

**BOONE COUNTY, MISSOURI**  
**BASIC FINANCIAL STATEMENTS**

BOONE COUNTY, MISSOURI

STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Boone Hospital Board of Trustees</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,884,407	12,696,305
Investments	24,706,540	56,661,663
Accrued interest	364,749	797,508
Accounts receivable	1,519,742	8,887,894
Commissions receivable	398,894	-
Contributions receivable-current	-	150,000
Property taxes receivable, net	827,305	-
Assessments receivable	386,729	-
Sales taxes receivable	5,644,364	-
Due from other governments	1,281,790	-
Due from others	3,800	-
Loans receivable	536	-
Contributions receivable-noncurrent	-	1,297,482
Deferred charges	162,792	-
Prepaid items	5,037	14,626
Other assets	-	382,480
Restricted assets:		
Cash and cash equivalents	1,925,436	-
Investments	205,384	4,105,110
Capital assets, net:		
Nondepreciable	18,526,986	1,478,774
Depreciable	70,980,654	63,578,342
Total assets	<u>129,825,145</u>	<u>150,050,184</u>
<b>LIABILITIES</b>		
Accounts payable	2,696,646	1,006,662
Wages payable	367,807	-
Accrued liabilities	57,755	812,707
Due to other governments	5,638	-
Due to others	35,543	-
Estimated liability for claims incurred but not paid	455,234	-
Unearned revenue	22,019	-
Interest payable	124,101	545,636
Long-term liabilities:		
Due within one year	1,330,261	2,325,000
Due within more than one year	6,251,476	24,185,000
Total liabilities	<u>11,346,480</u>	<u>28,875,005</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	84,283,160	38,547,116
Restricted for:		
Debt service	1,697,249	3,398,510
Capital projects	7,984,540	-
Constitutional provisions or enabling legislation	13,916,402	-
Expendable donor restrictions	-	4,313,411
Nonexpendable donor restrictions	-	706,600
Unrestricted	10,597,314	74,209,542
Total net assets	<u>\$ 118,478,665</u>	<u>121,175,179</u>

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Boone Hospital Board of Trustees
<b>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:</b>						
Policy and administration	\$ 8,351,758	3,881,039	371,124	-	(4,099,595)	-
Law enforcement and judicial	18,355,489	1,702,564	2,215,575	-	(14,437,250)	-
Environment, public buildings, and infrastructure	19,846,910	139,191	1,977,066	1,049,328	(16,681,325)	-
Community health and public services	1,316,693	35,258	6,903	-	(1,274,532)	-
Economic vitality	66,000	-	-	-	(66,000)	-
Beautification and recreation	42,141	-	-	-	(42,141)	-
Protective inspection	1,082,119	265,379	93,355	-	(723,385)	-
Interest and fiscal charges	277,262	-	-	-	(277,262)	-
Total primary government	<u>49,338,372</u>	<u>6,023,531</u>	<u>4,664,023</u>	<u>1,049,328</u>	<u>(37,601,490)</u>	<u>-</u>

COMPONENT UNIT:

Boone Hospital Board of Trustees	\$ 6,483,599	11,779,913	1,674,592	-	-	6,970,906
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GENERAL REVENUES:

Property taxes	\$ 4,052,018					72,335
Sales taxes	31,463,171					-
Franchise and other taxes	222,558					-
Investment revenue	1,640,430					3,748,313
Hospital lease revenue	1,566,918					-
Gain on sale of capital assets	2,654					-
Miscellaneous (including insurance proceeds)	1,759,031					85,748
Total general revenues	<u>40,706,780</u>					<u>3,906,396</u>
Change in net assets	3,105,290					10,877,302
NET ASSETS -- beginning of year, as restated	115,373,375					110,297,877
NET ASSETS -- end of year	<u>\$ 118,478,665</u>					<u>\$ 121,175,179</u>

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

	Major Funds					Total Governmental Funds
	General Fund	Road & Bridge Fund	Law Enforcement Services Fund	One-Fifth Cent Sales Tax Capital Improvement Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,419,137	171,945	-	-	293,325	2,884,407
Investments	2,581,400	6,493,207	1,004,166	6,676,731	4,383,527	21,139,031
Accrued interest	181,420	68,297	11,045	45,832	25,670	332,264
Accounts receivable	208,246	3,532	-	-	125,796	337,574
Commissions receivable	199,351	1,591	-	-	197,952	398,894
Property taxes receivable	631,397	249,578	-	-	-	880,975
Assessments receivable	-	-	-	-	386,729	386,729
Sales taxes receivable	2,131,756	2,129,127	532,303	851,178	-	5,644,364
Loans receivable from other funds	154,735	-	-	-	-	154,735
Due from other funds	30,853	207	200	-	690	31,950
Due from other governments	504,176	657,814	-	-	119,800	1,281,790
Due from others	3,800	-	-	-	-	3,800
Loans receivable	536	-	-	-	-	536
Prepaid items	4,637	-	-	-	400	5,037
Restricted assets:						
Cash and cash equivalents	300,584	-	-	-	1,624,852	1,925,436
<b>Total assets</b>	<b>9,352,028</b>	<b>9,775,298</b>	<b>1,547,714</b>	<b>7,573,741</b>	<b>7,158,741</b>	<b>35,407,522</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	888,374	896,506	54,811	484,721	158,449	2,482,861
Wages payable	237,916	79,737	25,533	-	13,478	356,664
Accrued liabilities	45,178	7,351	2,619	-	1,431	56,579
Due to other funds	5,306	-	-	-	30,853	36,159
Due to other governments	5,638	-	-	-	-	5,638
Due to others	33,953	1,500	-	-	90	35,543
Deferred revenue	120,799	42,001	-	-	337,785	500,585
Loans payable to other funds	-	-	-	-	154,735	154,735
<b>Total liabilities</b>	<b>1,337,164</b>	<b>1,027,095</b>	<b>82,963</b>	<b>484,721</b>	<b>696,821</b>	<b>3,628,764</b>
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Loan receivable	155,271	-	-	-	-	155,271
Prepaid items	4,637	-	-	-	400	5,037
Debt service	300,444	-	-	-	1,069,780	1,370,224
Capital projects	-	-	-	7,089,020	895,520	7,984,540
Security deposits	140	-	-	-	-	140
Encumbrances	242,539	1,133,864	89,426	-	45,661	1,511,490
<b>Unreserved</b>						
Designated for capital improvements	-	500,000	250,000	-	-	750,000
<b>Undesignated, reported in:</b>						
General fund	7,311,833	-	-	-	-	7,311,833
Special revenue funds	-	7,114,339	1,125,325	-	4,154,991	12,394,655
Capital project funds	-	-	-	-	295,568	295,568
<b>Total fund balances</b>	<b>8,014,864</b>	<b>8,748,203</b>	<b>1,464,751</b>	<b>7,089,020</b>	<b>6,461,920</b>	<b>31,778,758</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,352,028</b>	<b>9,775,298</b>	<b>1,547,714</b>	<b>7,573,741</b>	<b>7,158,741</b>	<b>35,407,522</b>

