

**CITY OF BOONE**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2004**

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## CITY OF BOONE

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2004)</b>		
George F. Maybee	Mayor	Jan. 2004
Shari Gillespie	Mayor Pro tem	Jan. 2004
Jim Turbes	Council Member	Jan. 2004
Glen Thompson	Council Member	Jan. 2004
Don Hart	Council Member	Jan. 2006
Don Batt	Council Member	Jan. 2006
Nick Mallas	Council Member	Jan. 2006
Lila Kruse	Council Member	Jan. 2006
Brent Trout	City Administrator	Indefinite
Karen Berg	Clerk/Finance Officer	Indefinite
Alan Schroeder	Attorney	Indefinite
<b>(After January 2004)</b>		
John L.Slight	Mayor	Jan. 2006
Shari Gillespie	Mayor Pro tem	Jan. 2008
Glen Thompson	Council Member	Jan. 2008
Don Hart	Council Member	Jan. 2006
Don Batt	Council Member	Jan. 2006
Nick Mallas	Council Member	Jan. 2006
Lila Kruse	Council Member	Jan. 2006
Steven Ray	Council Member	Jan. 2008
Brent Trout	City Administrator (on military leave)	Indefinite
Darrel Rensink	Interim City Administrator/ City Clerk	Indefinite
Ondrea Elmquist	Treasurer/Finance Officer	Indefinite
Alan Schroeder	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boone, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Boone's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

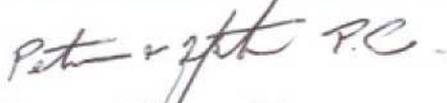
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boone at June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated December 17, 2004 on our consideration of the City of Boone's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Boone's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB), Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Peterson & Houston, P.C.  
Boone, Iowa

December 17, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Boone provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- The City's governmental funds' receipts decreased 15%, or approximately \$2,096,000, from fiscal year 2003 (FY03). Unrestricted investment earnings decreased approximately \$105,000 due to lower interest rates and the City sold fewer bonds than in FY03.
- City program disbursements decreased 5%, or approximately \$693,000 from FY03. The decrease is due to spending less on capital projects than the prior year.
- The City's governmental funds' cash balance at June 30, 2004 decreased more than 10%, or approximately \$348,000 from June 30, 2003. This decrease in cash balances is smaller than the \$1.1 million decrease budgeted for this fiscal year.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statement consists of a statement of activities and changes in cash balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) Government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the financial statements.

### *Government-wide Financial Statement*

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities.

Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

The business-type activities of the City include the waterworks, storm water, and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has three kinds of funds:

- 1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax, Tax Increment Financing, Group Insurance and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report the same functions presented as business-type activities. The City maintains three Enterprise Funds to provide separate information for the water, storm water, and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

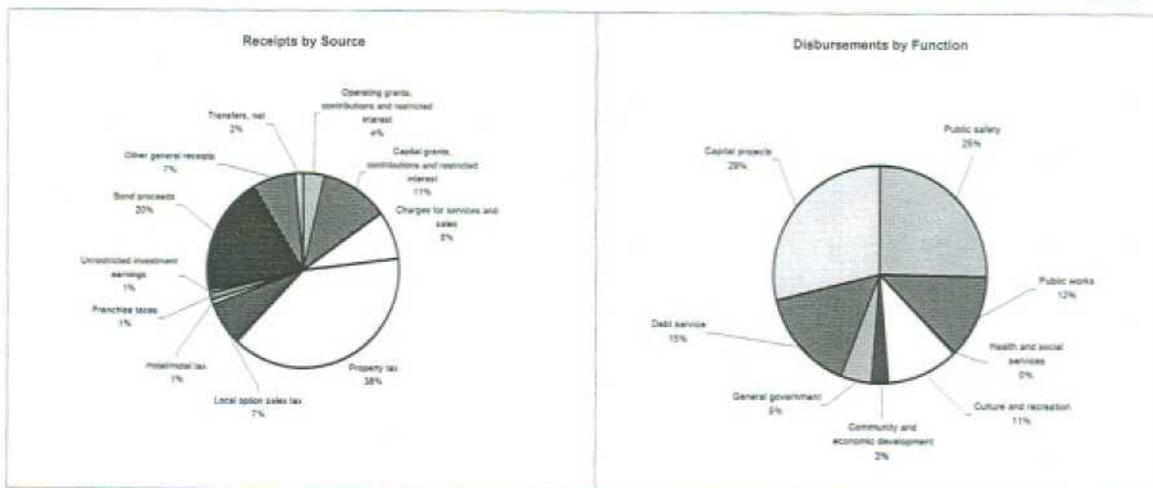
- 3) Fiduciary funds account for the City's Pension Trust Funds and Private Purpose Trusts. These funds are used to report resources that are not available to fund City programs.

The required financial statements for fiduciary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$3.312 million to \$2.964 million. Our analysis that follows focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

Changes in Cash Balance of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Program receipts:		
Charges for services and sales	\$ 430	436
Operating grants, contributions and restricted interest	1,397	1,381
Capital grants, contributions and restricted interest	960	1,561
General receipts:		
Property tax	4,735	4,763
Local option sales tax	894	761
Property tax replacement	-	173
Hotel/motel tax	102	90
Franchise taxes	145	157
Unrestricted investment earnings	62	167
Bond proceeds	2,391	3,895
Other general receipts	862	676
Transfers, net	183	197
Total receipts and transfers	<u>12,161</u>	<u>14,257</u>
Disbursements:		
Public safety	3,156	2,936
Public works	1,541	1,728
Health and social services	37	50
Culture and recreation	1,336	1,541
Community and economic development	320	428
General government	587	551
Debt service	1,905	1,549
Capital projects	3,627	4,419
Total disbursements	<u>12,509</u>	<u>13,202</u>
Increase (decrease) in cash balance	(348)	1,055
Cash balance beginning of year	<u>3,312</u>	<u>2,257</u>
Cash balance end of year	<u>\$ 2,964</u>	<u>3,312</u>



The City's total receipts for governmental activities decreased by 14.7 percent (\$2,096,000). The significant decrease in receipts was primarily the result of fewer general obligation capital loan notes being sold in the current year as compared to the prior year. The total cost of all programs and services decreased by approximately \$693,000 or 5.3 percent, which was due to spending less on capital projects than in the prior year.

The cost of all governmental activities this year was \$12.509 million compared to \$13.202 million last year. However, as shown in the statement of activities and changes in cash balance on pages 14-15, the amount that our taxpayers ultimately financed for these activities through City taxes was \$4.735 million because some of the cost was paid by those who directly benefited from the programs (\$430,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,357,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2004 from approximately \$3,377,000 to approximately \$2,787,000, principally due to a decrease in operating and capital grants, contributions and restricted interest, resulting largely from receiving grant proceeds to complete the airport expansion project in the prior year. The City paid for the remaining public benefit portion of governmental activities with approximately \$5,876,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Balance of Business-Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Program receipts:		
Charges for services and sales:		
Water	\$ 2,099	1,855
Sewer	1,658	1,564
Storm water	196	185
General receipts		
Unrestricted investment earnings	104	118
Bond proceeds	-	100
Other general receipts	-	81
Total receipts	<u>4,057</u>	<u>3,903</u>
Disbursements:		
Water	1,868	1,848
Sewer	1,645	1,446
Storm water	6	1
Transfers	183	197
Total disbursements and transfers	<u>3,702</u>	<u>3,492</u>
Increase in cash balance	355	411
Cash balance beginning of year	<u>2,603</u>	<u>2,192</u>
Cash balance end of year	<u>\$ 2,958</u>	<u>2,603</u>

Total business-type activities receipts for the fiscal year were \$4.057 million compared to \$3.903 million last year. The cash balance increased by approximately \$355,000 from the prior year. Total disbursements for the fiscal year increased by 6 percent to a total of \$3.702 million.

