Accrued compensated absences | 628,670 | 697,007 | (642,994) | 682,683 | — |
| | $ 4,338,343 | 6,024,601 | (3,324,523) | 7,038,421 | 525,450 |



(Continued)

General obligation bonds

General obligation bonds at December 31, 2003 are composed of special assessment debt as follows:

| | |
|---|---|
| $255,000 – 1994 general obligation neighborhood improvement bonds due in annual installments of $30,000 to $35,000 through 2005; interest at 5.8% to 5.9% | $ 65,000 |
| $300,000 – 1996 general obligation neighborhood improvement bonds due in annual installments of $15,000 to $40,000 through 2006; interest at 4.8% to 5.1% | 70,000 |
| $355,000 – 1998 general obligation neighborhood improvement bonds due in annual installments of $35,000 to $45,000 through 2008; interest at 4.15% to 4.45% | 195,000 |
| $280,000 – 2000A general obligation neighborhood improvement bonds due in annual installments of $25,000 to $35,000 through 2010; interest at 5.00% to 5.35% | 210,000 |
| $184,000 – 2000B general obligation neighborhood improvement bonds due in annual installments of $16,000 to $23,000 through 2010; interest at 5.2% | 139,000 |
| $305,000 – 2001 general obligation neighborhood improvement bonds due in annual installments of $25,000 to $37,000 through 2012; interest at 2.35% to 4.1% | 280,000 |
| Total general obligation bonds | $ 959,000 |

The annual debt service requirements for the above general obligation bonds are as follows:

| Year ending December 31 | **Principal** | **Interest** | **Total** |
|---|---|---|---|
| 2004 | $ 174,000 | 40,005 | 214,005 |
| 2005 | 155,000 | 32,317 | 187,317 |
| 2006 | 132,000 | 25,710 | 157,710 |
| 2007 | 120,000 | 20,048 | 140,048 |
| 2008 | 126,000 | 14,445 | 140,445 |
| 2009-2013 | 252,000 | 17,587 | 269,587 |
| Total payments | $ 959,000 | 150,511 | 1,109,111 |



(Continued)

The County is subject to Missouri State statutes which limit the amount of the County's outstanding bonded debt (exclusive of revenue bonds and balances available in Debt Service funds) to 10% of the County's assessed valuation. At December 31, 2003 the statutory limit for the County was $162,646,345 providing a debt margin of $162,104,045.

Although the County is generally obligated for their payment, neighborhood improvement bonds are to be repaid from assessments on properties within the districts. Such assessments are required to be deposited in debt service funds which are legally restricted for payment of the bonds. The County attaches liens on the properties within the districts to secure payment of the assessments. As of December 31, 2003, delinquent assessments receivable amounted to $33,742.

Special Obligation Bonds

On June 1, 2003, the County issued $5,240,000 in Series 2003 special obligation refunding and improvement bonds with an average interest rate of 3.42%. Proceeds provided funding to renovate portions of certain existing buildings, and to current refund $1,865,000 of outstanding Series 1993 special obligation administration building bonds with an average interest rate of 5.37%.

Of the total proceeds of $5,327,594 (after the addition of a premium of $87,594), an amount of $1,898,933 was deposited into an irrevocable trust with an escrow agent to provide for the redemption of the Series 1993 bonds on June 12, 2003. As a result, the Series 1993 bonds have been repaid and the liability for these bonds has been removed from the financial statements. The current refunding has resulted in an increase in total debt service payments over the next 15 years by $275,242 and an economic gain (difference between the present value of the old and new debt service payments) of $92,674.

