

**CITY OF BOONE**

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

**JUNE 30, 2005**

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## CITY OF BOONE

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2005)</b>		
John L. Slight	Mayor	Jan. 2006
Shari Gillespie	Mayor Pro tem	Jan. 2008
Steven Ray	Council Member	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
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
<b>(After January 2005)</b>		
John L.Slight	Mayor	Jan. 2006
Shari Gillespie	Mayor Pro tem	Jan. 2008
Steven Ray	Council Member	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
Brent Trout	City Administrator (on military leave - reinstated February 22, 2005)	Indefinite
Ondrea Elmquist	Treasurer/Finance Officer	Indefinite
Alan Schroeder	Attorney	Indefinite

**PETERSON & HOUSTON, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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Boone, IA 50036-2871

Gerald E. Peterson, CPA  
Kevin N. Houston, CPA

Telephone  
(515) 432-1176  
Fax Number  
(515) 432-1186

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, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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, 2005, 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 report dated December 2, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing 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 conducted 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, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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.

A handwritten signature in cursive script, appearing to read "Peterson & Houston, P.C.", written in dark ink.

Peterson & Houston, P.C.  
Boone, Iowa

December 2, 2005

## 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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- The City's governmental activities receipts decreased 5.9%, or approximately \$723,000, from fiscal year 2004. The City sold fewer bonds than in fiscal year 2004.
- The City's governmental activities disbursements decreased 6.1%, or approximately \$762,000 from fiscal year 2004. The decrease is due to spending less on capital projects than the prior year.
- The City's governmental activities cash balance at June 30, 2005 decreased 7%, or approximately \$309,000 from June 30, 2004. This decrease in cash balances is smaller than the 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 City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. 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 statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information 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**

### *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 statement for governmental funds is 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 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 statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

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

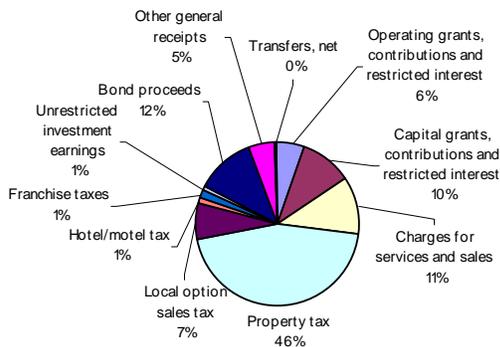
The required financial statement for fiduciary funds is a statement of cash receipts, disbursements and changes in cash balances.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

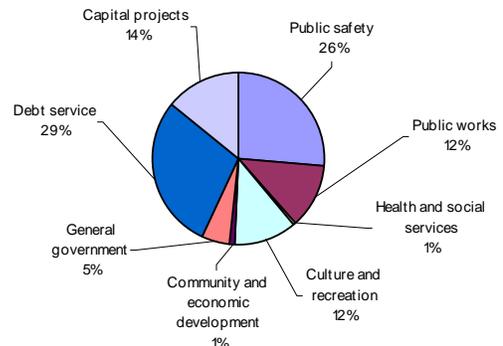
Net assets may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities decreased \$308,856 from a year ago, from \$4.510 million to \$4.201 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Receipts and transfers:		
Program receipts:		
Charges for services and sales	\$ 638	430
Operating grants, contributions and restricted interest	1,188	1,397
Capital grants, contributions and restricted interest	1,291	960
General receipts:		
Property tax	5,121	4,735
Local option sales tax	860	894
Property tax replacement	-	-
Hotel/motel tax	119	102
Franchise taxes	161	145
Unrestricted investment earnings	93	62
Bond proceeds	1,376	2,391
Other general receipts	612	862
Transfers, net	(21)	183
Total receipts and transfers	<u>11,438</u>	<u>12,161</u>
Disbursements:		
Public safety	3,102	3,156
Public works	1,389	1,541
Health and social services	71	37
Culture and recreation	1,383	1,336
Community and economic development	125	320
General government	620	587
Debt service	3,383	1,905
Capital projects	1,674	3,627
Total disbursements	<u>11,747</u>	<u>12,509</u>
Decrease in cash basis net assets	(309)	(348)
Cash basis net assets beginning of year	<u>4,510</u>	<u>4,858</u>
Cash basis net assets end of year	<u>\$ 4,201</u>	<u>4,510</u>

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities decreased by 5.9 percent (\$723,000). 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 \$762,000 or 6.1 percent, which was due to spending less on capital projects than in the prior year.

The cost of all governmental activities this year was \$11,746,890 compared to \$12,509,250 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 was only \$8,629,405 because some of the cost was paid by those who directly benefited from the programs (\$637,570) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,479,915). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2005 from approximately \$2,787,000 to approximately \$3,117,000, principally due to an increase in capital grants, contributions and restricted interest, from the completion of the railroad project in the current 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 Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Receipts and transfers:		
Program receipts:		
Charges for services and sales:		
Water	\$ 2,097	2,099
Sewer	1,660	1,658
Storm water	195	196
General receipts:		
Unrestricted investment earnings	143	104
Bond proceeds	-	-
Other general receipts	-	-
Transfers, net:	21	(183)
Total receipts	<u>4,116</u>	<u>3,874</u>
Disbursements:		
Water	1,986	1,868
Sewer	1,606	1,645
Storm water	1	6
Total disbursements and transfers	<u>3,593</u>	<u>3,519</u>
Increase in cash basis net assts	523	355
Cash basis net assets beginning of year	<u>2,958</u>	<u>2,603</u>
Cash basis net assets end of year	<u>\$ 3,481</u>	<u>2,958</u>