## **THE CITY'S INDIVIDUAL MAJOR FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

### **Individual Major Governmental Fund Analysis**

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$65,000, a decrease of \$232,000 from the prior year.
- The Road Use Tax Fund cash balance increased by \$17,000 to \$430,000 during the fiscal year.
- The Group Insurance Fund decreased by \$85,000 during the fiscal year. The fund has a deficit balance of \$594,000; however, the City has increased the employee benefits tax levy slightly to assist in eliminating the deficit in this fund as well as changed to a fully-funded health insurance plan effective July 1, 2004.
- The Local Option Tax Fund was established in 1990 to collect a 1% local option sales and service tax. The City collected \$894,000 during this fiscal year, a 17% increase over the previous year. The proceeds of the tax are designated 5% for human services, 20% for property tax relief, and 75% for capital projects.
- The Tax Increment Financing Fund was established in a prior fiscal year to account for the financing of capital improvements within the established TIF district, which contributes to urban and economic development. At the end of the year, the fund had a balance of \$845,000.
- The Mary Garvey Fund was established when the City received a very generous donation from the estate of a former citizen. The funds were used by the City to assist the building of the Family Resource Center. At the end of the fiscal year the fund had a balance of \$801,000.
- The City's capital projects for the year included various street and other projects. The City sold bonds of \$2.4 million to partially finance the projects. The Family Resource Center project received federal grant proceeds of \$568,000 during the fiscal year. The funds had a combined balance of \$189,000 at the end of the fiscal year.
- The City has a Cemetery Perpetual Care Fund which is a permanent fund. The cash in this fund increased by \$4,000 during the year with a balance at the end of the fiscal year of \$406,000.

### **Individual Major Business Type Fund**

- The cash balance of the Sewer Fund increased by approximately \$60,000 to \$1,029,000, due primarily to an increase in the charges for service that went into effect October 1, 2003.
- The Water Fund increased by approximately \$288,000 to \$1,880,000, due primarily to an increase in the charges for service that went into effect October 1, 2003.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on June 7, 2004, to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

Even with these budget amendments, the City exceeded the budget for the public safety and culture and recreation functions for the year ended June 30, 2004. The amendment made during the 2004 fiscal year should not have any impact on the 2005 fiscal year budget.

## DEBT ADMINISTRATION

	Outstanding Debt at Year-End (Expressed in Thousands)	
	2004	2003
General obligation bonds	\$ 3,840	4,500
General obligation notes	6,757	4,669
Urban renewal tax increment financing revenue bonds	1,200	1,615
Urban renewal tax increment financing revenue notes	362	517
Revenue notes	11,876	12,590
	<u>\$ 24,035</u>	<u>23,891</u>

At year-end, the City had approximately \$24,035,000 in bonds and other long-term debt compared to approximately \$23,891,000 last year as shown above.

Debt increased as a result of issuing general obligation notes of \$2,400,000 for capital projects and street improvements.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment financing debt of \$12,159,000 is below the City's \$22 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$18.09 million, an increase of less than 1 percent over the final 2004 budget. The City does not expect to sell as many bonds as during the prior year. Budgeted disbursements are expected to increase by approximately \$1,227,000 due to an increase in salaries and benefits for public safety employees, an increase in debt service requirements and an increase in the amount of construction projects the City will have.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$1,481,000 by the close of 2005.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Clerk's office, City of Boone, Iowa.

## Basic Financial Statements

**CITY OF BOONE**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the year ended June 30, 2004**

	Disbursements	Program Receipts		
		Charges for Service and Sales	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 3,155,998	\$ 133,753	\$ 220,688	\$ -
Public works	1,541,326	89,160	1,066,330	-
Health and social services	36,500	-	-	-
Culture and recreation	1,336,061	206,769	110,204	4,685
Community and economic development	140,738	-	-	-
General government	587,278	-	-	-
Debt service	2,084,019	-	-	-
Capital projects	3,627,330	-	-	954,945
Total governmental activities	12,509,250	429,682	1,397,222	959,630
Business-type activities:				
Water	1,868,269	2,099,413	-	-
Sewer	1,645,452	1,657,832	-	-
Storm Water	6,382	196,157	-	-
Total business-type activities	3,520,103	3,953,402	-	-
Total	\$ 16,029,353	\$ 4,383,084	\$ 1,397,222	\$ 959,630

**General receipts:**

Property tax levied for:
General purposes
Tax increment financing
Debt service
Special assessments
Local option sales tax
Hotel/motel tax
Franchise taxes
Unrestricted interest on investments
Bond proceeds (net of \$8,717 discount)
Miscellaneous
Sale of assets
Transfers
Total general receipts and transfers
Change in cash basis net assets
Cash basis net assets beginning of year
Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted
Streets
Urban renewal purposes
Debt service
Other purposes
Unrestricted
Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts		
Governmental Activities	Business-Type Activities	Total
\$ (2,801,557)	\$ -	\$ (2,801,557)
(385,836)	-	(385,836)
(36,500)	-	(36,500)
(1,014,403)	-	(1,014,403)
(140,738)	-	(140,738)
(587,278)	-	(587,278)
(2,084,019)	-	(2,084,019)
(2,672,385)	-	(2,672,385)
(9,722,716)	-	(9,722,716)
-	231,144	231,144
-	12,380	12,380
-	189,775	189,775
-	433,299	433,299
(9,722,716)	433,299	(9,289,417)
3,448,725	-	3,448,725
784,772	-	784,772
377,562	-	377,562
124,133	-	124,133
894,117	-	894,117
102,020	-	102,020
144,694	-	144,694
62,579	104,374	166,953
2,391,283	-	2,391,283
854,140	-	854,140
7,431	-	7,431
182,836	(182,836)	-
9,374,292	(78,462)	9,295,830
(348,424)	354,837	6,413
3,312,226	2,602,928	5,915,154
\$ 2,963,802	\$ 2,957,765	\$ 5,921,567
\$ 429,712	\$ -	\$ 429,712
845,376	-	845,376
162,330	1,709,892	1,872,222
1,371,654	88,151	1,459,805
154,730	1,159,722	1,314,452
\$ 2,963,802	\$ 2,957,765	\$ 5,921,567

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2004**

	Special Revenue				
	General	Road Use Tax	Group Insurance	Local Option Sales Tax	Tax Increment Financing
<b>Receipts:</b>					
Property tax	\$ 2,182,355	\$ -	\$ 797,433	\$ -	\$ -
Tax increment financing collections	-	-	-	-	784,772
Other city tax	-	-	-	894,117	-
Licenses and permits	167,825	-	-	-	-
Use of money and property	71,937	-	-	-	-
Intergovernmental	175,317	1,066,330	-	-	-
Charges for services	220,294	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	125,646	-	456,103	-	92,369
Total receipts	<u>2,943,374</u>	<u>1,066,330</u>	<u>1,253,536</u>	<u>894,117</u>	<u>877,141</u>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	1,960,455	-	621,314	144,255	-
Public works	88,473	1,029,307	258,027	3,700	-
Health and social services	-	-	-	36,500	-
Culture and recreation	807,643	20,444	204,757	69,899	-
Community and economic development	-	-	-	-	41,738
General government	307,120	-	254,517	8,612	-
Debt service	-	-	-	-	179,053
Capital projects	-	-	-	-	-
Total disbursements	<u>3,163,691</u>	<u>1,049,751</u>	<u>1,338,615</u>	<u>262,966</u>	<u>220,791</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(220,317)</u>	<u>16,579</u>	<u>(85,079)</u>	<u>631,151</u>	<u>656,350</u>
<b>Other financing sources (uses):</b>					
Bond proceeds (net of \$8,717 discount)	-	-	-	-	-
Operating transfers in	-	-	-	-	1,256,979
Operating transfers out	(11,492)	-	-	(753,553)	(1,319,277)
Total other financing sources (uses)	<u>(11,492)</u>	<u>-</u>	<u>-</u>	<u>(753,553)</u>	<u>(62,298)</u>
Net change in cash balances	(231,809)	16,579	(85,079)	(122,402)	594,052
Cash balances beginning of year	297,080	413,133	(508,677)	562,748	251,324
Cash balances end of year	<u>\$ 65,271</u>	<u>\$ 429,712</u>	<u>\$ (593,756)</u>	<u>\$ 440,346</u>	<u>\$ 845,376</u>
<b>Cash Basis Fund Balances</b>					
<b>Reserved:</b>					
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Unreserved:</b>					
General fund	65,271	-	-	-	-
Special revenue funds	-	429,712	(593,756)	440,346	845,376
Capital projects funds	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	<u>\$ 65,271</u>	<u>\$ 429,712</u>	<u>\$ (593,756)</u>	<u>\$ 440,346</u>	<u>\$ 845,376</u>

See notes to financial statements.