The annual debt service requirements for the above special obligation bonds are as follows:

| Year ending December 31 | Principal | Interest | Total |
|---|---|---|---|
| 2004 | $ 310,000 | 182,651 | 492,651 |
| 2005 | 270,000 | 150,315 | 420,315 |
| 2006 | 270,000 | 144,915 | 414,915 |
| 2007 | 275,000 | 139,465 | 414,465 |
| 2008 | 280,000 | 133,215 | 413,215 |
| 2009-2013 | 1,680,000 | 531,950 | 2,211,950 |
| 2014-2018 | 2,155,000 | 243,995 | 2,398,995 |
| Total payments | $ 5,240,000 | 1,526,506 | 6,766,506 |



(Continued)

*Component Unit*

The following represents a summary of the Trustees long-term debt for the year ended December 31, 2003:

| | Balance January 1, 2003 | Debt Issued | Premium Amortization | Debt Retired | Balance December 31, 2003 | Due Within One Year |
|---|---|---|---|---|---|---|
| Revenue bonds | $ 59,344,203 | — | (4,679) | (31,145,630) | 28,193,894 | 1,800,000 |

Revenue bonds consist of $29,470,000 in Series 2002 hospital refunding revenue bonds due in annual installments of $905,000 to $2,205,000 through 2022 with interest at 2.1% to 5.25%, including a premium of $93,573. The Series 2002 bonds were issued on December 12, 2002, to refund the 1992, 1993, and 2000C Series bonds (outstanding bonds). The bond proceeds were deposited to an escrow account on December 20, 2002. The principal, redemption, premium, and interest on the outstanding bonds was paid on or prior to February 1, 2003.

Debt service requirements for the revenue bonds relating to the Hospital are being financed through the Hospital facilities lease payments, pursuant to and through the terms of the lease agreement with CHAS.

The annual requirements to amortize the above principal are as follows:

| Year ending December 31 | |
|---|---|
| 2004 | $ 1,800,000 |
| 2005 | 1,885,000 |
| 2006 | 1,980,000 |
| 2007 | 1,970,000 |
| 2008 | 2,080,000 |
| Thereafter | 18,478,894 |
| Total debt | $ 28,193,894 |

## (10) Capital Leases

The County has a lease agreement for postage equipment. Because the lease agreement qualifies as a capital lease for accounting purposes, it was recorded at the inception date as a liability at the present value of the future minimum lease payments.

The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments as of December 31, 2003:

| | | |
|---|---|---|
| Year ending December 31: | | |
| 2004 | $ | 40,430 |
| 2005 | | 38,028 |
| Total payments | | 78,458 |
| Amount representing interest | | (6,394) |
| Present value of net minimum lease payments | $ | 72,064 |

## (11) Operating Lease

Effective January 2001, the County and the Trustees entered into an amended and restated lease agreement with CHAS whereby CHAS leases real property and equipment of the Hospital for the purpose of providing health care services in Boone County and surrounding areas. The initial term of the lease is through December 31, 2010, subject to certain early termination provisions, after five years. The lease has a renewal option exercisable by CHAS for one additional five year period, beyond the initial ten year term. The modified lease calls for annual payments from hospital revenues, to the extent sufficient, as follows:

1. Payments to the Trustees equal to annual bond debt service payments, including principal and interest for all obligations incurred for hospital related facilities and equipment;
2. Payments to the County of $1,350,000 annually, due and payable in four quarterly payments of $337,500, as adjusted by the Consumer Price Index; and
3. Payments to the Trustees annually equal to fifty percent of the year's increase in cash and cash equivalents of the Hospital. Under the same terms of the agreement, the Trustees are responsible for fifty percent of any reduction in cash and cash equivalent balances during a fiscal year, and therefore may under those conditions be required to make payments to the Hospital.

The restated lease agreement also includes minimum capital expenditure requirements, certain lessee and lessor operational covenants and governance and control clauses.