Total business type activities receipts for the fiscal year were \$4.116 million compared to \$3.874 million last year. The cash balance increased by approximately \$523,000 from the prior year. Total disbursements for the fiscal year increased by 2 percent to a total of \$3.593 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 General Fund has a deficit balance of \$215,000, a decrease of \$280,000 from the prior year.
- The Road Use Tax Fund cash balance increased by \$105,000 to \$534,000 during the fiscal year.
- The Group Insurance Fund decreased by \$317,000 during the fiscal year. The fund has a deficit balance of \$911,000; 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 \$860,000 during this fiscal year, a 3.9% decrease 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 \$783,000.
- The Fire and the Police Retirement Funds were surplus funds from the previous Fire and Police Municipal Retirement System. The funds are used to assist with the City's portion of the fire and police retirement plan. At the end of the year the Fire and Police Retirement Funds had balances of \$494,801 and 973,221, respectively.
- The Mary Garvey Fund was established when the City received a very generous donation from the estate of a former citizen. The funds were partially 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 \$679,000.
- The City has a Cemetery Perpetual Care Fund which is a permanent fund. The cash in this fund increased by \$5,000 during the year with a balance at the end of the fiscal year of \$411,000.

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

- The cash balance of the Sewer Fund increased by approximately \$156,000 to \$1,185,000, due primarily to a transfer from a Project Fund to reimburse expenditures.
- The Water Fund increased by approximately \$331,000 to \$2,211,000, due primarily to a transfer from a Project Fund to reimburse expenditures.

## 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 May 16, 2005, to decrease revenues and expenditures in certain City departments.

Even with these budget amendments, the City exceeded the budget for the health and social services, general government, and debt service functions for the year ended June 30, 2005. The amendment made during the 2005 fiscal year should not have any impact on the 2006 fiscal year budget.

## DEBT ADMINISTRATION

Outstanding Debt at Year-End (Expressed in Thousands)		
	2005	2004
General obligation bonds	\$ 2,270	3,840
General obligation notes	7,455	6,757
Urban renewal tax increment financing revenue bonds	760	1,200
Urban renewal tax increment financing revenue notes	200	362
Revenue notes	11,130	11,876
	<u>\$ 21,815</u>	<u>24,035</u>

At year-end, the City had approximately \$21,815,000 in bonds and other long-term debt compared to approximately \$24,035,000 last year as shown above.

Debt decreased as a result of only issuing general obligation notes of \$1,380,000 to refinance capital projects at a lower interest rate.

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 \$10,685,000 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 2006 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$15.89 million, an increase of 3 percent over the final 2005 budget. Budgeted disbursements are expected to decrease by approximately 2%.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$136,000 by the close of 2006.

## **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 Ondrea Elmquist, Treasurer/Finance Officer, 923 8<sup>th</sup> Street, City of Boone, Iowa 50036.

## **Basic Financial Statements**

**CITY OF BOONE**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the year ended June 30, 2005**

	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	\$ 3,101,989	\$ 251,879	\$ 33,477	\$ -
Public works	1,388,806	89,229	1,064,517	-
Health and social services	70,782	-	33,282	-
Culture and recreation	1,382,628	236,508	57,272	-
Community and economic development	125,592	-	-	-
General government	619,701	59,954	-	-
Debt service	3,383,044	-	-	-
Capital projects	1,674,348	-	-	1,291,367
Total governmental activities	11,746,890	637,570	1,188,548	1,291,367
Business-type activities:				
Water	1,986,326	2,097,707	-	-
Sewer	1,605,788	1,659,325	-	-
Storm Water	1,174	195,142	-	-
Total business-type activities	3,593,288	3,952,174	-	-
Total	\$ 15,340,178	\$ 4,589,744	\$ 1,188,548	\$ 1,291,367

**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 \$4,033 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
\$ (2,816,633)	\$ -	\$ (2,816,633)
(235,060)	-	(235,060)
(37,500)	-	(37,500)
(1,088,848)	-	(1,088,848)
(125,592)	-	(125,592)
(559,747)	-	(559,747)
(3,383,044)	-	(3,383,044)
(382,981)	-	(382,981)
<u>(8,629,405)</u>	<u>-</u>	<u>(8,629,405)</u>
-	111,381	111,381
-	53,537	53,537
-	193,968	193,968
<u>-</u>	<u>358,886</u>	<u>358,886</u>
<u>(8,629,405)</u>	<u>358,886</u>	<u>(8,270,519)</u>
3,307,457	-	3,307,457
1,190,644	-	1,190,644
488,652	-	488,652
134,388	-	134,388
859,586	-	859,586
119,253	-	119,253
161,070	-	161,070
93,251	143,389	236,640
1,375,967	-	1,375,967
589,788	-	589,788
21,213	-	21,213
(20,720)	20,720	-
<u>8,320,549</u>	<u>164,109</u>	<u>8,484,658</u>
(308,856)	522,995	214,139
<u>4,510,176</u>	<u>2,957,764</u>	<u>7,467,940</u>
<u>\$ 4,201,320</u>	<u>\$ 3,480,759</u>	<u>\$ 7,682,079</u>
\$ 534,227	\$ -	\$ 534,227
782,608	-	782,608
346,191	1,707,397	2,053,588
2,493,018	100,410	2,593,428
45,276	1,672,952	1,718,228
<u>\$ 4,201,320</u>	<u>\$ 3,480,759</u>	<u>\$ 7,682,079</u>