Mary Garvey	Debt Service General Obligation Bonds/Notes	Capital Projects Paving Projects	Project Fund	Permanent Cemetery Perpetual Care	Other Nonmajor Governmental Funds	Total
\$ -	\$ 377,562	\$ -	\$ -	\$ -	\$ 468,937	\$ 3,826,287
-	-	-	-	-	-	784,772
-	-	-	-	-	102,020	996,137
-	-	-	-	-	-	167,825
21,929	13,791	9,201	-	-	54,178	171,036
-	-	568,416	-	-	393,260	2,203,323
-	-	-	-	-	119,337	339,631
-	-	-	-	-	124,133	124,133
-	164,272	38,219	-	3,707	93,247	973,563
21,929	555,625	615,836	-	3,707	1,355,112	9,586,707
-	-	-	-	-	429,974	3,155,998
-	-	-	-	-	161,819	1,541,326
-	-	-	-	-	-	36,500
-	-	-	-	-	233,318	1,336,061
-	-	-	-	-	99,000	140,738
-	-	-	-	-	17,029	587,278
-	1,904,966	-	-	-	-	2,084,019
-	-	3,344,018	-	-	283,312	3,627,330
-	1,904,966	3,344,018	-	-	1,224,452	12,509,250
21,929	(1,349,341)	(2,728,182)	-	3,707	130,660	(2,922,543)
-	-	2,391,283	-	-	-	2,391,283
-	1,701,253	578,072	693,414	-	506,410	4,736,128
(421,979)	(1,245,487)	(624,023)	(156,093)	-	(21,388)	(4,553,292)
(421,979)	455,766	2,345,332	537,321	-	485,022	2,574,119
(400,050)	(893,575)	(382,850)	537,321	3,707	615,682	(348,424)
1,201,363	1,055,905	230,612	(195,632)	402,315	(397,945)	3,312,226
\$ 801,313	\$ 162,330	\$ (152,238)	\$ 341,689	\$ 406,022	\$ 217,737	\$ 2,963,802
\$ -	\$ 162,330	\$ -	\$ -	\$ -	\$ 267,030	\$ 429,360
-	-	-	-	-	45,434	110,705
801,313	-	-	-	-	50,699	1,973,690
-	-	(152,238)	341,689	-	(145,426)	44,025
-	-	-	-	406,022	-	406,022
\$ 801,313	\$ 162,330	\$ (152,238)	\$ 341,689	\$ 406,022	\$ 217,737	\$ 2,963,802

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2004**

Exhibit C

	Enterprise Funds			
	Water	Sewer	Non-Major Storm Water	Total
Operating receipts:				
Use of money and property	\$ 56,898	\$ 47,476	\$ -	\$ 104,374
Charges for services	2,049,085	1,657,832	196,157	3,903,074
Miscellaneous	50,328	-	-	50,328
Total operating receipts	<u>2,156,311</u>	<u>1,705,308</u>	<u>196,157</u>	<u>4,057,776</u>
Operating disbursements:				
Business-type activities	1,232,059	998,646	6,382	2,237,087
Total operating disbursements	<u>1,232,059</u>	<u>998,646</u>	<u>6,382</u>	<u>2,237,087</u>
Excess of operating receipts over operating disbursements	924,252	706,662	189,775	1,820,689
Non-operating receipts (disbursements):				
Debt service	(636,210)	(646,806)	-	(1,283,016)
Excess of receipts over disbursements	288,042	59,856	189,775	537,673
Operating transfers out	-	-	(182,836)	(182,836)
Net change in cash balances	288,042	59,856	6,939	354,837
Cash balances beginning of year	<u>1,592,176</u>	<u>969,005</u>	<u>41,747</u>	<u>2,602,928</u>
Cash balances end of year	<u>\$ 1,880,218</u>	<u>\$ 1,028,861</u>	<u>\$ 48,686</u>	<u>\$ 2,957,765</u>
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	\$ 972,304	\$ 737,588	\$ -	\$ 1,709,892
Customer deposits	88,151	-	-	88,151
Unreserved	<u>819,763</u>	<u>291,273</u>	<u>48,686</u>	<u>1,159,722</u>
Total cash basis fund balances	<u>\$ 1,880,218</u>	<u>\$ 1,028,861</u>	<u>\$ 48,686</u>	<u>\$ 2,957,765</u>

See notes to financial statements.

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Fiduciary Funds**  
**As of and for the year ended June 30, 2004**

Exhibit D

	Pension Trust Funds		Private Purpose Trusts			
	Police Retirement	Fire Retirement	Johnny Appleseed	Miles of Lights	Swim Team	Fireworks
<b>Receipts:</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 314	\$ -
Miscellaneous	-	-	11,200	3,061	4,603	3,234
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>11,200</b>	<b>3,061</b>	<b>4,917</b>	<b>3,234</b>
<b>Disbursements:</b>						
Culture and recreation	-	-	15,368	-	3,801	2,000
Community and economic development	-	-	-	2,110	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>15,368</b>	<b>2,110</b>	<b>3,801</b>	<b>2,000</b>
Excess (deficiency) of receipts over (under) disbursements	-	-	(4,168)	951	1,116	1,234
Cash balances beginning of year	1,034,633	511,742	5,859	919	2,995	3,467
Cash balances end of year	\$ 1,034,633	\$ 511,742	\$ 1,691	\$ 1,870	\$ 4,111	\$ 4,701
<b>Cash Basis Fund Balances</b>						
<b>Reserved:</b>						
Pension trust funds	\$ 1,034,633	\$ 511,742	\$ -	\$ -	\$ -	\$ -
Private purpose trust funds	-	-	1,691	1,870	4,111	4,701
<b>Total cash basis fund balances</b>	<b>\$ 1,034,633</b>	<b>\$ 511,742</b>	<b>\$ 1,691</b>	<b>\$ 1,870</b>	<b>\$ 4,111</b>	<b>\$ 4,701</b>

See notes to financial statements.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 1 – Summary of Significant Accounting Policies**

The City of Boone is a political subdivision of the State of Iowa located in Boone County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Boone has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance part of the City. However, the financial transactions of this component unit have not been displayed because they are not material.

The Friends of the Library has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Boone Public Library. Each year from book sales the Friends of the Library purchase equipment for the benefit of the Boone Public Library.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Boone County Assessor's Conference Board, Boone County Solid Waste Management Commission, and Boone County E911 Board.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation**

Government-Wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Special Revenue (continued)

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the proceeds from the 1% local option sales and service tax and the designation of payments for property tax relief, human services, and capital projects.

The Mary Garvey Fund is used to account for a donation from a former citizen for various public purposes.

The Group Insurance Fund is used to account for employee health benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Permanent Fund is utilized to account for the cemetery perpetual care funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following fiduciary funds:

The Pension Trust Funds are utilized to report fiduciary resources held in trust.

Private Purpose Trust Funds are used to account for fiduciary assets held by the City in a custodial capacity or as an agent on behalf of others.

**C. Measurement Focus and Basis of Accounting**

The City of Boone maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004 disbursements exceeded the amounts budgeted in the public safety and the culture and recreation functions.