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  
DECEMBER 31, 2007

Total fund balance-- total governmental funds \$ 31,778,758

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. 89,451,024

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, net of allowance for uncollectible amounts. 424,896

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. 4,350,178

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. Discounts, premiums, 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, 2007 are:

Accrued interest on long-term debt	(124,101)
Bonds payable	(6,662,000)
Unamortized premiums	(61,314)
Unamortized bond issuance costs	162,792
Accrued compensated absences	<u>(841,568)</u>

Total net assets -- governmental activities -- statement of net assets \$ 118,478,665

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, 2007

	Major Funds					Total Governmental Funds
	General Fund	Road & Bridge Fund	Law Enforcement Services Fund	One-Fifth Cent Sales Tax Capital Improvement Fund	Nonmajor Governmental Funds	
<b>REVENUES</b>						
Property taxes	\$ 2,855,380	1,177,326	-	-	-	4,032,706
Assessments	-	-	-	-	148,743	148,743
Sales taxes	11,618,935	12,100,093	2,899,191	4,626,163	218,789	31,463,171
Other taxes	185,691	-	-	-	-	185,691
Licenses and permits	412,779	12,711	-	-	28,564	454,054
Intergovernmental	2,480,835	1,977,856	1,280	-	424,029	4,884,000
Charges for services	3,435,475	99,551	-	-	1,570,812	5,105,838
Fines and forfeitures	-	-	-	-	23,121	23,121
Investment income	359,296	406,845	64,279	260,782	254,029	1,345,231
Interfund services provided	218,023	21,939	-	-	-	239,962
Miscellaneous:						
Hospital lease revenue	1,566,918	-	-	-	-	1,566,918
Contributions	-	-	-	-	8,500	8,500
Other	322,436	20,869	-	-	103,060	446,365
<b>Total revenues</b>	<b>23,455,768</b>	<b>15,817,190</b>	<b>2,964,750</b>	<b>4,886,945</b>	<b>2,779,647</b>	<b>49,904,300</b>
<b>EXPENDITURES</b>						
Current:						
Policy and administration	6,031,601	-	-	-	1,122,353	7,153,954
Law enforcement and judicial	13,731,565	-	2,426,470	-	568,501	16,726,536
Environment, public buildings, and infrastructure	33,024	13,255,428	-	-	66,669	13,355,121
Community health and public services	1,150,435	-	-	-	77,056	1,227,491
Economic vitality	66,000	-	-	-	-	66,000
Beautification and recreation	42,141	-	-	-	-	42,141
Protective inspection	1,069,967	-	-	-	-	1,069,967
Interfund services used	21,939	150,000	-	-	68,023	239,962
Capital outlay	625,232	1,064,060	706,300	1,180,511	951,102	4,527,205
Debt service:						
Principal retirement	275,000	-	-	-	138,000	413,000
Interest and fiscal charges	139,465	-	-	-	149,144	288,609
<b>Total expenditures</b>	<b>23,186,369</b>	<b>14,469,488</b>	<b>3,132,770</b>	<b>1,180,511</b>	<b>3,140,848</b>	<b>45,109,986</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>269,399</b>	<b>1,347,702</b>	<b>(168,020)</b>	<b>3,706,434</b>	<b>(361,201)</b>	<b>4,794,314</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	28,668	-	-	-	798,341	827,009
Transfers out	(798,341)	-	-	-	(28,668)	(827,009)
Insurance proceeds	13,028	147,794	-	-	-	160,822
Sale of capital assets	17,753	191,094	-	-	7,753	216,600
<b>Total other financing sources (uses)</b>	<b>(738,892)</b>	<b>338,888</b>	<b>-</b>	<b>-</b>	<b>777,426</b>	<b>377,422</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(469,493)</b>	<b>1,686,590</b>	<b>(168,020)</b>	<b>3,706,434</b>	<b>416,225</b>	<b>5,171,736</b>
<b>FUND BALANCES, beginning of year</b>	<b>8,484,357</b>	<b>7,061,613</b>	<b>1,632,771</b>	<b>3,382,586</b>	<b>6,045,695</b>	<b>26,607,022</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 8,014,864</b>	<b>8,748,203</b>	<b>1,464,751</b>	<b>7,089,020</b>	<b>6,461,920</b>	<b>31,778,758</b>

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, 2007

Net change in fund balances -- governmental funds-- statement of revenues, expenditures, and changes in fund balances \$ 5,171,736

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 that meet the capitalization threshold is allocated over their estimated useful lives and recorded as depreciation expense. This is the amount by which such capital outlays (\$4,855,481) exceeded depreciation expense (\$8,310,598) in the current period. (3,455,117)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, contributed capital assets) is to increase net assets. 811,133

Revenues in the statement of activities (net of allowance for uncollectible amounts) 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 current fiscal year exceeded revenues not providing current financial resources in the prior fiscal year (which are recognized in the fund financial statements in the current year). (112,880)

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. 355,518

Governmental funds report repayment of principal on bonds payable and capital leases as an expenditure. However, repayment of principal is not recognized as an expense in the statement of activities; instead, it reduces the liability in the statement of net assets.