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2005**

	Special Revenue				
	General	Road Use Tax	Group Insurance	Local Option Sales Tax	Tax Increment Financing
<b>Receipts:</b>					
Property tax	\$ 2,099,597	\$ -	\$ 760,952	\$ -	\$ -
Tax increment financing collections	-	-	-	-	1,190,644
Other city tax	-	-	-	859,586	-
Licenses and permits	259,406	-	-	-	-
Use of money and property	101,656	-	-	-	-
Intergovernmental	159,918	1,064,517	-	-	-
Charges for services	133,918	-	-	-	-
Special assessments	8,600	-	-	-	-
Miscellaneous	90,212	-	60,854	-	148,502
Total receipts	<u>2,853,307</u>	<u>1,064,517</u>	<u>821,806</u>	<u>859,586</u>	<u>1,339,146</u>
<b>Disbursements:</b>					
Operating:					
Public safety	1,951,795	-	595,651	82,447	-
Public works	100,551	866,039	261,880	-	-
Health and social services	-	-	-	37,500	-
Culture and recreation	830,840	29,793	155,113	57,064	-
Community and economic development	-	-	-	-	77,092
General government	264,566	-	276,401	13,458	-
Debt service	-	-	-	-	180,000
Capital projects	-	-	-	-	-
Total disbursements	<u>3,147,752</u>	<u>895,832</u>	<u>1,289,045</u>	<u>190,469</u>	<u>257,092</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(294,445)</u>	<u>168,685</u>	<u>(467,239)</u>	<u>669,117</u>	<u>1,082,054</u>
<b>Other financing sources (uses):</b>					
Bond proceeds (net of \$4,033 discount)	-	-	-	-	-
Operating transfers in	14,252	-	150,000	-	-
Operating transfers out	-	(64,170)	-	(443,225)	(1,144,822)
Total other financing sources (uses)	<u>14,252</u>	<u>(64,170)</u>	<u>150,000</u>	<u>(443,225)</u>	<u>(1,144,822)</u>
Net change in cash balances	(280,193)	104,515	(317,239)	225,892	(62,768)
Cash balances beginning of year	65,271	429,712	(593,756)	439,626	845,376
Cash balances end of year	<u>\$ (214,922)</u>	<u>\$ 534,227</u>	<u>\$ (910,995)</u>	<u>\$ 665,518</u>	<u>\$ 782,608</u>
<b>Cash Basis Fund Balances</b>					
Reserved:					
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:					
General fund	(214,922)	-	-	-	-
Special revenue funds	-	534,227	(910,995)	665,518	782,608
Capital projects funds	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	<u>\$ (214,922)</u>	<u>\$ 534,227</u>	<u>\$ (910,995)</u>	<u>\$ 665,518</u>	<u>\$ 782,608</u>

See notes to financial statements.

Police Retirement	Fire Retirement	Mary Garvey	Debt Service General Obligation Bonds/Notes	Permanent Cemetery Perpetual Care	Other Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 488,652	\$ -	\$ 446,908	\$ 3,796,109
-	-	-	-	-	-	1,190,644
-	-	-	-	-	119,253	978,839
-	-	-	-	-	-	259,406
13,825	8,526	11,371	11,800	-	64,668	211,846
-	-	-	-	-	724,742	1,949,177
-	-	-	-	-	117,766	251,684
-	-	-	-	-	125,788	134,388
-	-	63,305	305,986	4,766	637,069	1,310,694
13,825	8,526	74,676	806,438	4,766	2,236,194	10,082,787
-	-	-	-	-	472,096	3,101,989
-	-	-	-	-	160,336	1,388,806
-	-	-	-	-	33,282	70,782
-	-	10,000	-	-	299,818	1,382,628
-	-	-	-	-	48,500	125,592
-	-	-	-	-	65,276	619,701
-	-	-	3,203,044	-	-	3,383,044
-	-	-	-	-	1,674,348	1,674,348
-	-	10,000	3,203,044	-	2,753,656	11,746,890
13,825	8,526	64,676	(2,396,606)	4,766	(517,462)	(1,664,103)
-	-	-	895,967	-	480,000	1,375,967
-	-	-	1,684,500	-	500,450	2,349,202
(91,525)	(84,480)	(187,000)	-	-	(354,700)	(2,369,922)
(91,525)	(84,480)	(187,000)	2,580,467	-	625,750	1,355,247
(77,700)	(75,954)	(122,324)	183,861	4,766	108,288	(308,856)
1,050,921	570,755	801,313	162,330	406,022	332,606	4,510,176
\$ 973,221	\$ 494,801	\$ 678,989	\$ 346,191	\$ 410,788	\$ 440,894	\$ 4,201,320
\$ -	\$ -	\$ -	\$ 346,191	\$ -	\$ 304,333	\$ 650,524
-	-	-	-	-	79,760	(135,162)
973,221	494,801	678,989	-	-	(123,637)	3,094,732
-	-	-	-	-	180,438	180,438
-	-	-	-	410,788	-	410,788
\$ 973,221	\$ 494,801	\$ 678,989	\$ 346,191	\$ 410,788	\$ 440,894	\$ 4,201,320