**Note 2 – Cash and Pooled Investments**

The City's deposits in banks at June 30, 2004, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2004, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government and Agencies Securities	\$1,327,016	\$1,293,112
Certificates of Deposit	2,802,475	2,802,475
Money Market Accounts	<u>3,704</u>	<u>3,704</u>
	<u>\$4,133,195</u>	<u>\$4,099,291</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$63,933 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 3 – Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation, urban renewal tax increment financing, and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	670,000	177,310	682,433	286,846	77,116	21,411	440,000	74,257
2006	705,000	147,392	650,000	213,515	79,062	17,565	275,000	46,893
2007	755,000	115,232	670,000	192,597	81,116	13,611	155,000	29,350
2008	475,000	80,275	700,000	170,362	83,284	9,542	160,000	20,050
2009	395,000	58,315	720,000	145,645	41,666	5,353	170,000	10,370
2010	410,000	39,830	745,000	119,890	-	1,340	-	-
2011	430,000	20,530	695,000	92,355	-	-	-	-
2012	-	-	725,000	67,685	-	-	-	-
2013	-	-	460,000	41,485	-	-	-	-
2014	-	-	230,000	24,865	-	-	-	-
2015	-	-	235,000	17,045	-	-	-	-
2016	-	-	245,000	8,820	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
Total	<u>\$3,840,000</u>	<u>\$ 638,884</u>	<u>\$6,757,433</u>	<u>\$ 1,381,110</u>	<u>\$362,244</u>	<u>\$ 68,822</u>	<u>\$ 1,200,000</u>	<u>\$ 180,920</u>

Year Ending June 30,	Water Revenue Bonds		Sewer Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	340,000	296,010	406,000	238,031	2,615,549	1,093,865
2006	355,000	280,370	422,000	220,407	2,486,062	926,142
2007	370,000	264,040	440,000	202,082	2,471,116	816,912
2008	385,000	247,020	458,000	182,968	2,261,284	710,217
2009	405,000	229,310	457,000	163,063	2,188,666	612,056
2010	425,000	210,680	477,000	143,016	2,057,000	514,756
2011	445,000	191,130	498,000	122,091	2,068,000	426,106
2012	465,000	170,660	520,000	100,244	1,710,000	338,589
2013	480,000	149,270	543,000	77,434	1,483,000	268,189
2014	505,000	127,190	567,000	53,613	1,302,000	205,668
2015	525,000	103,960	592,000	28,740	1,352,000	149,745
2016	550,000	79,810	61,000	2,769	856,000	91,399
2017	575,000	54,510	-	-	575,000	54,510
2018	610,000	28,060	-	-	610,000	28,060
Total	<u>\$6,435,000</u>	<u>\$ 2,432,020</u>	<u>\$5,441,000</u>	<u>\$ 1,534,459</u>	<u>\$24,035,677</u>	<u>\$ 6,236,215</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, during the year, \$51,849 of general obligation bond principal was paid from the Special Revenue Fund.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 3 – Bonds and Notes Payable** (continued)

The Urban renewal tax increment financing revenue bonds and notes were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bonds and notes are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds and notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City; however, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the water revenue bonds and sewer revenue capital loan notes include the following provisions:

- a. The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the enterprise funds for the purpose of making the note principal and interest payments when due.
- c. Additional monthly transfers to separate water and sewer revenue accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for making the annual principal and interest payments whenever there is insufficient money in the debt service account.
- d. All funds remaining in the sewer rental account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue improvement account until a minimum of \$100,000 is accumulated. Additional monthly transfers to a separate water revenue improvement account will be made until a minimum of \$300,000 is accumulated. These accounts are restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other accounts might be unable to make.

**Note 4 – Pension and Retirement Benefits**

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104<sup>th</sup> Street, Urbandale, IA 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 20.48% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ending June 30, 2004, 2003 and 2002 were \$264,864, \$213,046 and \$195,349, respectively, which met the required minimum contribution for each year.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 4 – Pension and Retirement Benefits** (continued)

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$111,796, \$111,408, and \$101,939, respectively, equal to the required contributions for each year.

**Note 5 – Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 165,000
Sick leave	<u>982,000</u>
Total	<u>\$1,147,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

**Note 6 – Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$15,212 during the year ended June 30, 2004.

**Note 7 – Industrial Development Revenue Bonds**

The City has issued a total of \$8,502,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which approximately \$7,108,000 is outstanding at June 30, 2004. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 8 – Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Debt Service:	
Tax Increment Financing	General Obligation Bonds/Notes	\$ 1,245,487
	General:	
	General	<u>11,492</u>
		\$ <u>1,256,979</u>
Debt Service:	Special Revenue:	
General Obligation	Local Option Sales Tax	\$ 753,553
Bonds/Notes	Tax Increment Financing	721,085
	Debt Service:	
	Special Assessment Bonds	21,388
	Capital Projects:	
	Paving Projects	22,391
	Enterprise:	
	Storm Water	<u>182,836</u>
		\$ <u>1,701,253</u>
Capital Projects:	Special Revenue:	
Paving Projects	Mary Garvey	\$ 421,979
	Capital Projects:	
	Project Fund	<u>156,093</u>
		\$ <u>578,072</u>
Capital Projects:	Special Revenue:	
Project Fund	Tax Increment Financing	\$ 598,192
	Capital Projects:	
	Paving Projects	<u>95,222</u>
		\$ <u>693,414</u>
Capital Projects:	Capital Projects:	
Airport Expansion	Paving Projects	\$ <u>115,000</u>
Capital Projects:	Capital Projects:	
Grant Projects	Paving Projects	\$ <u>100,000</u>
Capital Projects:	Capital Projects:	
Miscellaneous Projects	Paving Projects	\$ <u>291,410</u>
Total		<u>\$4,736,128</u>

**Note 9 – Health Insurance Program**

The City operates a self-insured program for employees' group medical insurance. The City has entered into a contract with a service agent who supervises and administers the program. Under the employee group medical program, the City pays all losses of the self-insured program up to \$25,000 per person. At June 30, 2004, the City of Boone Special Revenue Fund, Group Insurance Account had a deficit balance of \$593,756.

Effective July 1, 2004, the City changed to a fully-funded health insurance program.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 10 – Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 490 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were \$176,906.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 10 – Risk Management** (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with airport liability, boiler liability, workers compensation and employers' liability, and public officials/employees blanket bond. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 11 – Deficit Balances**

At June 30, 2004, the City had deficit balances in the following accounts:

Special Revenue:	
Group Insurance	\$593,756
Employee Benefits	106,689
Unfunded Liability	3,547
Emergency	54,143
Capital Projects:	
Airport Expansion	210,771
Paving Projects	152,238
Grant Projects	54,507
Miscellaneous Projects	93,596

Most of the deficit balances were the result of capital projects where the costs were incurred prior to the availability of funds. The funding is forthcoming and will eliminate the deficits. The special revenue fund deficits will be addressed on an ongoing basis.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 12 – Economic Development Loan Agreements**

The City has entered into economic development loan agreements with Boone's Future, Boone Golf Estates, Downtown Athletic Club, Boone County Agricultural Association, AAA Lodging, PDM, Specialty Leather, Composite Technologies, Swan Creek, HyVee, AMPC, and Boone Tanning Company. The amounts due and to be repaid to the City under the agreements in effect at June 30, 2004 are as follows:

**Economic Development Loan Agreements**

Year Ending June 30,	Boone Golf Estates	Boone County Agricultural Association	AAA Lodging	1998 Boone Tanning	Boone Tanning	PDM	HyVee
2005	125,801	19,000	3,141	12,250	41,908	18,284	158,960
2006	62,901	-	-	-	-	3,047	52,987
2007	62,901	-	-	-	-	-	-
2008	62,901	-	-	-	-	-	-
2009	62,901	-	-	-	-	-	-
2010	62,901	-	-	-	-	-	-
2011	62,901	-	-	-	-	-	-
2012	62,901	-	-	-	-	-	-
2013	62,901	-	-	-	-	-	-
Total principal & interest	629,009	19,000	3,141	12,250	41,908	21,331	211,947
Less interest	161,946	-	14	-	726	530	4,545
Total principal	<u>\$ 467,063</u>	<u>\$ 19,000</u>	<u>\$ 3,127</u>	<u>\$ 12,250</u>	<u>\$ 41,182</u>	<u>\$ 20,801</u>	<u>\$ 207,402</u>

Year Ending June 30,	Swan Creek	Specialty Leather	Composite Technologies	AMPC	AMPC	Boone's Future	Downtown Athletic Club	Total
2005	4,757	11,589	58,615	5,795	26,651	-	-	486,751
2006	3,965	11,589	58,615	5,795	26,651	-	875	226,425
2007	-	11,589	58,615	5,795	26,651	-	3,500	169,051
2008	-	9,656	58,615	5,795	26,651	140,739	2,625	306,982
2009	-	-	58,615	4,346	15,545	-	-	141,407
2010	-	-	58,615	-	-	-	-	121,516
2011	-	-	58,615	-	-	-	-	121,516
2012	-	-	-	-	-	-	-	62,901
2013	-	-	-	-	-	-	-	62,901
Total principal & interest	8,722	44,423	410,305	27,526	122,149	140,739	7,000	1,699,450
Less interest	246	2,524	45,115	1,903	8,158	-	-	225,707
Total principal	<u>\$ 8,476</u>	<u>\$ 41,899</u>	<u>\$ 365,190</u>	<u>\$ 25,623</u>	<u>\$ 113,991</u>	<u>\$ 140,739</u>	<u>\$ 7,000</u>	<u>\$ 1,473,743</u>

At June 30, 2004, three of the loan agreements were in arrears. The Boone Tanning Co. is in arrears on two loans totaling \$53,432 and Composite Technologies is in arrears \$58,615. The City is working with the companies to resolve these issues. Should the companies default, the City would potentially lose \$418,622.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 13 – Pending Litigation**

The City is a defendant in various lawsuits. The probability and amount of loss, if any, is undeterminable.