Annual principal payments on bonds payable and capital leases 413,000

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	(72,057)	
Accrued interest on bonds	5,508	
Premiums on debt issuances, net of amortization	5,839	
Deferred bond issuance costs, net of amortization	<u>(17,390)</u>	
		<u>(78,100)</u>

Change in net assets -- governmental activities -- statement of activities \$ 3,105,290

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2007

	Governmental Activities—Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Investments	\$ 3,567,509
Accrued interest	32,485
Accounts receivable	1,182,168
Due from others	5,106
Total current assets	<u>4,787,268</u>
Restricted assets:	
Investments	205,384
Noncurrent assets:	
Capital assets, net	<u>56,616</u>
Total assets	<u>5,049,268</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	213,785
Wages payable	11,143
Compensated absences	16,855
Accrued liabilities	1,176
Estimated liability for claims incurred but not paid	455,234
Due to other funds	<u>897</u>
Total liabilities	<u>699,090</u>
<b>NET ASSETS</b>	
Invested in capital assets	56,616
Restricted	205,384
Unrestricted	<u>4,088,178</u>
Total net assets	<u>\$ 4,350,178</u>

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, 2007

	Governmental Activities—Internal Service Funds
<b>OPERATING REVENUES</b>	
Charges for services	\$ 4,487,660
Miscellaneous	20,583
Total operating revenues	<u>4,508,243</u>
<b>OPERATING EXPENSES</b>	
Salaries and employee benefits	573,247
Supplies, services, and other charges	2,460,074
Claims expense	2,210,508
Professional services	73,335
Administrative fees	337,776
Capital outlay	8,736
Depreciation	5,545
Total operating expenses	<u>5,669,221</u>
Operating income (loss)	<u>(1,160,978)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Insurance proceeds	1,212,262
Miscellaneous	9,035
Investment income	295,199
Total nonoperating revenues (expenses)	<u>1,516,496</u>
Change in net assets	355,518
Net assets, beginning of year	3,994,660
Net assets, end of year	<u>\$ 4,350,178</u>

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2007

	Governmental Activities—Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 4,642,810
Other operating cash receipts	50
Payments to employees	(574,797)
Payments to suppliers for goods and services	(4,683,886)
Net cash provided by (used in) operating activities	<u>(615,823)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(24,580)
Insurance proceeds	359,290
Net cash provided by (used in) capital and related financing activities	<u>334,710</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	5,663,932
Purchase of investments	(5,662,619)
Interest received	279,800
Net cash provided by (used in) investing activities	<u>281,113</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<u>-</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income	(1,160,978)
Depreciation	5,545
Change in assets and liabilities:	
Decrease (increase) in receivables	134,617
Increase (decrease) in accounts payable and estimated liability for claims incurred but not paid	406,597
Increase (decrease) in wages payable	(748)
Increase (decrease) in compensated absences	(802)
Increase (decrease) in accrued liabilities	(54)
Net cash provided by (used in) operating activities	<u>(615,823)</u>
Noncash investing, capital, and financing activities:	
Net appreciation (depreciation) in value of investments reported at fair value (not classified as cash equivalents)	\$ <u>(5,893)</u>

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2007

	Pension Trust Fund	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	-	22,646,283
Investments:			
U.S. Government and agency securities	-	121,692	90,853,694
Money market mutual funds	1,658,391	-	-
Accrued interest	-	769	147,152
Accounts receivable	-	-	814
Property taxes receivable	-	-	19,248,325
Due from others	-	-	244,639
<b>Total assets</b>	<u>1,658,391</u>	<u>122,461</u>	<u>133,140,907</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	485,772
Due to other political subdivisions	-	-	132,655,135
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>133,140,907</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>1,658,391</u>	<u>122,461</u>	<u>-</u>
<b>Total net assets</b>	<u>\$ 1,658,391</u>	<u>122,461</u>	<u>-</u>

See accompanying notes to the basic financial statements.

BOONE COUNTY, MISSOURI

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED DECEMBER 31, 2007

	Pension Trust Fund	Private-Purpose Trust Funds
ADDITIONS		
Contributions - employer	\$ 174,245	-
Contributions - other	-	79,128
Investment income	167,247	4,293
Total additions	<u>341,492</u>	<u>83,421</u>
DEDUCTIONS		
Benefits	72,961	-
Scholarships	-	1,493
Supplies, services and other charges	-	660
Total deductions	<u>72,961</u>	<u>2,153</u>
Change in net assets	268,531	81,268
NET ASSETS, beginning of year	<u>1,389,860</u>	<u>41,193</u>
NET ASSETS, end of year	<u>\$ 1,658,391</u>	<u>122,461</u>

See accompanying notes to the basic financial statements.

## BOONE COUNTY, MISSOURI

### Notes to Basic Financial Statements

December 31, 2007

#### (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 U.S. generally accepted accounting principles (GAAP) 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.

The Board of Trustees of Boone Hospital Center (the Board of Trustees) is a five-member elected board operating under the provisions of Revised Missouri Statute 205.160, et seq. Board of Trustees is charged with the operation of County hospital facilities in Boone County, Missouri. These facilities provide acute health care services to Boone County under the name of Boone Hospital Center.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. Pursuant to Revised Missouri Statute 205.160, the County is required to approve the issuance of bonded debt of the Board of Trustees. As a result, the Board of Trustees is included as a discretely presented component unit of the County.

Component units of the Board of Trustees include Boone Hospital Foundation and the Walter Johnson Palliative Care Foundation. The purpose of the Boone Hospital Foundation is to provide support and provision of care to, and in respect to, patients at Boone Hospital Center 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 Boone Hospital Center and its facilities.

## BOONE COUNTY, MISSOURI

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Effective September 1, 1988, the Board of Trustees and Boone County entered into a lease agreement with CH Allied Services, Inc. to lease the facilities and operate the services of Boone Hospital Center. The lease was amended and restated effective January 1, 2001. The Board of Trustees serve as lessor and shares in certain Hospital management responsibilities pursuant to the lease agreement. The lease agreement is explained in note 10.

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 also are 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 organizations 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 that 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.

**BOONE COUNTY, MISSOURI**  
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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, the law enforcement services fund, and the one-fifth cent sales tax capital improvement fund are major governmental funds. All other governmental funds are reported in one column labeled "Nonmajor 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 six internal service funds (governmental activities): self-insured health plan, self-insured dental plan, self-insured workers' compensation, 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 primarily provided by a one-half cent sales tax, revenue from the State of Missouri, and property taxes.

**Law Enforcement Services Fund** – The law enforcement services fund is a special revenue fund financed by a one-eighth cent sales tax for law enforcement and judicial activities.