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2005**

**Exhibit C**

	Enterprise Funds			
	Water	Sewer	Non-Major Storm Water	Total
Operating receipts:				
Use of money and property	\$ 83,626	\$ 59,763	\$ -	\$ 143,389
Charges for services	2,097,707	1,659,325	195,142	3,952,174
Total operating receipts	<u>2,181,333</u>	<u>1,719,088</u>	<u>195,142</u>	<u>4,095,563</u>
Operating disbursements:				
Business-type activities	1,350,041	959,103	1,174	2,310,318
Total operating disbursements	<u>1,350,041</u>	<u>959,103</u>	<u>1,174</u>	<u>2,310,318</u>
Excess of operating receipts over operating disbursements	831,292	759,985	193,968	1,785,245
Non-operating disbursements:				
Debt service	(636,285)	(646,685)	-	(1,282,970)
Excess of receipts over disbursements	195,007	113,300	193,968	502,275
Other financing sources (uses):				
Operating transfers in	156,624	59,880	-	216,504
Operating transfers out	(21,049)	(16,767)	(157,968)	(195,784)
Total other financing sources (uses)	<u>135,575</u>	<u>43,113</u>	<u>(157,968)</u>	<u>20,720</u>
Net change in cash balances	330,582	156,413	36,000	522,995
Cash balances beginning of year	<u>1,880,218</u>	<u>1,028,860</u>	<u>48,686</u>	<u>2,957,764</u>
Cash balances end of year	<u>\$ 2,210,800</u>	<u>\$ 1,185,273</u>	<u>\$ 84,686</u>	<u>\$ 3,480,759</u>
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	\$ 980,534	\$ 726,863	\$ -	\$ 1,707,397
Customer deposits	100,410	-	-	100,410
Unreserved	<u>1,129,856</u>	<u>458,410</u>	<u>84,686</u>	<u>1,672,952</u>
Total cash basis fund balances	<u>\$ 2,210,800</u>	<u>\$ 1,185,273</u>	<u>\$ 84,686</u>	<u>\$ 3,480,759</u>

See notes to financial statements.

CITY OF BOONE

Exhibit D

Statement of Cash Receipts, Disbursements and Changes in Cash Balances

Fiduciary Funds

As of and for the year ended June 30, 2005

	Private Purpose Trusts			
	Johnny Appleseed	Miles of Lights	Swim Team	Fireworks
Receipts:				
Miscellaneous	\$ 13,308	\$ 3,140	\$ 5,271	\$ 1,045
Total receipts	13,308	3,140	5,271	1,045
Disbursements:				
Culture and recreation	18,156	-	5,568	2,500
Community and economic development	-	1,966	-	-
Total disbursements	18,156	1,966	5,568	2,500
Excess (deficiency) of receipts over (under) disbursements	(4,848)	1,174	(297)	(1,455)
Cash balances beginning of year	1,691	1,870	4,111	4,701
Cash balances end of year	\$ (3,157)	\$ 3,044	\$ 3,814	\$ 3,246
<b>Cash Basis Fund Balances</b>				
Reserved:				
Private purpose trust funds	\$ (3,157)	\$ 3,044	\$ 3,814	\$ 3,246
Total cash basis fund balances	\$ (3,157)	\$ 3,044	\$ 3,814	\$ 3,246

See notes to financial statements.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2005**

**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 units are entities which are legally separate from the City, but are so intertwined with the City that they are, in substance part of the City. However, the financial transactions of these component units 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.

The Boone City Parks Foundation has been incorporated under Chapter 504A of the Code of Iowa to serve as a catalyst for community betterment and continue the tradition of fine Boone parks by supplementing the City's limited funding.

**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, 2005**

**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, 2005**

**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 Police and Fire Retirement Funds are used to account for employee benefits for firemen and policemen.

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 fund:

The 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, 2005**

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, 2005 disbursements exceeded the amounts budgeted in the health and social services, general government, and debt service functions.

**Note 2 – Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005, 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 at June 30, 2005, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government and Agencies Securities	\$ 1,302,017	\$1,293,399
Certificates of Deposit	2,827,475	2,827,475
Money Market Accounts	<u>3,760</u>	<u>3,760</u>
	<u>\$4,133,252</u>	<u>\$4,124,634</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$64,910 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Inherent Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit Risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2005**

**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	General Obligation Bonds		General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,								
2006	575,000	98,707	825,000	261,877	79,062	10,037	275,000	46,893
2007	615,000	73,307	860,000	227,262	81,116	6,110	155,000	29,350
2008	330,000	45,770	900,000	200,277	40,114	2,071	160,000	20,050
2009	240,000	31,640	925,000	170,360	-	-	170,000	10,370
2010	250,000	21,680	950,000	138,865	-	-	-	-
2011	260,000	11,180	905,000	105,385	-	-	-	-
2012	-	6,625	770,000	74,310	-	-	-	-
2013	-	-	505,000	46,670	-	-	-	-
2014	-	-	280,000	28,543	-	-	-	-
2015	-	-	290,000	18,997	-	-	-	-
2016	-	-	245,000	8,820	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
Total	<u>\$ 2,270,000</u>	<u>\$ 288,909</u>	<u>\$ 7,455,000</u>	<u>\$ 1,281,366</u>	<u>\$ 200,292</u>	<u>\$ 18,218</u>	<u>\$ 760,000</u>	<u>\$ 106,663</u>