**Note 14 – Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2004, disbursements in the public safety and culture and recreation functions exceed the amount budgeted.

**Note 15 – Development Agreements**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of incremental tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects made by the developer.

During the year ended June 30, 2004, the City rebated \$50,498 of incremental tax to the developers.

**Required Supplementary Information**

**CITY OF BOONE**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements, and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2004**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 3,826,287	\$ -	\$ 3,826,287
Tax increment financing collections	784,772	-	784,772
Other city tax	996,137	-	996,137
Licenses and permits	167,825	-	167,825
Use of money and property	171,036	104,374	275,410
Intergovernmental	2,203,323	-	2,203,323
Charges for services	339,631	3,903,074	4,242,705
Special assessments	124,133	-	124,133
Miscellaneous	973,563	50,328	1,023,891
Total receipts	<u>9,586,707</u>	<u>4,057,776</u>	<u>13,644,483</u>
Disbursements:			
Public safety	3,155,998	-	3,155,998
Public works	1,541,326	-	1,541,326
Health and social services	36,500	-	36,500
Culture and recreation	1,336,061	-	1,336,061
Community and economic development	140,738	-	140,738
General government	587,278	-	587,278
Debt service	2,084,019	-	2,084,019
Capital projects	3,627,330	-	3,627,330
Business-type activities	-	3,520,103	3,520,103
Total disbursements	<u>12,509,250</u>	<u>3,520,103</u>	<u>16,029,353</u>
Excess (deficiency) of receipts over disbursements	(2,922,543)	537,673	(2,384,870)
Other financing sources, net	<u>2,574,119</u>	<u>(182,836)</u>	<u>2,391,283</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(348,424)	354,837	6,413
Balances beginning of year	<u>3,312,226</u>	<u>2,602,928</u>	<u>5,915,154</u>
Balances end of year	<u>\$ 2,963,802</u>	<u>\$ 2,957,765</u>	<u>\$ 5,921,567</u>

See accompanying independent auditors' report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 3,633,680	\$ 3,633,680	\$ 192,607
782,574	782,574	2,198
1,042,250	1,042,250	(46,113)
194,500	194,500	(26,675)
194,100	194,100	81,310
2,848,271	2,848,271	(644,948)
3,949,500	3,949,500	293,205
1,000	1,000	123,133
2,100,401	2,100,401	(1,076,510)
14,746,276	14,746,276	(1,101,793)
2,877,004	3,022,004	(133,994)
1,500,291	1,550,291	8,965
36,500	36,500	-
1,207,599	1,237,599	(98,462)
124,750	192,750	52,012
397,034	597,034	9,756
2,084,317	2,084,317	298
5,072,200	5,072,200	1,444,870
3,571,062	3,571,062	50,959
16,870,757	17,363,757	1,334,404
(2,124,481)	(2,617,481)	232,611
1,078,250	(411,750)	2,803,033
(1,046,231)	(3,029,231)	3,035,644
6,701,945	6,701,945	(786,791)
\$ 5,655,714	\$ 3,672,714	\$ 2,248,853

## CITY OF BOONE

### Required Supplementary Information

#### Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, internal service, non-expendable trust, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$493,000. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety and culture and recreation functions.

## Other Supplementary Information

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2004**

	General			Special			
	Recreation	Hotel/Motel	Landfill	Employee Benefit	Police Retirement	Fire Retirement	Unfunded Liability
		Tax					
<b>Receipts:</b>							
Property tax	\$ -	\$ -	\$ -	\$ 434,768	\$ 5,211	\$ 3,040	\$ 25,315
Other city tax	-	102,020	-	-	-	-	-
Use of money and property	-	-	392	-	32,834	20,952	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	56,100	-	62,287	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Miscellaneous	31,780	-	-	244	-	-	-
<b>Total receipts</b>	<b>87,880</b>	<b>102,020</b>	<b>62,679</b>	<b>435,012</b>	<b>38,045</b>	<b>23,992</b>	<b>25,315</b>
<b>Disbursements:</b>							
<b>Governmental activities:</b>							
Public safety	-	-	-	282,491	56,115	48,621	-
Public works	-	-	64,082	97,737	-	-	-
Culture and recreation	78,072	31,367	-	108,168	-	-	-
Community and economic development	-	99,000	-	-	-	-	-
General government	-	-	-	17,029	-	-	-
Capital projects	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>78,072</b>	<b>130,367</b>	<b>64,082</b>	<b>505,425</b>	<b>56,115</b>	<b>48,621</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>9,808</b>	<b>(28,347)</b>	<b>(1,403)</b>	<b>(70,413)</b>	<b>(18,070)</b>	<b>(24,629)</b>	<b>25,315</b>
<b>Other financing sources (uses):</b>							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in cash balances</b>	<b>9,808</b>	<b>(28,347)</b>	<b>(1,403)</b>	<b>(70,413)</b>	<b>(18,070)</b>	<b>(24,629)</b>	<b>25,315</b>
<b>Cash balances beginning of year</b>	<b>2,828</b>	<b>28,483</b>	<b>34,065</b>	<b>(36,276)</b>	<b>34,358</b>	<b>83,642</b>	<b>(28,862)</b>
<b>Cash balances end of year</b>	<b>\$ 12,636</b>	<b>\$ 136</b>	<b>\$ 32,662</b>	<b>\$ (106,689)</b>	<b>\$ 16,288</b>	<b>\$ 59,013</b>	<b>\$ (3,547)</b>
<b>Cash Basis Fund Balances</b>							
<b>Reserved</b>							
Debt service fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Unreserved:</b>							
General funds	12,636	136	32,662	-	-	-	-
Special revenue funds	-	-	-	(106,689)	16,288	59,013	(3,547)
Capital projects funds	-	-	-	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 12,636</b>	<b>\$ 136</b>	<b>\$ 32,662</b>	<b>\$ (106,689)</b>	<b>\$ 16,288</b>	<b>\$ 59,013</b>	<b>\$ (3,547)</b>

See accompanying independent auditors' report.

Revenue					Debt Service		Capital Projects				Total
Emergency	Police Trust	Fire Trust	Library Trust	Park Trust	Special Assessment Bonds	Airport Expansion	Street Resurfacing	Grant Projects	Miscellaneous Projects		
\$ 603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 468,937	
-	-	-	-	-	-	-	-	-	-	102,020	
-	-	-	-	-	-	-	-	-	-	54,178	
-	-	-	31,542	-	-	317,216	-	-	44,502	393,260	
-	950	-	-	-	-	-	-	-	-	119,337	
-	-	-	-	-	124,133	-	-	-	-	124,133	
-	13,186	4,189	-	1,517	-	31,953	-	10,378	-	93,247	
603	14,136	4,189	31,542	1,517	124,133	349,169	-	10,378	44,502	1,355,112	
32,454	5,540	4,753	-	-	-	-	-	-	-	429,974	
-	-	-	-	-	-	-	-	-	-	161,819	
-	-	-	14,740	971	-	-	-	-	-	233,318	
-	-	-	-	-	-	-	-	-	-	99,000	
-	-	-	-	-	-	-	-	-	-	17,029	
-	-	-	-	-	-	98,021	-	55,697	129,594	283,312	
32,454	5,540	4,753	14,740	971	-	98,021	-	55,697	129,594	1,224,452	
(31,851)	8,596	(564)	16,802	546	124,133	251,148	-	(45,319)	(85,092)	130,660	
-	-	-	-	-	-	115,000	-	100,000	291,410	506,410	
-	-	-	-	-	(21,388)	-	-	-	-	(21,388)	
-	-	-	-	-	(21,388)	115,000	-	100,000	291,410	485,022	
(31,851)	8,596	(564)	16,802	546	102,745	366,148	-	54,681	206,318	615,682	
(22,292)	38,433	14,890	53,035	8,039	164,285	(576,919)	213,448	(109,188)	(299,914)	(397,945)	
\$ (54,143)	\$ 47,029	\$ 14,326	\$ 69,837	\$ 8,585	\$ 267,030	\$ (210,771)	\$ 213,448	\$ (54,507)	\$ (93,596)	\$ 217,737	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267,030	\$ -	\$ -	\$ -	\$ -	\$ 267,030	
-	-	-	-	-	-	-	-	-	-	45,434	
(54,143)	47,029	14,326	69,837	8,585	-	-	-	-	-	50,699	
-	-	-	-	-	-	(210,771)	213,448	(54,507)	(93,596)	(145,426)	
\$ (54,143)	\$ 47,029	\$ 14,326	\$ 69,837	\$ 8,585	\$ 267,030	\$ (210,771)	\$ 213,448	\$ (54,507)	\$ (93,596)	\$ 217,737	