## BOONE COUNTY, MISSOURI

### Notes to Basic Financial Statements

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**One-Fifth Cent Sales Tax Capital Improvement Fund** – The one-fifth cent sales tax capital improvement fund is a special revenue fund financed by a one-fifth sales tax for capital improvements.

The other governmental funds of the County are considered nonmajor and are reported as nonmajor governmental funds within these financial statements. Nonmajor governmental funds include special revenue funds that account for the proceeds of specific revenue sources that are legally restricted, or restricted through local policy, to expenditures for specific purposes; debt service funds that account for the accumulation of resources for, and repayment of, general obligation long-term debt principal, interest, and related costs; and capital projects funds that 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 self-insured workers' compensation 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 self-insured workers' compensation fund accounts for operations of the self-insured workers' compensation 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, the County-owned space in the Centralia Clinic, and the building located at 607 East Ash.

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.

## BOONE COUNTY, MISSOURI

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#### **Fiduciary Funds**

Fiduciary 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.

The following are the County's fiduciary funds:

**Pension Trust Fund** – The pension trust fund accounts for the plan net assets of the Boone County Matching Pension Plan, a defined contribution plan under Internal Revenue Code (IRC) Section 401(a). The pension trust fund is accounted for and reported similar to a proprietary fund.

**Private Purpose Trust Funds** – The private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. Private-purpose trust funds are accounted for and reported similar to a proprietary fund. Three private-purpose trust funds have been established: the George Spencer Trust Fund, which was established to award academic scholarships from the interest earned, the Union Cemetery Trust Fund, which was established to fund the maintenance of the Union Cemetery, and the Rocky Fork Cemetery Trust Fund, which was established to fund the maintenance of the Rocky Fork Cemetery.

**Agency Funds** – Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The County maintains agency funds for special taxing districts, the Circuit Clerk, the Collector of Revenue, and for other miscellaneous purposes.

#### **(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 financial statements of the proprietary fund, pension trust fund, private-purpose trust fund, and 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.

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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 60 days of fiscal year-end, except for government grants, which is within 270 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 Statement No. 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 Statement No. 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 and 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.

**BOONE COUNTY, MISSOURI**  
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**(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) Contributions**

Contributions receivable consist of amounts receivable to the Boone Hospital Foundation, a discretely presented component unit of the Board of Trustees, and are temporarily restricted for the support of an intergenerational day care program. At December 31, 2007, the present value of contributions receivable, using a discount rate of 4%, is as follows:

Due within one year	\$	150,000
Due within five years		1,297,482
		1,447,482
Allowance for doubtful contributions		—
Net contributions receivable	\$	1,447,482

**(f) Inventories**

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

**(g) Capital Assets**

Capital assets, which include buildings, improvements, equipment, infrastructure assets (e.g., roads, bridges, 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 also are 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.

As discussed further in note 1(q), pursuant to the transition provisions of GASB Statement No. 34, infrastructure assets have been capitalized retroactively to 1980 at historical cost.

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.

**BOONE COUNTY, MISSOURI**

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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:

	<u>Years</u>
Buildings and improvements	5 to 50
Vehicles and equipment	4 to 7
Office furniture and equipment	3 to 4
Infrastructure	10 to 75

**Component Unit**

Capital assets include equipment, land and buildings which are valued at actual historical cost where available and at estimated historical cost where historical cost records are not available. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Land is valued at actual historical cost or fair market value if received by donation. Interest costs are capitalized when incurred on debt where proceeds were used to finance construction of assets.

**(h) Restricted Assets**

Restricted assets, comprised of cash and cash equivalents and investments, 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, 2007, the County's restricted assets represent the proceeds of bond issuances restricted as to their use and the pledged security for the self-insured workers' compensation plan.

**(i) Reserved Fund Balance/Restricted Net Assets**

**Primary Government**

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. Restricted net assets represents the portion of net assets that are legally restricted by outside parties (e.g., restricted for debt service and restricted for capital projects) or by law through constitutional provisions or enabling legislation.

**Component Unit**

Restricted net assets of the Board of Trustees consist of bond proceeds, held in escrow, restricted by bond covenant to be used for future debt reduction.

Net assets restricted for expendable donor restrictions include donor-imposed restrictions, which limit the net assets use to a specified time period or purpose. Net assets restricted for nonexpendable donor restrictions include donor-imposed restrictions, which require the net assets to be maintained by the Board of Trustees in perpetuity.

**BOONE COUNTY, MISSOURI**

Notes to Basic Financial Statements

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**(j) 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.

**(k) 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.

**(l) 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. Compensated absences are typically liquidated from the general fund.

**(m) Interfund Transactions**

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

**Transfers**

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

**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.

**BOONE COUNTY, MISSOURI**  
Notes to Basic Financial Statements  
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**(n) 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.

**(o) Use of Estimates**

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles 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.

**(p) Income Taxes—Component Unit**

The Board of Trustees is exempt from federal income tax as described in Section 115 of the Internal Revenue Code. The Boone Hospital Foundation and the Walter Johnson Palliative Care Foundation, component units of the Board of Trustees, are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**(q) Retroactive Reporting of Infrastructure Assets and Restatement of Beginning of Year Net Assets – Primary Government**

Effective January 1, 2007, the County retroactively reported infrastructure assets acquired prior to January 1, 2003 in accordance with the transition provisions of GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments*. The impact on the County’s net assets as of January 1, 2007 is as follows:

Net assets, as previously reported	\$	72,113,781
Adjustments:		
Capital assets, net:		
Nondepreciable		9,715,128
Depreciable		<u>33,544,466</u>
Net assets, as restated	\$	<u><u>115,373,375</u></u>

**(2) Individual Fund Deficits**

At December 31, 2007, the Special Revenue—Neighborhood Improvement Districts fund accumulated deficit of \$35,821 is the result of expenditures exceeding assessment revenue in 2007. The deficit will be offset by future assessment revenue.

**BOONE COUNTY, MISSOURI**  
Notes to Basic Financial Statements  
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**(3) Cash and Investments**

***Primary Government***

The County's investment policies are governed by County Commission Order, state statutes, and management policies. The County deposits all cash with the County Treasurer, who maintains all banking relationships for the County. Additionally, all investment decisions are made by the County Treasurer and the Treasurer's agents. County moneys are deposited in FDIC-insured banks located within the State of Missouri.