(Continued)

## (12) Employee Benefit Plans

*Primary Government*

a. *Boone County Matching Pension Plan*

The Boone County Matching Pension Plan (the Plan) is a defined contribution plan under Internal Revenue Code (IRC) Section 401 (a). The Plan was adopted by Order of the County Commission on March 16, 1999, with an effective date of May 1, 1999. The County Commission has the authority to amend the Plan. All employees who are in "benefited" positions are eligible to participate. As of December 31, 2003, 250 employees were participating in the Plan. The County makes contributions equal to participating employees' contributions to the County's IRC Section 457 deferred compensation plan, with County contributions limited to $25 per bi-weekly pay period per participant. These matching contributions are invested as directed by participants in a variety of registered investment company funds. The County's matching contributions for 2003 were $157,424. For financial reporting purposes, the activity of the Plan is accounted for within the pension trust fund of the County.

b. *Statewide County Employee Retirement Fund*

In August 1994, the Missouri State Legislature passed RSMo Sections 50.100 through 50.306 creating a Statewide County Employee Retirement Fund (CERF). The cost-sharing multi-employer defined benefit plan is funded through various fees and employee contributions. The CERF is administered by a governing board of directors. Complete financial statements of the CERF can be obtained from its administrative offices:

County Employee Retirement Fund
c/o Brydon, Searingen, and England
312 East Capitol
Jefferson City, Missouri 65102

As established by statute, all full-time employees and certain part-time employees of the County are eligible to participate in the CERF. Employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

In accordance with State statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. All participating employees hired before February 25, 2002 are required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, participating employees hired on or after



(Continued)

February 25, 2002 are required to make contributions equal to 6% of gross compensation. While the County is not required to make any contributions to the plan, the County has elected to contribute 4% of the required 6% contribution for employees hired between February 25, 2002 and January 1, 2003. During 2003, the County collected and remitted to CERF employee contributions of $288,295, employer contributions of $43,084 and statutory charges of $639,744.

c. *Deferred Compensation Plan*

The County offers its employees a deferred compensation plan created in accordance with IRC Section 457. The deferred compensation plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of employees. As the County does not have fiduciary responsibility for these assets, the trust account and related liability are not included in the accompanying basic financial statements.

*Component Unit*

Effective September 1, 1988, a noncontributory, defined benefit pension plan was created to duplicate, where allowable, those benefits previously provided by the Hospital's plan prior to inception of the lease discussed in Note 11. The Plan (CHAS Plan) is administered by CHAS has assumed the benefit obligations for active Hospital employees. The Trustees' administered Plan (Trustees' Plan) continued to assume the benefit obligations of existing retirees and vested terminations at the lease inception date.

During 1989, the Trustees' Plan made lump-sum payments and purchased annuities to satisfy any remaining retirees and vested terminations. The market value of assets remaining after such payment is approximately $73,000 at December 31, 2003.



(Continued)

## (13) Commitments and Contingent Liabilities

*Litigation*

The County is a defendant in a number of claims and lawsuits. The County Counselor has reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the County and arrive at an estimate, if any, of the amount or range of potential loss to the County. The County Counselor has indicated that the resolution of any lawsuits pending are not expected to have a material adverse effect on the basic financial statements of the County. No amount has been provided in the December 31, 2003 basic financial statements for any such claims and lawsuits.

*General Obligation Bonds*

In 1992, County voters approved a $3.5 million general obligation bond issue for the purpose of financing the construction and repair of roads and streets within the County's neighborhood improvement districts. Property taxes will not be levied for debt service on the bonds; instead, property owners within these districts will repay the bonds through annual billings over a period not to exceed ten years. As of December 31, 2003, $1,399,000 of the bonds have been issued.

In 1997, County voters approved a $5.5 million general obligation bond issue for the purpose of financing the construction and repair of sewers within the County's neighborhood improvement districts. Property taxes will not be levied for debt service on the bonds; instead, property owners within these districts will repay the bonds through annual billings over a period not to exceed ten years. As of December 31, 2003, $280,000 of the bonds have been issued.

*Component Unit*

The Trustees lease approximately 6 acres of property under two separate 52 year ground leases to the Graham Group, Inc., which has constructed medical buildings on the property. The leases expire in August 2045 and May 2050 and include a 25 year renewal option. Annual rent of $69,076 and $91,556, respectively, is payable to the Trustees monthly and is adjusted based on Consumer Price Index changes, subject to certain limitations.