**CITY OF BOONE**  
**Schedule of Indebtedness**  
**Year Ended June 30, 2004**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<b>General obligation bonds:</b>			
Essential corporate purpose	August 1995	5.10 - 5.50 %	\$ 1,750,000
Refunding bonds	November 1997	4.00 - 4.70	2,835,000
Essential corporate purpose	November 1997	4.20 - 4.70	820,000
Essential corporate purpose	December 1998	3.90 - 4.30	2,000,000
Total			
<b>General obligation notes:</b>			
Capital loan note	May 2000	4.70 - 5.20 %	\$ 600,000
Capital loan note	December 2000	4.70 - 4.85	400,000
Capital loan note	July 2001	4.69	62,000
Capital loan note	July 2001	4.84	21,400
Capital loan note	July 2002	3.45 - 3.7	2,000,000
Capital loan note	July 2002	3.27	28,000
Capital loan note	January 2003	2.1 - 3.9	1,900,000
Capital loan note	October 2003	1.25-3.6	2,400,000
Total			
<b>Urban renewal tax increment financing bonds:</b>			
(TIF) revenue bond	May 1995	7.17 - 8.45 %	\$ 500,000
(TIF) revenue bond	August 1995	4.50 - 5.00	475,000
(TIF) revenue bond	August 1998	5.95 - 6.25	1,025,000
(TIF) revenue bond	April 1999	5.50 - 6.10	1,155,000
Total			
<b>Urban renewal tax increment financing notes:</b>			
(TIF) revenue note	March 2000	5.50 %	\$ 326,867
(TIF) revenue note	February 2002	4.50	380,000
Total			
<b>Revenue bonds:</b>			
Water	August 1998	4.60 %	\$ 8,000,000
<b>Revenue notes:</b>			
Sewer revenue capital loan notes	March 1993	4.37 %	\$ 7,320,000
Sewer revenue capital loan notes	May 1996	4.54	831,000
Sewer revenue capital loan notes	May 2003	3.43	100,000
Total			

See accompanying independent auditors' report.

## Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 1,145,000	\$ -	\$ 120,000	\$ 1,025,000	\$ 61,180	\$ -
1,090,000	-	260,000	830,000	49,665	-
455,000	-	85,000	370,000	20,950	-
1,810,000	-	195,000	1,615,000	74,700	-
<u>\$ 4,500,000</u>	<u>\$ -</u>	<u>\$ 660,000</u>	<u>\$ 3,840,000</u>	<u>\$ 206,495</u>	<u>\$ -</u>
\$ 490,000	\$ -	\$ 60,000	\$ 430,000	\$ 24,585	\$ -
205,000	-	100,000	105,000	9,893	-
31,000	-	31,000	-	1,454	-
15,282	-	7,074	8,208	691	-
2,000,000	-	100,000	1,900,000	140,128	-
28,000	-	13,775	14,225	923	-
1,900,000	-	-	1,900,000	30,195	-
	2,400,000	-	2,400,000	-	-
<u>\$ 4,669,282</u>	<u>\$ 2,400,000</u>	<u>\$ 311,849</u>	<u>\$ 6,757,433</u>	<u>\$ 207,868</u>	<u>\$ -</u>
\$ 195,000	\$ -	\$ 60,000	\$ 135,000	\$ 16,079	\$ -
170,000	-	55,000	115,000	8,500	-
355,000	-	170,000	185,000	22,103	-
895,000	-	130,000	765,000	53,483	-
<u>\$ 1,615,000</u>	<u>\$ -</u>	<u>\$ 415,000</u>	<u>\$ 1,200,000</u>	<u>\$ 100,164</u>	<u>\$ -</u>
239,593	-	66,715	172,878	12,338	-
277,126	-	87,760	189,366	12,240	-
<u>\$ 516,719</u>	<u>\$ -</u>	<u>\$ 154,475</u>	<u>\$ 362,244</u>	<u>\$ 24,578</u>	<u>\$ -</u>
<u>\$ 6,760,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 6,435,000</u>	<u>\$ 310,960</u>	<u>\$ -</u>
\$ 5,111,000	\$ -	\$ 333,000	\$ 4,778,000	\$ 223,351	\$ -
619,000	-	36,000	583,000	28,103	-
100,000	-	20,000	80,000	3,487	-
<u>\$ 5,830,000</u>	<u>\$ -</u>	<u>\$ 389,000</u>	<u>\$ 5,441,000</u>	<u>\$ 254,941</u>	<u>\$ -</u>

**CITY OF BOONE**  
**Bond and Note Maturities**  
**June 30, 2004**

General Obligation Bonds

Year Ending June 30,	Refunding Bonds Issued Nov 1, 1997		Essential Corporate Purpose Issued Nov 1, 1997		Essential Corporate Purpose Issued Aug 1, 1995		Essential Corporate Purpose Issued Dec 1, 1998		Total G.O. Bonds
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2005	4.50%	255,000	4.55%	85,000	5.10%	125,000	4.00%	205,000	670,000
2006	4.60%	275,000	4.60%	90,000	5.20%	130,000	4.10%	210,000	705,000
2007	4.70%	300,000	4.65%	95,000	5.30%	140,000	4.10%	220,000	755,000
2008	-	-	4.70%	100,000	5.40%	145,000	4.10%	230,000	475,000
2009	-	-	-	-	5.50%	155,000	4.15%	240,000	395,000
2010	-	-	-	-	5.50%	160,000	4.20%	250,000	410,000
2011	-	-	-	-	5.50%	170,000	4.30%	260,000	430,000
2012	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
Total		<u>\$ 830,000</u>		<u>\$ 370,000</u>		<u>\$ 1,025,000</u>		<u>\$ 1,615,000</u>	<u>\$ 3,840,000</u>

Urban Renewal Tax Increment Financing (TIF) Bonds

Year Ending June 30,	Revenue Bonds Issued May 1, 1995		Revenue Bonds Issued Aug 1, 1995		Revenue Bonds Issued Aug 1, 1998		Revenue Bonds Issued April 1, 1999		Total TIF Revenue Bonds
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2005	8.150%	65,000	5.00%	55,000	6.25%	185,000	5.90%	135,000	440,000
2006	8.450%	70,000	5.00%	60,000	-	-	5.95%	145,000	275,000
2007	-	-	-	-	-	-	6.00%	155,000	155,000
2008	-	-	-	-	-	-	6.05%	160,000	160,000
2009	-	-	-	-	-	-	6.10%	170,000	170,000
2010	-	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
Total		<u>\$ 135,000</u>		<u>\$ 115,000</u>		<u>\$ 185,000</u>		<u>\$ 765,000</u>	<u>\$ 1,200,000</u>