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.

Investments are recorded at fair value. Fair value for investments is determined by closing market prices at year-end as reported by FT Interactive Data. In addition, money market mutual funds are classified as cash and cash equivalents on the statement of net assets but as investments for risk disclosure.

**(a) Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The County's investment policy provides that the County seeks to minimize the risk that the market value of securities in its portfolio will decrease due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Additionally, the County primarily invests operating funds in shorter-term securities. Investments with call options are assumed to mature on the call date for interest rate risk disclosures.

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As of December 31, 2007, the County had the following investments:

Investment type:		
U.S. Treasuries	\$	205,384
U.S. Agencies:		
Federal Farm Credit Bank		1,000,000
Federal Home Loan Bank		38,967,300
Federal Home Loan Mortgage Corporation		13,933,026
Freddie Discount notes		9,981,200
Federal National Mortgage Association		51,800,400
Money market mutual funds		1,925,436
Pension Trust Fund investments:		
Money market mutual funds		1,658,391
Total	\$	<u>119,471,137</u>

As of December 31, 2007, all County investments had a maturity of one year or less.

**(b) Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Moody's Investor Services.

The County's investment policy provides that the County will minimize credit risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the County will do business, as well as through diversifying its portfolio in order to minimize potential losses on individual securities.

The County's investments in U.S. Agencies were rated Aaa by Moody's Investor Services as of December 31, 2007. All other investments were unrated as of December 31, 2007.

**(c) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty. The County's investment policy requires that deposits be covered by adequate pledge collateral. In order to anticipate market changes and provide a level of security for all funds, the market value (including accrued interest) of the collateral should be at least 102%.

**BOONE COUNTY, MISSOURI**

Notes to Basic Financial Statements

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The County's investment policy further provides that all securities that serve as collateral against the deposits of a depository institution must be safekept at a nonaffiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five business dates from the settlement date. The County shall have a depository contract and pledge agreement with each safekeeping bank that complies with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This will ensure that the County's security interest in collateral pledged to secure deposits is enforceable against the receivables of a failed financial institution.

At December 31, 2007, all County investments and all collateral securities and letters of credit pledged against County deposits are held by the counterparty's trust department or agent in the County's name.

**(d) Concentration of Credit Risk**

The County's investment policy provides that investments shall be diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. The County's investment policy further provides that, with the exception of U.S. Treasury Securities, U.S. Government Agency Securities, and collateralized repurchase agreements, no more than 30% of the County's total investment portfolio will be invested with a single security type.

At December 31, 2007, the concentration of the County's investments was as follows:

Investment type:	
U.S. Treasuries	0.2%
U.S. Agencies:	
Federal Farm Credit Bank	0.8
Federal Home Loan Bank	32.6
Federal Home Loan Mortgage Corporation	11.7
Freddie Discount note	8.4
Federal National Mortgage Association	43.3
Money market mutual funds	1.6
Pension Trust Fund investments:	
Money market mutual funds	1.4
Total	<u>100.0%</u>

**BOONE COUNTY, MISSOURI**

Notes to Basic Financial Statements

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Investments are included within the County's accompanying statement of net assets as of December 31, 2007 as follows:

	<u>Government- wide statement of net assets</u>	<u>Fiduciary statement of net assets</u>	<u>Total</u>
Investments	\$ 24,706,540	92,633,777	117,340,317
Restricted assets:			
Cash and cash equivalents	1,925,436	—	1,925,436
Investments	<u>205,384</u>	<u>—</u>	<u>205,384</u>
Total investments	\$ <u>26,837,360</u>	<u>92,633,777</u>	<u>119,471,137</u>

***Component Unit***

The Board of Trustees may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities; obligations guaranteed by the full faith and credit of the State of Missouri; repurchase agreements, certificates of deposit; bankers acceptances; and commercial papers.

**(a) *Interest Rate Risk***

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The Board of Trustees investment policy specifically requires investments of a short-term nature to meet liquidity needs and avoid the need to sell securities on the open market, prior to maturity.

As of December 31, 2007, the Board of Trustees had the following investments and maturities:

	<u>Fair value</u>	<u>Investment maturities (in years)</u>	
		<u>Less than one</u>	<u>1-5</u>
Investment type:			
Repurchase agreements	\$ 12,221,305	12,221,305	—
U.S. Treasury money market funds	3,398,510	3,398,510	
U.S. Agencies	52,922,818	34,282,818	18,640,000
Mutual funds	106,028	106,028	
Certificates of deposit	2,950,000	2,950,000	
Marketable equity securities	<u>1,864,417</u>	<u>1,864,417</u>	<u>—</u>
Total	\$ <u>73,463,078</u>	<u>54,823,078</u>	<u>18,640,000</u>

**BOONE COUNTY, MISSOURI**  
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In addition to the investments listed above, the Board of Trustees own real estate held for investment. The income produced from the property in 2007 totaled \$16,635, primarily consisting of oil royalties. The real estate was received by inheritance approximately 50 years ago and is not included within the investments of the Board of Trustees because such real estate is not considered to be readily marketable.

**(b) Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Moody's Investor Services.

The Board of Trustees policy related to credit risk requires diversification of the investment portfolio to mitigate the potential loss related to any one security. The Board of Trustees' investments in U.S. Agencies and repurchase agreements owned by the Board of Trustees were rated Aaa by Moody's Investor Services as of December 31, 2007. The marketable equity securities were not rated.

**(c) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the Board of Trustees will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty. At December 31, 2007, all Board of Trustees' investments and all collateral securities pledged against Board of Trustees' deposits are held by the counterparty's trust department or agent in the Board of Trustees' name. All investments in marketable equity securities were held in stock certificates in the name of the Board of Trustees.

**(d) Concentration of Credit Risk**

As a means of limiting its exposure to losses arising from concentration of investments, the Board of Trustees investment policy mandates that the investment portfolio not have a concentration of assets in specific maturity, specific issuer, or specific class of securities. At a minimum diversification standards by security type and issuer shall be : a) U.S. Treasuries and securities having principal and/or interest guaranteed by the U.S. Government, up to 100%; b) Collateralized time and demand deposits, up to 100%; c) U.S. Government agencies and Government sponsored enterprises, up to 60%; d) Collateralized repurchase agreements, up to 50%; and, e) U.S. Government agency callable securities, up to 30%.

