INTRODUCTORY SECTION

COUNTY OF BOONE
MISSOURI

BOONE COUNTY AUDITOR
JUNE E. PITCHFORD
BOONE COUNTY GOVERNMENT CENTER
801 East Walnut, Room 205 • Columbia, MO 65201-4890 • (573) 886-4275 OFFICE • (573) 886-4280 FAX

June 26, 2006

Honorable County Commissioners and Citizens of
Boone County, Missouri:

The Comprehensive Annual Financial Report of Boone County, Missouri for the fiscal year ended December 31, 2005, is hereby submitted.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

KPMG LLP, an independent certified public accounting firm, has issued an unqualified ("clean") opinion on Boone County, Missouri's financial statements for the year ended December 31, 2005. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

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

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

The County provides a broad range of public services required by state law including operation of the 13th Judicial Circuit Court, operation of the Prosecuting Attorney's Office, operation of a Juvenile Office and a Juvenile Detention center, operation of a County Jail, law enforcement services for all unincorporated areas of the County, civil process service for the entire County, maintenance and retention of property records, assessment of all county property for taxing purposes, collection of property taxes for all political subdivisions within the County, voter registration and election services, maintenance of county roads, and various other public services.

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

The County Commission approves the annual budget at the departmental object (or class) level. The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Unencumbered appropriations lapse at fiscal year-end, while open encumbrances are reported as reservations of fund balance at each year-end.

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

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

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

Local Economy

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

Boone County is situated in Central Missouri at the cross-roads of Interstate 70 and US Highway 63. It is a fast-growing county known for its highly educated work force, low cost of living, award-winning schools, and unique blend of rural and urban lifestyles. The County contains 685 square miles and includes six cities (Ashland, Centralia, Columbia, Hallsville, Rocheport, and Sturgeon) and three towns (Harrisburg, Hartsburg, and McBaine). Over the past ten years, the County's annual population growth rate has consistently out-paced that of the state.

The local economy reflects a balanced mix of retail, education, insurance, light manufacturing, construction, and finance. The County's largest city and county seat, Columbia, serves as a regional shopping area for central Missouri. The County is also home to the flagship campus of the University of Missouri, Columbia College, and Stephens College. In addition, the County serves as a regional medical center with 6 hospitals. The largest employers in the County include the University of Missouri, University Hospital and Clinics, Columbia Public Schools, Boone Hospital, insurance institutions, light manufacturers, federal offices, and the City of Columbia. The County's varied economic base contributes to economic and employment stability. The County's low unemployment rate of 3.4% compares favorably with that of the state (5.3%) and the nation (4.6%).

Nearly sixty percent of the County's operating revenues are derived from sales taxes. Because Boone County continues to experience steady population growth and it serves as a regional retail center, this revenue source has provided sufficient funding for the County's services. Nevertheless, the County has experienced significant volatility with annual growth rates for sales tax ranging between 3% and 11% during the last ten years. Because of the inherently volatile nature of sales tax revenue, the County maintains higher undesignated and unreserved fund balances in its major funds.

Relevant Fiscal Policies and Other Information

Cash Management. The elected County Treasurer is responsible for the cash management and treasury functions of the County. Under the direction of the County Treasurer, the County manages a pooled funds investment program for all unrestricted cash. By investing available fund balances as part of the pooled cash account, the County achieves favorable interest rates. Cash temporarily idle during the year was invested in collateralized securities and investments. The average annual yield for fiscal year 2005 was 2.91 percent. This compares to an average yield of 2.22 percent and 1.35 percent for fiscal years 2004 and 2003, respectively.

The County awarded its two-year depository contract with First National Bank for an initial two-year term beginning July 1, 2005. Under this contract, the County receives an annual interest rate equal to 30 basis points above the most recent auction rate for 90-day Treasury bills. Under the depository contract in effect during fiscal year 2005, the County received an annual interest rate equal to 12 basis points. County Commission Order and state statutes provide the framework for the County's investment policies.

