

BOONE COUNTY AUDITOR

JUNE E. PITCHFORD

BOONE COUNTY GOVERNMENT CENTER

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June 28, 2010

Honorable County Commissioners and Citizens of
Boone County, Missouri:

The Comprehensive Annual Financial Report (CAFR) of Boone County, Missouri for the fiscal year ended December 31, 2009, 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.

RubinBrown, an independent certified public accounting firm, has issued unqualified (“clean”) opinions on Boone County, Missouri’s financial statements for the year ended December 31, 2009. The independent auditors’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ 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; unexpended and unencumbered appropriations for such project-length budgets are re-appropriated, as necessary, in successive annual budgets.

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), three towns (Harrisburg, Hartsburg, and McBaine) and other local communities (Midway, Prathersville, Wilton, and Village of Pierpont). 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, education, and finance. The County's largest city and county seat, Columbia, serves as a regional commercial center 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. The largest employers in the County include the University of Missouri, University Hospital and Clinics, Columbia Public Schools, Boone Hospital, Truman Veteran Hospital, insurance institutions, MBS Textbook Exchange, and the City of Columbia. The County's varied economic base contributes to economic and employment stability. Although the County's unemployment rate has risen as a result of the current economic recession, the County's rate of 6.3% at December 31, 2009 compares favorably with that of the state (9.3%) and of the nation (9.7%).

More than sixty percent of the County's operating revenues are derived from local sales taxes. Sales tax revenue is inherently volatile and the County has experienced such volatility, with annual growth rates for sales tax ranging between 3% and 11% during the last ten years. However, in 2007, the County experienced an unexpected and significant drop in sales tax revenue growth, with the annual growth rate falling below 1%. This was followed by further slowing in 2008 with a first ever negative sales tax growth rate of 1.36%. Sales tax continued to decline during 2009, reflecting a growth rate of 2.76%. Consumer spending has fallen sharply as households wrestle with rising unemployment, stagnant wages, rising consumer debt, and general inflationary pressures. Construction activity has fallen sharply, which significantly contributes to the decline in overall sales tax revenue. Because of the inherently volatile nature of sales tax revenue, the County maintains higher undesignated and unreserved fund balances in its major funds. The County has used these resources in 2007, 2008, and 2009 because annual revenues have fallen short of annual expenditures. The County expects this to continue in 2010 and 2011. Within the annual budget, the County has taken numerous steps to reduce spending. This effort, combined with modest spending of fund balance, has allowed the County to avoid lay-offs and significant reductions in services.

Major Initiatives

Voters approved a three-year one-fifth cent sales tax for capital improvements, which expired September 30, 2009. The tax financed several capital improvement projects including expansion of the Courthouse, remodeling a facility to house the Alternative Sentencing Center, remodeling the Johnson

Building (Public Defender's offices), remodeling a portion of the Government Center, and retiring debt incurred to acquire properties adjacent to the Courthouse. The Courthouse expansion project is complete and work is underway for the remaining projects.

In addition, the County is constructing a new facility near the Sheriff/Correctional facility which will provide additional space for the Sheriff as well as house election equipment. The warehouse is financed with accumulated monies transferred from the Sheriff Civil Charges Fund, monies transferred from the General Fund which had been designated for capital projects, and Recovery Zone bonds. The debt service for the bonds will be retired through annual appropriations from the Sheriff Civil Charges Fund and General Fund appropriations previously required for leasing space for election equipment.

Long-term Financial Planning

As noted above, the County is primarily dependent on local sales tax for operating revenues and this revenue source has declined 4% since 2007, a direct result of the current economic conditions. Other revenue sources, such as fees, are largely controlled by state law and are not subject to change or adjustment by the County Commission. Property tax rates are limited not only by state law, but by a voluntary property tax roll-back implemented when voters approved the one-half cent sales tax for roadway infrastructure. In addition, the County receives substantial reimbursement revenues from the state of Missouri for inmate housing, juvenile detention, and property assessment. Over the past two years, the state has reduced these reimbursements to Counties in an attempt to balance its own budget.

The County has avoided lay-offs and reductions in services up to this point, relying on a combination of cost reductions and spend-down of fund balance. In order to contain costs, the County has not authorized salary increases since 2008 and has eliminated several vacant positions and reduced the 401(A) retirement match. In addition, the County has opted to re-build and re-furbish large equipment rather than replace it. Funding to outside agencies has been reduced and non-essential operating costs have been eliminated. Although fund balances have been used to close the gap between revenues and expenditures, the amounts used have been relatively small such that the County's major operating funds continue to meet minimum fund balance requirements. It is unclear how long the recession will last and whether the County will be required to enact more significant cost reductions before revenue improvement is realized.

Awards and Acknowledgements

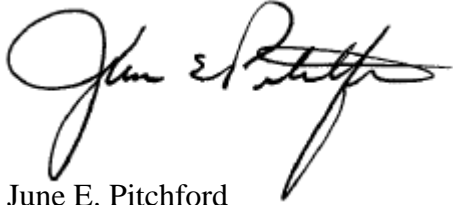
The County's CAFR for the fiscal year ended December 31, 2008, was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). This was the 25th consecutive year the County has received this prestigious award. In order to be awarded 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.

Letter of Transmittal
Annual Audit Report - Fiscal Year 2009

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,

A handwritten signature in black ink, appearing to read "June E. Pitchford". The signature is fluid and cursive, with a large initial "J" and a long, sweeping tail.

June E. Pitchford
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, 2008

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.



A stylized, handwritten signature in black ink, appearing to be "J.R.E.", written over a light background.

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emer", written over a light background.

Executive Director

BOONE COUNTY, MISSOURI

**COUNTY OFFICIALS
For The Year Ended December 31, 2009**

County Commission:

Presiding Commissioner Ken Pearson
Commissioner - District I..... Karen M. Miller
Commissioner - District IISkip Elkin

Circuit Clerk..... Christy Blakemore
Recorder of Deeds..... Bettie Johnson
County Clerk..... Wendy S. Noren
Prosecuting Attorney Daniel K. Knight
Sheriff..... Dwayne Carey
Auditor..... June E. Pitchford
Collector of Revenue..... Patricia S. Lensmeyer
Assessor..... Thomas Schauwecker
Treasurer..... Kay R. Murray
Public AdministratorCathy Richards

BOONE COUNTY, MISSOURI

ORGANIZATIONAL CHART FOR BOONE COUNTY, MISSOURI