At December 31, 2007, the concentration of the Board of Trustees' investments was as follows:

Investment type:	
Repurchase agreements	16.6%
U.S. Treasury money market funds	4.6
U.S. Agencies	72.1
Mutual funds	0.1
Certificates of deposit	4.0
Marketable equity securities	2.6
Total	100.0%

**BOONE COUNTY, MISSOURI**

Notes to Basic Financial Statements

December 31, 2007

**(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 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 2007, which are intended to finance the budgeted expenditures for the fiscal year 2007, 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.

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 2007:

Purpose	Per \$100 of assessed valuation	
	Maximum levy allowed by law (a)	County's levy 2007
General, other than payment of principal and interest on long-term debt	\$ 0.3065	0.1200
Road and bridge (excluding special road districts)	0.2601	0.0475
Boone County Hospital	0.1300	—
Group Homes	0.1114	0.1114
Combined County-wide tax rate (noncommercial and commercial)		\$ 0.2789
County-wide surtax on commercial property (Class III)	0.6100	0.6100

- (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 that is collected by the County Collector. The property tax collections resulting from these levies are disbursed by the County to the appropriate taxing districts.

**BOONE COUNTY, MISSOURI**

Notes to Basic Financial Statements

December 31, 2007

**(5) Intergovernmental Revenue and Receivables**

Intergovernmental revenue for governmental funds for fiscal year 2007 consisted of the following:

	<u>General fund</u>	<u>Road and bridge fund</u>	<u>Law enforcement fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Federal	\$ 1,178,720	606,077	1,280	12,329	1,798,406
State	1,146,395	1,371,779	—	383,517	2,901,691
Local	155,720	—	—	28,183	183,903
Total inter-governmental revenue	<u>\$ 2,480,835</u>	<u>1,977,856</u>	<u>1,280</u>	<u>424,029</u>	<u>4,884,000</u>

Within the fund financial statements, amounts due from other governments at December 31, 2007 include the following:

	<u>General fund</u>	<u>Road and bridge fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Federal	\$ 323,517	365,289	—	688,806
State	147,733	211,732	111,570	471,035
Local	32,926	80,793	8,230	121,949
Total due from other governments	<u>\$ 504,176</u>	<u>657,814</u>	<u>119,800</u>	<u>1,281,790</u>

**BOONE COUNTY, MISSOURI**  
Notes to Basic Financial Statements  
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**(6) Interfund Balances**

Interfund receivable and payable balances at December 31, 2007 were as follows:

<u>Receivable fund</u>	<u>Payable fund</u>			<u>Total</u>
	<u>General fund</u>	<u>Nonmajor governmental funds</u>	<u>Internal service funds</u>	
General fund	\$ —	30,853	—	30,853
Road and bridge fund	—	—	207	207
Law enforcement services fund	200	—	—	200
Nonmajor governmental funds	—	—	690	690
Internal service funds	5,106	—	—	5,106
Total	\$ 5,306	30,853	897	37,056

These interfund balances are the result of services provided by one fund to another fund and are expected to be repaid during the fiscal year ended December 31, 2007.

Loans receivable and payable between funds at December 31, 2007 are as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 154,735

Interfund loans were used to provide short-term financing for Neighborhood Improvement District (NID) projects.

**(7) Interfund Transfers**

Transfers between funds of the County for the year ended December 31, 2007 were as follows:

<u>Transfers to</u>	<u>Transfers from</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 28,668
Nonmajor governmental funds	General fund	798,341
		\$ 827,009

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

**BOONE COUNTY, MISSOURI**  
Notes to Basic Financial Statements  
December 31, 2007

**(8) Capital Assets**

***Primary Government***

The following is a summary of changes in capital assets for the year ended December 31, 2007:

	<b>Balance January 1, 2007, as restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance December 31, 2007</b>
Capital assets not being depreciated:					
Land	\$ 6,292,903	363,177	—	—	6,656,080
Land - Infrastructure	10,238,688	36,346	—	—	10,275,034
Construction in progress	220,546	1,442,176	—	(308,884)	1,353,838
Construction in progress - Infrastructure	134,160	75,186	—	(87,540)	121,806
Works of art	120,228	—	—	—	120,228
Total capital assets not being depreciated	<u>17,006,525</u>	<u>1,916,885</u>	<u>—</u>	<u>(396,424)</u>	<u>18,526,986</u>
Capital assets being depreciated:					
Buildings and improvements	34,090,963	891,168	—	308,884	35,291,015
Vehicles and equipment	10,083,891	1,454,333	549,883	—	10,988,341
Office furniture and equipment	3,540,373	433,777	55,432	—	3,918,718
Infrastructure	95,863,164	1,233,226	2,778	87,540	97,181,152
Total capital assets being depreciated	<u>143,578,391</u>	<u>4,012,504</u>	<u>608,093</u>	<u>396,424</u>	<u>147,379,226</u>
Less accumulated depreciation for:					
Buildings and improvements	6,454,033	640,020	—	—	7,094,053
Vehicles and equipment	4,460,060	1,052,646	320,724	—	5,191,982
Office furniture and equipment	2,417,620	505,877	55,431	—	2,868,066
Infrastructure	55,129,649	6,117,600	2,778	—	61,244,471
Total accumulated depreciation	<u>68,461,362</u>	<u>8,316,143</u>	<u>378,933</u>	<u>—</u>	<u>76,398,572</u>
Total capital assets being depreciated, net	<u>75,117,029</u>	<u>(4,303,639)</u>	<u>229,160</u>	<u>396,424</u>	<u>70,980,654</u>
Capital assets, net	<u>\$ 92,123,554</u>	<u>(2,386,754)</u>	<u>229,160</u>	<u>—</u>	<u>89,507,640</u>

Construction in progress consists primarily of infrastructure.