See accompanying independent auditors' report

**CITY OF BOONE**  
**Bond and Note Maturities**  
**June 30, 2004**

Year Ending June 30,	General							
	Capital Loan Note Issued Dec 1, 2000		Capital Loan Note Issued July 1, 2001		Capital Loan Note Issued May 1, 2000		Capital Loan Note Issued July 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	4.85%	105,000	4.84%	8,208	4.90%	65,000	3.60%	205,000
2006	-	-	-	-	4.95%	65,000	3.60%	215,000
2007	-	-	-	-	5.00%	70,000	3.60%	220,000
2008	-	-	-	-	5.05%	75,000	3.70%	230,000
2009	-	-	-	-	5.10%	75,000	3.70%	240,000
2010	-	-	-	-	5.20%	80,000	3.70%	250,000
2011	-	-	-	-	-	-	3.70%	265,000
2012	-	-	-	-	-	-	3.70%	275,000
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
Total		<u>\$ 105,000</u>		<u>\$ 8,208</u>		<u>\$ 430,000</u>		<u>\$ 1,900,000</u>
	Urban Renewal Tax Increment Financing (TIF) Notes				Revenue Bonds			
Year Ending June 30,	Revenue Note Issued Feb 1, 2002		Revenue Note Issued Mar 1, 2000		Total TIF Revenue Notes	Water Issued Aug 1, 1998		
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount	
2005	4.50%	42,222	5.50%	34,894	77,116	4.60%	340,000	
2006	4.50%	42,222	5.50%	36,840	79,062	4.60%	355,000	
2007	4.50%	42,222	5.50%	38,894	81,116	4.60%	370,000	
2008	4.50%	42,222	5.50%	41,062	83,284	4.60%	385,000	
2009	4.50%	20,478	5.50%	21,188	41,666	4.60%	405,000	
2010	-	-	-	-	-	4.60%	425,000	
2011	-	-	-	-	-	4.60%	445,000	
2012	-	-	-	-	-	4.60%	465,000	
2013	-	-	-	-	-	4.60%	480,000	
2014	-	-	-	-	-	4.60%	505,000	
2015	-	-	-	-	-	4.60%	525,000	
2016	-	-	-	-	-	4.60%	550,000	
2017	-	-	-	-	-	4.60%	575,000	
2018	-	-	-	-	-	4.60%	610,000	
Total		<u>\$ 189,366</u>		<u>\$ 172,878</u>	<u>\$ 362,244</u>		<u>\$ 6,435,000</u>	

See accompanying independent auditors' report

## Obligation Notes

Police Equipment Issued July 1, 2002		Capital Loan Note Issued January 1, 2003		Capital Loan Note Issued October 1, 2003		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	G.O. Notes
3.27%	14,225	2.10%	185,000	1.25%	100,000	682,433
-	-	2.40%	190,000	3.00%	180,000	650,000
-	-	2.70%	195,000	3.00%	185,000	670,000
-	-	3.00%	205,000	3.30%	190,000	700,000
-	-	3.15%	210,000	3.30%	195,000	720,000
-	-	3.50%	215,000	3.30%	200,000	745,000
-	-	3.60%	225,000	3.30%	205,000	695,000
-	-	3.80%	235,000	3.30%	215,000	725,000
-	-	3.90%	240,000	3.30%	220,000	460,000
-	-	-	-	3.40%	230,000	230,000
-	-	-	-	3.50%	235,000	235,000
-	-	-	-	3.60%	245,000	245,000
<u>\$</u>	<u>14,225</u>	<u>\$</u>	<u>1,900,000</u>	<u>\$</u>	<u>2,400,000</u>	<u>\$</u> 6,757,433

## Revenue Notes

Sewer Capital Loan Note Issued Mar 19, 1993		Sewer Capital Loan Note Issued May 20, 1996		Sewer Capital Loan Note Issued May 5, 2003		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Revenue Notes
4.37%	348,000	4.54%	38,000	3.43%	20,000	406,000
4.37%	363,000	4.54%	39,000	3.43%	20,000	422,000
4.37%	379,000	4.54%	41,000	3.43%	20,000	440,000
4.37%	395,000	4.54%	43,000	3.43%	20,000	458,000
4.37%	412,000	4.54%	45,000	-	-	457,000
4.37%	430,000	4.54%	47,000	-	-	477,000
4.37%	449,000	4.54%	49,000	-	-	498,000
4.37%	469,000	4.54%	51,000	-	-	520,000
4.37%	489,000	4.54%	54,000	-	-	543,000
4.37%	511,000	4.54%	56,000	-	-	567,000
4.37%	533,000	4.54%	59,000	-	-	592,000
-	-	4.54%	61,000	-	-	61,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$</u>	<u>4,778,000</u>	<u>\$</u>	<u>583,000</u>	<u>\$</u>	<u>80,000</u>	<u>\$</u> 5,441,000

**CITY OF BOONE**  
**Schedule of Receipts By Source and**  
**Disbursements By Function -**  
**All Governmental Funds**

Schedule 4

For the Last Four Years

	2004	2003	2002	2001
<b>Receipts:</b>				
Property and other City tax	\$ 4,822,424	\$ 4,824,290	\$ 4,300,708	\$ 4,223,094
Tax increment financing collections	784,772	738,568	683,035	567,991
Licenses and permits	167,825	110,116	185,052	141,368
Use of money and property	171,036	204,520	233,431	290,846
Intergovernmental	2,203,323	2,938,219	1,694,558	2,319,581
Charges for services	339,631	267,432	363,739	267,141
Special assessments	124,133	155,170	63,160	26,025
Miscellaneous	973,563	927,502	1,083,810	5,593,778
Total	<u>9,586,707</u>	<u>10,165,817</u>	<u>8,607,493</u>	<u>13,429,824</u>
<b>Disbursements:</b>				
Public safety	3,155,998	2,936,400	2,685,477	2,378,326
Public works	1,541,326	1,728,234	1,582,931	1,300,042
Health and social services	36,500	50,000	41,100	85,476
Culture and recreation	1,336,061	1,540,762	1,277,976	1,170,156
Community and economic development	319,791	428,071	259,280	636,953
General government	587,278	551,306	573,372	419,124
Debt service	1,904,966	1,548,749	1,703,082	2,119,611
Capital projects	3,627,330	4,418,889	1,653,933	1,886,440
Total	<u>\$ 12,509,250</u>	<u>\$ 13,202,411</u>	<u>\$ 9,777,150</u>	<u>\$ 9,996,128</u>

See accompanying independent auditors' report.

**CITY OF BOONE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2004**

**Schedule 5**

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
<b>U.S. Department of Transportation</b>			
Federal Aviation Administration:			
Parallel Taxiway Paving	20.106	3-19-0009-06	\$ 35,696
Install Airfield Guidance Signs	20.106	3-19-0009-07	8,224
Total U.S. Department of Transportation			<u>\$ 43,920</u>
<b>Federal Emergency Management Agency</b>			
Fire Operations and Fire Safety	85.554	EMW-2003-FG-03093	\$ 35,999
Total Federal Emergency Management Agency			<u>\$ 35,999</u>
<b>U.S. Department of Housing and Urban Development</b>			
Pass-Through Program From:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	02-CF-035	\$ 520,479
Total U.S. Department of Housing and Urban Development			<u>\$ 520,479</u>
Total			<u><u>\$ 600,398</u></u>

**Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Boone and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Boone, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Boone's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item IV-C-04, IV-J-04, IV-K-04, and IV-L-04.

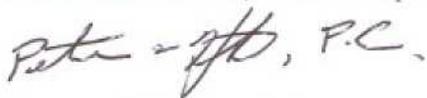
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Boone's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Boone's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-04, II-B-04, and II-D-04 are material weaknesses. Prior year reportable conditions have been resolved except for II-A-04, II-B-04, II-C-04, II-D-04 and II-E-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Boone and other parties to whom the City of Boone may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Boone during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Peterson & Houston, P.C.  
Boone, Iowa

December 17, 2004

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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Boone, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. The City of Boone's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Boone's management. Our responsibility is to express an opinion on the City of Boone's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Boone's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Boone's compliance with those requirements.

In our opinion, the City of Boone complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of Boone is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Boone's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Boone's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable condition described above, we believe item III-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Boone and other parties to whom the City of Boone may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



Peterson & Houston, P.C.  
Boone, Iowa

December 17, 2004

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Boone did not qualify as a low-risk auditee.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were required to be reported.

**REPORTABLE CONDITIONS:**

II-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person opens the mail, does utility billings, posts receipts, and makes bank deposits.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City should also review its procedures to ensure that in the event of personnel turnover, all functions continue to be done accurately and in a timely manner.

Response – We continue an ongoing review of control procedures to determine the most effective utilization of personnel to maximize these controls.

Conclusion – Response accepted.

II-B-04 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled to the general ledger throughout the year. Also, utility collections were not reconciled to deposits.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and also to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – A listing of delinquent accounts is prepared on a monthly basis; however, procedures will be established to reconcile monthly activity for the utility billings accounts to the general ledger.