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

Awards and Acknowledgements

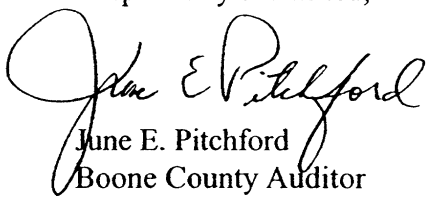
The County's CAFR for the fiscal year ended June 30, 2004, was awarded the Certificate of

Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). This was the 22nd consecutive year the County has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



June E. Pitchford
Boone County Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Boone County, Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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

President

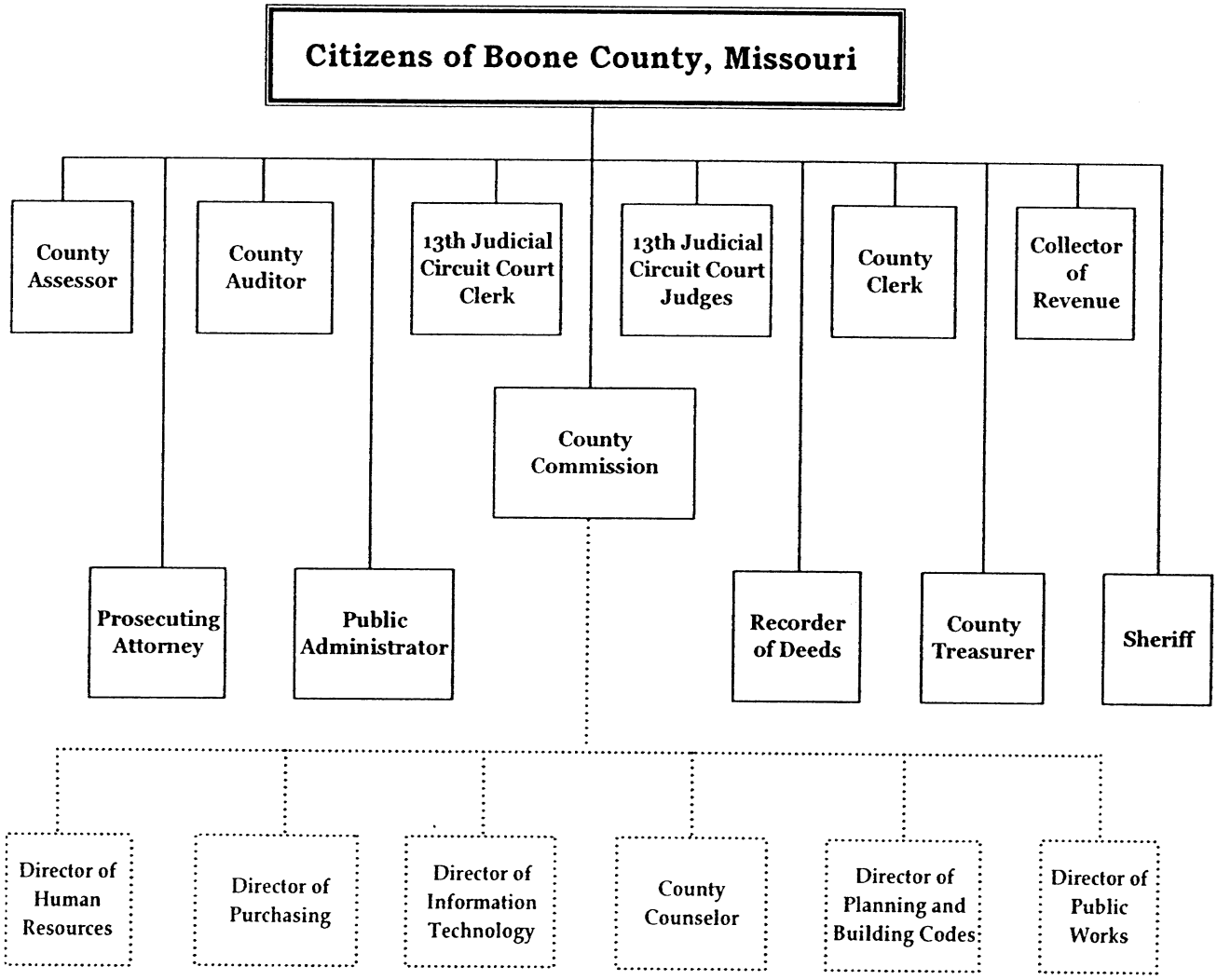
Executive Director

BOONE COUNTY, MISSOURI

ELECTED OFFICIALS
For the Year Ended December 31, 2005

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

Organizational Chart for Boone County, Missouri



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