**BOONE COUNTY, MISSOURI**

Notes to Basic Financial Statements

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

Policy and administration	\$ 614,861
Law enforcement and judicial	639,900
Environment, public buildings, and infrastructure	6,953,541
Protective inspection	86,939
Internal service funds	15,357
	<u>5,545</u>
	<u>\$ 8,316,143</u>

**Component Unit**

The following is a summary of changes in the component unit capital assets for the year ended December 31, 2007:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>
Capital assets not being depreciated:				
Construction in progress	\$ 6,131,024	6,214,827	10,867,077	1,478,774
Total capital assets not being depreciated	<u>6,131,024</u>	<u>6,214,827</u>	<u>10,867,077</u>	<u>1,478,774</u>
Capital assets being depreciated:				
Land and improvements	14,737,470	1,679,489	198,655	16,218,304
Buildings	100,147,414	9,144,458	3,690,529	105,601,343
Fixed equipment	1,601,398	190,356	967,391	824,363
Major movable equipment	15,443,352	—	1,740,347	13,703,005
Total capital assets being depreciated	<u>131,929,634</u>	<u>11,014,303</u>	<u>6,596,922</u>	<u>136,347,015</u>
Less accumulated depreciation for:				
Land and improvements	4,660,626	362,088	195,631	4,827,083
Buildings	54,431,166	3,340,678	3,465,726	54,306,118
Fixed equipment	1,574,134	4,474	967,391	611,217
Major movable equipment	14,557,490	205,927	1,739,162	13,024,255
Total accumulated depreciation	<u>75,223,416</u>	<u>3,913,167</u>	<u>6,367,910</u>	<u>72,768,673</u>
Total capital assets being depreciated, net	<u>56,706,218</u>	<u>7,101,136</u>	<u>229,012</u>	<u>63,578,342</u>
Capital assets, net	\$ <u>62,837,242</u>	<u>13,315,963</u>	<u>11,096,089</u>	<u>65,057,116</u>

**BOONE COUNTY, MISSOURI**  
Notes to Basic Financial Statements  
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**(9) Long-term Liabilities**

*Primary Government*

Following is a summary of the changes in long-term liabilities for the year ended December 31, 2007:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>	<u>Due within one year</u>
General obligation bonds payable	\$ 680,000	—	(138,000)	542,000	141,000
Special obligation bonds payable	6,395,000	—	(275,000)	6,120,000	325,000
Unamortized premiums	67,154	—	(5,839)	61,315	5,839
Accrued compensated absences	787,167	919,655	(848,400)	858,422	858,422
	<u>\$ 7,929,321</u>	<u>919,655</u>	<u>(1,267,239)</u>	<u>7,581,737</u>	<u>1,330,261</u>

**General Obligation Bonds**

General obligation bonds at December 31, 2007 are composed of special assessment debt as follows:

\$355,000-1998 general obligation neighborhood improvement bonds due in annual installments of \$30,000 to \$45,000 through 2008; interest at 3.70% to 4.45%	\$ 45,000
\$280,000-2000A general obligation neighborhood improvement bonds due in annual installments of \$20,000 to \$35,000 through 2010; interest at 4.85% to 5.35%	100,000
\$184,000-2000B general obligation neighborhood improvement bonds due in annual installments of \$14,000 to \$23,000 through 2010; interest at 5.20%	66,000
\$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%	167,000
\$182,000-2006 general obligation neighborhood improvement bonds due in annual installments of \$15,000 to \$21,000 through 2016; interest at 4.2% to 4.5%	164,000
Total general obligation bonds	<u>\$ 542,000</u>

**BOONE COUNTY, MISSOURI**  
Notes to Basic Financial Statements  
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The annual debt service requirements for the above general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31:			
2008	\$ 141,000	21,318	162,318
2009	104,000	15,691	119,691
2010	108,000	10,717	118,717
2011	52,000	7,092	59,092
2012	56,000	4,832	60,832
2013 – 2016	81,000	7,447	88,447
Total payments	<u>\$ 542,000</u>	<u>67,097</u>	<u>609,097</u>

The County is subject to Missouri State statutes that 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, 2007, the statutory limit for the County was \$221,991,227, providing a debt margin of \$221,763,293.

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 that 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, 2007, delinquent assessments receivable amounted to \$14,872.

**Special Obligation Bonds**

On June 1, 2003, the County issued \$5,240,000 in Series 2003 special obligation refunding and improvement bonds with interest at rates ranging from 2.00% to 4.00%. 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%.

On March 30, 2005, the County issued \$2,005,000 in Series 2005 taxable special obligations bonds with interest at rates ranging from 4.92% to 5.94%. Proceeds provided funding to acquire two existing buildings, and the land on which they are located, that abut property currently owned by the County.

**BOONE COUNTY, MISSOURI**  
Notes to Basic Financial Statements  
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The annual debt service requirements for the above special obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31:			
2008	\$ 325,000	249,699	574,699
2009	340,000	240,172	580,172
2010	345,000	229,406	574,406
2011	515,000	215,144	730,144
2012	375,000	200,300	575,300
2013 – 2017	3,475,000	561,541	4,036,541
2018	745,000	14,900	759,900
Total payments	<u>\$ 6,120,000</u>	<u>1,711,162</u>	<u>7,831,162</u>

***Component Unit***

Following is a summary of the changes in the Board of Trustees long-term debt liabilities for the year ended December 31, 2007:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>	<u>Due within one year</u>
Revenue bonds	\$ 28,720,000	—	(2,210,000)	26,510,000	2,325,000

Revenue bonds of the Board of Trustees at December 31, 2007 are composed of the following:

Hospital Refunding Revenue Bonds, Series 2002, principal payable annually through August 2022 in amounts ranging from \$905,000 to \$2,205,000, including premium of \$93,573. Interest is payable semiannually and ranges from 2.1% to 5.25%	\$ 20,470,000
Hospital Revenue Bonds, Series 2004, principal payable annually through July 2024 in amounts ranging from \$230,000 to \$505,000, including discount of \$68,410. Interest is payable semiannually and ranges from 3.75% to 5.0%	6,040,000
	<u>\$ 26,510,000</u>

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.

**BOONE COUNTY, MISSOURI**  
Notes to Basic Financial Statements  
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The annual requirements to amortize the above principal are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2008	\$ 2,325,000	1,312,931
2009	2,460,000	1,199,744
2010	1,170,000	1,090,056
2011	1,240,000	1,034,416
2012	1,290,000	973,654
2013 – 2017	7,500,000	3,847,004
2018 – 2022	9,540,000	1,192,776
2023 – 2024	985,000	74,500
Total debt	<u>\$ 26,510,000</u>	<u>10,725,081</u>

**(10) Operating Lease**

Effective January 2001, the County and the Board of Trustees entered into an amended and restated lease agreement with CH Allied Services, Inc. (CHAS), a Missouri not-for-profit corporation, whereby CHAS leases real property and equipment of the Hospital for the purpose of providing healthcare 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 Lessee has an option to extend the agreement for one additional five-year period, beyond the initial ten-year term.