Year Ending	Water Revenue Bonds		Sewer Revenue Capital Loan Notes		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,						
2006	355,000	280,370	422,000	220,407	2,531,062	918,291
2007	370,000	264,040	440,000	202,082	2,521,116	802,151
2008	385,000	247,020	458,000	182,968	2,273,114	698,156
2009	405,000	229,310	457,000	163,063	2,197,000	604,743
2010	425,000	210,680	477,000	143,016	2,102,000	514,241
2011	445,000	191,130	498,000	122,091	2,108,000	429,786
2012	465,000	170,660	520,000	100,244	1,755,000	351,839
2013	480,000	149,270	543,000	77,434	1,528,000	273,374
2014	505,000	127,190	567,000	53,613	1,352,000	209,346
2015	525,000	103,960	592,000	28,740	1,407,000	151,697
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>\$ 6,095,000</u>	<u>\$ 2,136,010</u>	<u>\$ 5,035,000</u>	<u>\$ 1,296,427</u>	<u>\$ 21,815,292</u>	<u>\$ 5,127,594</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, during the year, \$23,313 of general obligation bond principal was paid from the Special Revenue Fund.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2005**

**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 24.92% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ending June 30, 2005, 2004 and 2003 were \$341,331, \$264,864, and \$213,046, respectively, which met the required minimum contribution for each year.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2005**

**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, 2005, 2004, and 2003 were \$120,373, \$111,796, and \$111,408, 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, 2005, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 167,000
Sick leave	<u>922,000</u>
Total	<u>\$1,089,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

**Note 6 – Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$32,093 during the year ended June 30, 2005.

**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 \$6,854,000 is outstanding at June 30, 2005. 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, 2005**

**Note 8 – Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund: General	Special Revenue: Unfunded Liability	\$ 13,189
	Capital Projects: Project Fund	<u>1,063</u>
		\$ <u>14,252</u>
Special Revenue: Group Insurance	Special Revenue: Local Option Tax	\$ 150,000
Special Revenue: Employee Benefit	Special Revenue: Police Retirement	91,525
	Fire Retirement	<u>84,480</u>
		\$ <u>326,005</u>
Debt Service: General Obligation Bonds/Notes	Special Revenue: Local Option Sales Tax	\$ 293,225
	Tax Increment Financing	1,144,822
	Debt Service: Special Assessment Bonds	88,485
	Enterprise: Storm Water	<u>157,968</u>
		\$ <u>1,684,500</u>
Capital Projects: Street/FRC Projects	Special Revenue: Mary Garvey	\$ <u>187,000</u>
Capital Projects: Westwood Addition	Special Revenue: Road Use Tax	\$ 64,170
	Enterprise: Water	21,049
	Sewer	<u>16,767</u>
		\$ <u>101,986</u>
Capital Projects: Tennis Courts	Capital Projects: Project Fund	\$ <u>35,459</u>
Enterprise Fund: Water	Capital Projects: Project Fund	\$ 156,624
Enterprise Fund: Sewer	Capital Projects: Project Fund	<u>59,880</u>
		\$ <u>216,504</u>
Total		\$ <u>2,565,706</u>

**Note 9 – Health Insurance Program**

Effective July 1, 2004, the City changed to a fully-funded health insurance program. At June 30, 2005, the City of Boone Special Revenue Fund, Group Insurance Account had a deficit balance of \$910,995.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2005**

**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 509 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, 2005 were \$192,436.

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. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, 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, 2005, 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, 2005**

**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, 2005, the City had deficit balances in the following accounts:

General Fund:	
General	\$ (214,922)
Special Revenue:	
Group Insurance	(910,995)
Employee Benefits	(189,990)
Unfunded Liability	(25,156)
Emergency	(54,143)
Capital Projects:	
Airport Expansion	(147,014)
Street/FRC Projects	(79,552)
Westwood Addition 3	(101,363)
South Story	(154,041)
Railroad Project	(60,089)
Miscellaneous	(44,836)

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 general fund and the special revenue fund deficits will be addressed on an ongoing basis.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2005**

**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, 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, 2005 are as follows:

Year Ending June 30,	Boone Golf Estates	1998 Boone Tanning	Boone Tanning	PDM	HyVee	Swan Creek
2006	\$ 125,801	\$ 12,250	\$ 41,908	\$ 3,047	\$ 52,987	\$ 3,965
2007	62,901	-	-	-	-	-
2008	62,901	-	-	-	-	-
2009	62,901	-	-	-	-	-
2010	62,901	-	-	-	-	-
2011	62,901	-	-	-	-	-
2012	62,901	-	-	-	-	-
2013	62,901	-	-	-	-	-
Total principal & interest	566,108	12,250	41,908	3,047	52,987	3,965
Less interest	134,791	-	726	22	338	54
Total principal	<u>\$ 431,317</u>	<u>\$ 12,250</u>	<u>\$ 41,182</u>	<u>\$ 3,025</u>	<u>\$ 52,649</u>	<u>\$ 3,911</u>