The Trustees have agreed to assume a lease of office space from the Graham Group, Inc. for which CHAS is currently the lessee, should the lease agreement between CHAS and the Trustees be terminated. The office space lease, which is for a period of twenty-five years terminating November 30, 2019, require payments of $19,583 monthly through December 1, 2001, adjustable thereafter based on Consumer Price Index changes, subject to certain limitations.

The Trustees entered into contracts for the construction of a south addition and various renovations and additions to outpatient, surgical and administrative areas of the hospital. Remaining commitments for these contracts totaled approximately $11.6 million at December 31, 2003.



(Continued)

## (14) Risk Management

The County maintains broad form insurance coverage for property/casualty, general liability, worker's compensation, inland marine, EDP, public officials' errors and omissions, law enforcement errors and omission, and boiler and machinery. The County is a member of the Mid-American Regional Council Insurance Trust (MARCIT), a public entity risk retention pool, and shares a full-time risk manager through that organization. The Board of Directors includes eleven member representatives. MARCIT has the right to assess members additional premiums to cover deficiencies in claim payments and may also issue refunds when revenues exceed expenses. MARCIT covers risks up to $1,000,000 with deductibles of $5,000; except for property, inland marine, and EDP which have 100% coverage with deductibles of $5,000; and also maintains excess insurance agreements in the event of large losses. MARCIT is responsible for claims within its specified self-insured retention limits prior to the coverage of the excess insurance. Boone County had no settlements in excess of insurance coverage in any of the past three years. Total premiums paid to MARCIT by the County in 2003 were $876,137.



(Continued)

*Self-Insured Employee Benefits*

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. Under these self-insurance programs, coverage is provided up to a maximum of $50,000 and $1,000 for each health and dental claim, respectively. The County has commercial reinsurance for claims in excess of the health individual claim maximum. No reinsurance is in place for dental because the County's plan does not provide for individual claims in excess of $1,000. The claims liability as reported in the Internal Service funds is based on the Governmental Accounting Standards Board Statement No. 10 requirements that a liability for claims be recorded if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. There were no significant changes in coverage during the year. Changes in the internal service funds claims liability for the past two years are as follows:

| | 2003 | | | |
|---|---|---|---|---|
| | **Beginning of Year Claims Liability** | **Current Year Claims and Changes in Estimates** | **Claim Payments** | **End of Year Claims Liability** |
| Self-insured Health Plan | $ 211,738 | 971,580 | (1,016,333) | 166,985 |
| Self-insured Dental Plan | 7,751 | 130,121 | (128,609) | 9,263 |
| Totals | $ 219,489 | 1,101,701 | (1,144,942) | 176,248 |

| | 2002 | | | |
|---|---|---|---|---|
| | **Beginning of Year Claims Liability** | **Current Year Claims and Changes in Estimates** | **Claim Payments** | **End of Year Claims Liability** |
| Self-insured Health Plan | $ 105,996 | 1,115,543 | (1,009,801) | 211,738 |
| Self-insured Dental Plan | 4,000 | 123,995 | (120,244) | 7,751 |
| Totals | $ 109,996 | 1,239,538 | (1,130,045) | 219,489 |



(Continued)

## (15) New Accounting Pronouncements

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14*, modifies the definition of component units for purposes of inclusion within the County's reporting entity. This statement will be effective for the County for the fiscal year ending December 31, 2004. Management of the County has not yet completed its assessment of the statement.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, modifies existing, and imposes new, disclosure requirements relative to the County's cash and investments. This statement will be effective for the County for the fiscal year ending December 31, 2005. Management of the County has not yet completed its assessment of the statement.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets, and clarifies and establishes accounting requirements for insurance recoveries. This statement will be effective for the County's fiscal year ending December 31, 2005. Management of the County has not yet completed its assessment of the statement.