Under terms of the agreement, the Board of Trustees as lessor will lease real property and equipment to CHAS (Lessee), for the purpose of providing health care services in Boone County and surrounding areas.

1. Payments to the Board of Trustees equal to annual bond debt service payments, including principal and interest for all obligations incurred for hospital-related facilities and equipment. As of December 31, 2007, \$3,629,882 were accrued from CHAS for bond payments.
2. Four quarterly payments of \$391,730 to the County, totaling \$1,566,918 annually. The payments will be adjusted annual for any increases in the Consumer Price Index.
3. The Board of Trustees received payments annually, equally to fifty percent of the increase in cash and cash equivalents of Boone County Hospital. The Board of Trustees have recognized income of \$7,274,904 under this section of the agreement, for the year ended December 31, 2007. As of December 31, 2007, the amount was reported in accounts receivable on the statement of net assets. Under the same terms of the agreement, the Board of 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 Boone County Hospital.

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

**BOONE COUNTY, MISSOURI**  
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Section 5 of the Amended and Restated Lease between the Board of Trustees and CHAS requires CHAS to commit to expend, on a successive three-year period average basis, no less than nine percent (9%) of Boone Hospital Center net revenues on capital expenditures. This requirement was not satisfied by the cumulative amount of \$15,393,829 for the period of January 1, 2001 to December 31, 2007. On November 26, 2007, the Board of Trustees approved a joint resolution with CHAS whereby CHAS shall commit and earmark current or future net revenue until the capital expenditure benchmark is satisfied. Under this resolution CHAS transferred \$10,248,231 into a segregated account which is to be used to pay for specific capital projects as soon as practical.

**(11) 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, 2007, approximately 400 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 2007 were \$174,245. For financial reporting purposes, the activity of the Plan is accounted for within the pension trust fund of the County. Separate financial statements are not available for the Plan.

**(b) Statewide County Employees' Retirement Fund**

The County Employees' Retirement Fund (CERF) was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are county employee participants. The CERF is administered by a governing board of directors, which has the authority to adopt rules and regulations for administering the system.

The CERF is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. 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

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The CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000 could opt out of the system.

The CERF provides retirement and death benefits to its members. All benefits vest after eight years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. Employees who have a minimum of eight years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost of living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of the Fund are paid out of funds of the system.

Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, in addition to the prior contribution requirements, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining eight years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature.

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 December 31, 2002. During 2007, the County collected and remitted to CERF employee contributions of \$556,926, employer contributions of \$13,264 and statutory charges of \$655,971.

**(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.

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Notes to Basic Financial Statements  
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**(12) Commitments and Contingent Liabilities**

*Litigation*

The County is a defendant in a number of claims and lawsuits. The County's legal counsel 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's legal counsel has indicated that the resolution of any lawsuits pending is 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, 2007 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 10 years. As of December 31, 2007, \$1,581,000 of the bonds has 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 10 years. As of December 31, 2007, \$280,000 of the bonds has been issued.

*Component Unit*

As a normal part of operations, the Board of Trustees may enter into significant contracts and make proposals and commitments of a financial nature for various business reasons. Lease agreements and construction contracts account for substantially all of the Board of Trustees material commitments.

The Board of Trustees entered into contracts for the construction and renovation of outpatient, surgical and administrative areas of the hospital. Remaining commitments for these contracts totaled approximately \$15.8 million at December 31, 2007.

**(13) Risk Management**

*Primary Government*

The County maintains broad form insurance coverage for property/casualty, general liability, 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 11 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 varying between \$0 and \$25,000 per incident, 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

**BOONE COUNTY, MISSOURI**

Notes to Basic Financial Statements

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insurance. The 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 2007 were \$676,200.

***Self-Insured Employee Benefits***

The County maintains three Internal Service funds to account for its self-insured coverage of County employees and their dependents for health, dental, and workers' compensation benefits. Under these self-insurance programs, coverage is provided up to a maximum of \$85,000, \$1,250, and \$350,000 for each health, dental, and workers' compensation claims, respectively. Additionally, coverage is provided up to a maximum of \$450,000 for police officers for workers' compensation claims. The County has commercial reinsurance for claims in excess of the health and workers' compensation individual claim maximum. No reinsurance is in place for dental because the County's plan does not provide for individual claims in excess of \$1,250. The claims liability, as reported in the Internal Service funds, is based on the GASB 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:

<b>2007</b>				
	<b>Beginning of year claims liability</b>	<b>Current year claims and changes in estimates</b>	<b>Claim payments</b>	<b>End of year claims liability</b>
Self-insured Health Plan, including prescription drugs	\$ 110,768	1,855,249	(1,799,120)	166,897
Self-insured Dental Plan	4,636	193,439	(167,324)	30,751
Self-insured Workers' Compensation	107,286	393,764	(243,464)	257,586
	<u>\$ 222,690</u>	<u>2,442,452</u>	<u>(2,209,908)</u>	<u>455,234</u>
<b>2006</b>				
	<b>Beginning of year claims liability</b>	<b>Current year claims and changes in estimates</b>	<b>Claim payments</b>	<b>End of year claims liability</b>
Self-insured Health Plan, including prescription drugs	\$ 138,083	1,604,829	(1,632,144)	110,768
Self-insured Dental Plan	6,280	147,541	(149,185)	4,636
Self-insured Workers' Compensation	207,329	59,279	(159,322)	107,286
	<u>\$ 351,692</u>	<u>1,811,649</u>	<u>(1,940,651)</u>	<u>222,690</u>

**BOONE COUNTY, MISSOURI**

Notes to Basic Financial Statements

December 31, 2007

***Component Unit***

The Board of Trustees is exposed to various risks of loss related to certain aspects of the Board of Trustees' operations. These legal proceedings are not likely to have a material adverse impact on the funds of the Board of Trustees. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year.

**(14) Commitments**

At December 31, the County had outstanding commitments amounting to approximately \$5,516,000, resulting from outstanding commitments related to expansion and improvements to the Courthouse and Alternative Sentencing Center.