Year Ending June 30,	Specialty Leather	Composite Technologies	AMPC	AMPC	Boone's Future	Downtown Athletic Club	Total
2006	\$ 11,589	\$ 58,615	\$ 5,795	\$ 26,651	\$ -	\$ 2,333	\$ 344,941
2007	11,589	58,615	5,795	26,651	140,739	2,333	308,623
2008	9,656	58,615	5,795	26,651	-	1,167	164,785
2009	-	58,615	4,346	15,545	-	-	141,407
2010	-	58,615	-	-	-	-	121,516
2011	-	-	-	-	-	-	62,901
2012	-	-	-	-	-	-	62,901
2013	-	-	-	-	-	-	62,901
Total principal & interest	32,834	293,075	21,731	95,498	140,739	5,833	1,269,975
Less interest	1,411	24,636	1,204	5,060	-	-	168,242
Total principal	<u>\$ 31,423</u>	<u>\$ 268,439</u>	<u>\$ 20,527</u>	<u>\$ 90,438</u>	<u>\$ 140,739</u>	<u>\$ 5,833</u>	<u>\$ 1,101,733</u>

At June 30, 2005, two of the loan agreements were in arrears. The Boone Tanning Co. is in arrears on two loans totaling \$53,432. The City is working with the company to resolve these issues. Should the company default, the City would potentially lose \$53,432.

**CITY OF BOONE**  
**Notes to Financial Statements**  
**June 30, 2005**

**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, 2005, disbursements in the health and social services, general government, and debt service 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, 2005, the City rebated \$50,353 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, 2005**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 3,796,109	\$ -	\$ 3,796,109
Tax increment financing collections	1,190,644	-	1,190,644
Other city tax	978,839	-	978,839
Licenses and permits	259,406	-	259,406
Use of money and property	211,846	143,389	355,235
Intergovernmental	1,949,177	-	1,949,177
Charges for services	251,684	3,952,174	4,203,858
Special assessments	134,388	-	134,388
Miscellaneous	1,310,694	-	1,310,694
Total receipts	<u>10,082,787</u>	<u>4,095,563</u>	<u>14,178,350</u>
Disbursements:			
Public safety	3,101,989	-	3,101,989
Public works	1,388,806	-	1,388,806
Health and social services	70,782	-	70,782
Culture and recreation	1,382,628	-	1,382,628
Community and economic development	125,592	-	125,592
General government	619,701	-	619,701
Debt service	3,383,044	-	3,383,044
Capital projects	1,674,348	-	1,674,348
Business-type activities	-	3,593,288	3,593,288
Total disbursements	<u>11,746,890</u>	<u>3,593,288</u>	<u>15,340,178</u>
Excess (deficiency) of receipts over disbursements	(1,664,103)	502,275	(1,161,828)
Other financing sources, net	1,355,247	20,720	1,375,967
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(308,856)	522,995	214,139
Balances beginning of year	<u>4,510,176</u>	<u>2,957,764</u>	<u>7,467,940</u>
Balances end of year	<u>\$ 4,201,320</u>	<u>\$ 3,480,759</u>	<u>\$ 7,682,079</u>

See accompanying independent auditors' report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 3,597,059	\$ 3,597,059	\$ 199,050
1,316,802	1,316,802	(126,158)
1,050,707	1,050,707	(71,868)
220,850	220,850	38,556
123,850	178,069	177,166
2,993,150	2,146,932	(197,755)
5,341,305	5,341,305	(1,137,447)
2,000	124,000	10,388
738,900	738,900	571,794
<u>15,384,623</u>	<u>14,714,624</u>	<u>(536,274)</u>
3,340,013	3,351,738	249,749
1,383,749	1,723,864	335,058
36,500	37,500	(33,282)
1,338,902	1,419,861	37,233
93,000	173,417	47,825
370,795	568,031	(51,670)
2,330,834	2,330,834	(1,052,210)
5,125,000	2,588,000	913,652
4,079,430	4,079,430	486,142
<u>18,098,223</u>	<u>16,272,675</u>	<u>932,497</u>
(2,713,600)	(1,558,051)	396,223
<u>1,232,180</u>	<u>604,147</u>	<u>771,820</u>
(1,481,420)	(953,904)	1,168,043
<u>6,394,449</u>	<u>5,921,567</u>	<u>1,546,373</u>
<u>\$ 4,913,029</u>	<u>\$ 4,967,663</u>	<u>\$ 2,714,416</u>

## **CITY OF BOONE**

### **Required Supplementary Information**

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

**June 30, 2005**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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 Internal Service Funds and Fiduciary 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 Funds, 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 decreased budgeted disbursements by \$1,369,695 and budgeted revenues by \$842,179. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the health and social services, general government, and debt service 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, 2005**