Conclusion – Response accepted.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

II-C-04     Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine if activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City’s computer-based systems were noted:

The City does not have written policies for:

Requiring password changes every 60 to 90 days or to maintain password privacy and confidentiality.

Storage of backup tapes/disks off site.

A disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer based systems.

Response – We will develop policies to address the electronic data processing systems.

Conclusions – Response accepted.

II-D-04     Monthly Bank to Book Reconciliations – Monthly reconciliations of the Finance Officer’s balances to the bank account and investments were not prepared.

Recommendation – To improve financial accountability and control, the book balances should be reconciled monthly to the bank and cash balances. Any variances should be investigated and resolved in a timely manner. The Council or a Council-designated independent person should review the reconciliations on a monthly basis.

Response – Bank to book reconciliations will be conducted and maintained timely, on a strict monthly basis.

Conclusion – Response accepted.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

II-E-04     Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available in support of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – We will adopt a policy regarding the use of City credit cards and make sure all supporting documentation is present.

Conclusion - Response accepted.

**Part III – Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were required to be reported.

**REPORTABLE CONDITION:**

CFDA Number 14.228: Community Development Block Grants/State's Program  
Pass Through Agency Number: 02-CF-035  
Federal Award Year: 2004  
Department of Housing and Urban Development  
Passed through the Iowa Department of Economic Development

III-A-04     Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See Item II-A-04.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Part IV – Other Findings Related to Statutory Reporting:**

IV-A-04 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the public safety and culture and recreation functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-C-04 Questionable Expenditures – Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Internal Revenue Service	Payroll tax penalties	\$9,166
Mastercard	Interest	10

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Response – We will more closely monitor disbursements for any questionable expenditures.

Conclusion – Response accepted.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

IV-D-04 Unsupported Expenditures – Certain disbursements were noted that did not have supporting documentation to substantiate the requests for payment being submitted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Pat Clemons	Truck	\$22,173
Condoms	Towing	1,000
Condoms	Towing	2,320
Mastercard	Travel/Meals	934
Cardmember Services	Library	186
Mastercard	Training	278
Bank One	Library	402
Bank One	Library	306

Recommendation – The City should implement procedures to ensure disbursements are supported by an invoice or contract from the payee and that documentation is retained.

Response – We will require all requests for payment be supported by an invoice or contract.

Conclusion – Response accepted.

IV-E-04 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-F-04 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
River Phipps, Employee owner of R&R Cleaning	Cleaning City Hall	\$12,740
Darci Newcomb, Employee	Swimming Lessons	1,600
John Rouse, Employee Teresa Rouse, spouse	Cleaning park house	871

The transaction with Phipps does not appear to represent a conflict of interest since it was entered into through competitive bidding.

In accordance with Chapter 362.5(1) of the Code of Iowa, the transaction with Newcomb does not appear to represent a conflict of interest since it was lawful compensation for holding more than one city position which was not incompatible with another position or prohibited by law.

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the park employee's spouse do not appear to represent a conflict of interest since the total transaction with the individual was less than \$1,500 during the fiscal year.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

- IV-G-04 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-H-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the code of Iowa and the City’s investment policy were noted.
- IV-J-04 Financial Condition – At June 30, 2004 the City had deficit balances in thirteen accounts as follows:

<u>Special Revenue:</u>	
Group Insurance	\$593,756
Employee Benefits	106,689
Unfunded Liability	3,547
Emergency	54,143
<u>Capital Projects:</u>	
Airport Expansion	210,771
Paving Projects	152,238
Grant Projects	54,507
Miscellaneous Projects	93,596

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – Most of the funds with deficit balances are capital projects for which funding is forthcoming or transfers will be made to eliminate the deficits. The other funds are being evaluated on an ongoing basis.

Conclusion – Response accepted.

- IV-K-04 Revenue Notes and Bonds – We noted two instances of noncompliance with the requirements of the water and sewer revenue bond resolutions. The December 2003 interest payments were paid out of the operations fund in both the water and sewer rather than the corresponding sinking funds as required by Chapter 384.4 of the Code of Iowa. Certain general obligation notes were also paid from the Special Revenue Fund rather than the Debt Service Fund.

Recommendation – Principal and interest payments should be made from the proper funds.

Response – This will be done.

Conclusion – Response accepted.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

IV-L-04 Vehicle Usage – It was noted that the City does not have a written policy regarding the usage of City-owned vehicles.

Recommendation – A vehicle usage policy should be adopted.

Response – We will do so.

Conclusion – Response accepted.

IV-M-04 Corrective Transfers – The City paid a tax abatement of \$40,481 and a tax rebate of \$10,017 out of Capital Projects Funds. These amounts were repaid according to development agreements with the City.

The City paid reimbursements to citizens for sidewalk installation on existing streets from the Road Use Tax Fund. Road Use Tax Funds cannot be used when the sidewalk construction is not part of a street construction or reconstruction project.

Recommendation – The City should transfer \$50,498 to the Capital Projects Fund from the Special Revenue Fund, Tax Increment Financing Account to correct this posting. The City should also make a corrective transfer for the amount paid for sidewalk installations on existing streets.

Response – We will make the necessary transfers.

Conclusion – Response accepted.

IV-N-04 Reconciliation of Payroll – It was noted the Federal Form 941 did not reconcile to the payroll journals for two quarters resulting in underreporting and underpayments of payroll taxes as well as two employees W-2's being incorrect.

Recommendation – Corrected 941's for two quarters should be filed and corrected W-2's for two employees should be issued. To prevent this from occurring in the future, the payroll reports should be reconciled each quarter before the preparation of the Federal Form 941.

Response – This will be done.

Conclusion – Response accepted.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

IV-O-04 Payroll Transactions – It was noted that employees received a pay rate increase effective July 1, 2003, however, one employee that was approved for a pay increase did not receive it because the information was not entered properly into the payroll system. This resulted in an underpayment of gross wages of \$1,267 for that employee.

Recommendation – The employee should be notified and corrective action taken to compensate the employee.

Response – This will be done.

Conclusion – Response accepted.

IV-P-04 IPERS Coverage – It was noted during payroll testing that one employee who is covered by IPERS and one council member who elected to be covered by IPERS are not having deductions withheld and contributions paid on their behalf.

Recommendation – These employees should be updated in the payroll system to have IPERS withholding and contributions computed on their behalf.

Response – This will be done.

Conclusion – Response accepted.

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The following insurance policies were in force at June 30, 2004:

Iowa Communities Assurance Pool	General Liability: Each Occurrence	\$3,000,000	7/1/04
Iowa Communities Assurance Pool	Automobile Liability: Each Accident automobile physical damage: comprehensive and collision	\$3,000,000  per occurrence	7/1/04  7/1/04
Iowa Communities Assurance Pool	Official Liability: Each claim and baggage	\$3,000,000	7/1/04
Iowa Communities Assurance Pool	Property Coverage: Actual cash value, replacement cost or an agreed amount	\$32,664,394	7/1/04
Iowa Communities Assurance Pool	Law Enforcement Liability: Each occurrence and aggregate	\$3,000,000	7/1/04
Iowa Municipalities Workers Compensation Association	Workers Compensation and Employer's Liability bodily injury by accident: each accident	\$1,000,000	7/1/04
	bodily injury by disease: Limit	\$1,000,000	7/1/04
	Bodily injury by disease: each employee	\$1,000,000	7/1/04
Hartford Steam Boiler Inspection	Boiler and Machinery Unlimited per accident	per occurrence	7/1/04
State Surety	Public officials/employees Blanket bond	\$100,000	7/1/04
Old Republic Insurance Company	Airport comprehensive general liability: Each occurrence and aggregate:	\$3,000,000	7/1/04

**CITY OF BOONE**  
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**Year Ended June 30, 2004**

Statistical Information

Description	Amount
Customers served at June 30, 2004	4,972
Sewer rates in effect at June 30, 2004:	
Residential users:	
First 100 cubic feet (cf)	\$9.89/100 cf
Next 100 cubic feet	\$4.70/100 cf
All over 200 cubic feet	\$2.35/100 cf
Industrial Users* and customers outside City Limits:	
First 100 cubic feet	\$10.98/100 cf
Next 100 cubic feet	\$ 5.22/100 cf
All over 200 cf	\$ 2.61/100 cf

\*Plus surcharges for industrial users based on the treating of normal sewage and suspended solids.