	General					
	Recreation	Hotel/Motel Tax	Family Resource	Landfill	Employee Benefit	Unfunded Liability
Receipts:						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ 422,751	\$ 24,157
Other city tax	-	119,253	-	-	-	-
Use of money and property	-	-	59,955	1,998	-	-
Intergovernmental	10,000	-	-	-	-	-
Charges for services	55,844	-	-	61,922	-	-
Special assessments	-	-	-	-	-	-
Miscellaneous	20,000	-	-	-	-	-
Total receipts	<u>85,844</u>	<u>119,253</u>	<u>59,955</u>	<u>63,920</u>	<u>422,751</u>	<u>24,157</u>
Disbursements:						
Governmental activities:						
Public safety	-	-	-	-	461,217	-
Public works	-	-	-	64,179	96,157	-
Health and social services	-	-	-	-	-	-
Culture and recreation	85,475	46,461	-	-	109,438	32,577
Community and economic development	-	48,500	-	-	-	-
General government	-	-	50,031	-	15,245	-
Capital projects	-	-	-	-	-	-
Total disbursements	<u>85,475</u>	<u>94,961</u>	<u>50,031</u>	<u>64,179</u>	<u>682,057</u>	<u>32,577</u>
Excess (deficiency) of receipts over (under) disbursements:	<u>369</u>	<u>24,292</u>	<u>9,924</u>	<u>(259)</u>	<u>(259,306)</u>	<u>(8,420)</u>
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	-
Operating transfers in	-	-	-	-	176,005	-
Operating transfers out	-	-	-	-	-	(13,189)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,005</u>	<u>(13,189)</u>
Net change in cash balances	369	24,292	9,924	(259)	(83,301)	(21,609)
Cash balances beginning of year	<u>12,636</u>	<u>136</u>	<u>-</u>	<u>32,662</u>	<u>(106,689)</u>	<u>(3,547)</u>
Cash balances end of year	<u>\$ 13,005</u>	<u>\$ 24,428</u>	<u>\$ 9,924</u>	<u>\$ 32,403</u>	<u>\$ (189,990)</u>	<u>\$ (25,156)</u>
<b>Cash Basis Fund Balances</b>						
Reserved						
Debt service fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:						
General funds	13,005	24,428	9,924	32,403	-	-
Special revenue funds	-	-	-	-	(189,990)	(25,156)
Capital projects funds	-	-	-	-	-	-
Total cash basis fund balances	<u>\$ 13,005</u>	<u>\$ 24,428</u>	<u>\$ 9,924</u>	<u>\$ 32,403</u>	<u>\$ (189,990)</u>	<u>\$ (25,156)</u>

See accompanying independent auditors' report.

Emergency	Special Revenue					Debt Service		Capital Projects										Total			
	YSS Grant	Police Trust	Fire Trust	Library Trust	Park Trust	Special Assessment Bonds	Airport Expansion	Street Resurfacing	Grant Projects	Street/FRC Projects	Westwood Addition 3	South Story	Railroad Project	City Hall Elevator	Tennis Courts	Miscellaneous Projects					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 446,908
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119,253
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	64,668
-	33,282	-	-	-	-	-	-	118,000	-	102,018	-	-	437,222	-	-	-	-	-	22,720	-	724,742
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	117,766
-	-	-	-	-	-	125,788	-	-	-	-	-	-	-	-	-	-	-	-	-	-	125,788
-	-	19,164	5,409	11,933	6,115	-	-	-	-	560,448	-	-	-	-	14,000	-	-	-	-	-	637,069
-	33,282	19,164	5,409	11,933	6,115	125,788	118,000	-	102,018	564,663	-	-	437,222	-	14,000	22,720	-	-	-	-	2,236,194
-	-	7,694	3,185	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	472,096
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160,336
-	33,282	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,282
-	-	-	-	22,767	3,100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	299,818
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,500
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65,276
-	-	-	-	-	-	-	54,243	-	1,307	678,977	193,665	127,765	497,311	5,003	16,774	99,303	-	-	-	-	1,674,348
-	33,282	7,694	3,185	22,767	3,100	-	54,243	-	1,307	678,977	193,665	127,765	497,311	5,003	16,774	99,303	-	-	-	-	2,753,656
-	-	11,470	2,224	(10,834)	3,015	125,788	63,757	-	100,711	(114,314)	(193,665)	(127,765)	(60,089)	(5,003)	(2,774)	(76,583)	-	-	-	-	(517,462)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	265,000	215,000	-	-	-	-	-	480,000
-	-	-	-	-	-	-	-	-	-	187,000	101,986	-	-	-	35,459	-	-	-	-	-	500,450
-	-	-	-	-	-	(88,485)	-	-	-	-	-	-	-	-	-	(253,026)	-	-	-	-	(354,700)
-	-	-	-	-	-	(88,485)	-	-	-	187,000	101,986	-	-	265,000	250,459	(253,026)	-	-	-	-	625,750
-	-	11,470	2,224	(10,834)	3,015	37,303	63,757	-	100,711	72,686	(91,679)	(127,765)	(60,089)	259,997	247,685	(329,609)	-	-	-	-	108,288
(54,143)	-	47,029	14,326	69,837	8,585	267,030	(210,771)	213,448	(54,508)	(152,238)	(9,684)	(26,276)	-	-	-	284,773	-	-	-	-	332,606
\$ (54,143)	\$ -	\$ 58,499	\$ 16,550	\$ 59,003	\$ 11,600	\$ 304,333	\$ (147,014)	\$ 213,448	\$ 46,203	\$ (79,552)	\$ (101,363)	\$ (154,041)	\$ (60,089)	\$ 259,997	\$ 247,685	\$ (44,836)	\$ -	\$ -	\$ -	\$ -	\$ 440,894
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 304,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 304,333
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	79,760
(54,143)	-	58,499	16,550	59,003	11,600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(123,637)
-	-	-	-	-	-	-	(147,014)	213,448	46,203	(79,552)	(101,363)	(154,041)	(60,089)	259,997	247,685	(44,836)	-	-	-	-	180,438
\$ (54,143)	\$ -	\$ 58,499	\$ 16,550	\$ 59,003	\$ 11,600	\$ 304,333	\$ (147,014)	\$ 213,448	\$ 46,203	\$ (79,552)	\$ (101,363)	\$ (154,041)	\$ (60,089)	\$ 259,997	\$ 247,685	\$ (44,836)	\$ -	\$ -	\$ -	\$ -	\$ 440,894

**CITY OF BOONE**  
**Schedule of Indebtedness**  
**Year Ended June 30, 2005**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
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			
General obligation notes:			
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	4.84	21,400
Capital loan note	July 2002	3.45 - 3.70	2,000,000
Capital loan note	July 2002	3.27	28,000
Capital loan note	January 2003	2.10 - 3.90	1,900,000
Capital loan note	October 2003	1.25 - 3.60	2,400,000
Capital loan note	March 2005	2.30 - 3.55	1,380,000
Total			
Urban renewal tax increment financing bonds:			
(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			
Urban renewal tax increment financing notes:			
(TIF) revenue note	March 2000	5.50 %	\$ 326,867
(TIF) revenue note	February 2002	4.50	380,000
Total			
Revenue bonds:			
Water	August 1998	4.60 %	\$ 8,000,000
Revenue notes:			
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
\$ 1,025,000	\$ -	\$ 1,025,000	\$ -	\$ 46,945	\$ -
830,000	-	255,000	575,000	38,225	-
370,000	-	85,000	285,000	17,125	-
1,615,000	-	205,000	1,410,000	66,900	-
<b>\$ 3,840,000</b>	<b>\$ -</b>	<b>\$ 1,570,000</b>	<b>\$ 2,270,000</b>	<b>\$ 169,195</b>	<b>\$ -</b>
\$ 430,000	\$ -	\$ 65,000	\$ 365,000	\$ 21,675	\$ -
105,000	-	105,000	-	5,092	-
8,208	-	8,208	-	405	-
1,900,000	-	185,000	1,715,000	69,660	-
14,225	-	14,225	-	474	-
1,900,000	-	205,000	1,695,000	60,390	-
2,400,000	-	100,000	2,300,000	129,150	-
-	1,380,000	-	1,380,000	-	-
<b>\$ 6,757,433</b>	<b>\$ 1,380,000</b>	<b>\$ 682,433</b>	<b>\$ 7,455,000</b>	<b>\$ 286,846</b>	<b>\$ -</b>
\$ 135,000	\$ -	\$ 65,000	\$ 70,000	\$ 11,213	\$ -
115,000	-	55,000	60,000	5,750	-
185,000	-	185,000	-	11,563	-
765,000	-	135,000	630,000	45,943	-
<b>\$ 1,200,000</b>	<b>\$ -</b>	<b>\$ 440,000</b>	<b>\$ 760,000</b>	<b>\$ 74,469</b>	<b>\$ -</b>
172,878	-	70,484	102,394	9,516	-
189,366	-	91,468	97,898	8,532	-
<b>\$ 362,244</b>	<b>\$ -</b>	<b>\$ 161,952</b>	<b>\$ 200,292</b>	<b>\$ 18,048</b>	<b>\$ -</b>
\$ 6,435,000	\$ -	\$ 340,000	\$ 6,095,000	\$ 296,010	\$ -
\$ 4,778,000	\$ -	\$ 348,000	\$ 4,430,000	\$ 208,799	\$ -
583,000	-	38,000	545,000	26,468	-
80,000	-	20,000	60,000	2,737	-
<b>\$ 5,441,000</b>	<b>\$ -</b>	<b>\$ 406,000</b>	<b>\$ 5,035,000</b>	<b>\$ 238,004</b>	<b>\$ -</b>

**CITY OF BOONE**  
**Bond and Note Maturities**  
**June 30, 2005**

General Obligation Bonds							
Year Ending June 30,	Refunding Bonds		Essential Corporate Purpose		Essential Corporate Purpose		Total G.O. Bonds
	Issued Nov 1, 1997		Issued Nov 1, 1997		Issued Dec 1, 1998		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2006	4.60%	275,000	4.60%	90,000	4.10%	210,000	575,000
2007	4.70%	300,000	4.65%	95,000	4.10%	220,000	615,000
2008	-	-	4.70%	100,000	4.10%	230,000	330,000
2009	-	-	-	-	4.15%	240,000	240,000
2010	-	-	-	-	4.20%	250,000	250,000
2011	-	-	-	-	4.30%	260,000	260,000
2012	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
Total		<u>\$ 575,000</u>		<u>\$ 285,000</u>		<u>\$ 1,410,000</u>	<u>\$ 2,270,000</u>

Urban Renewal Tax Increment Financing (TIF) Bonds							
Year Ending June 30,	Revenue Bonds		Revenue Bonds		Revenue Bonds		Total TIF Revenue Bonds
	Issued May 1, 1995		Issued Aug 1, 1995		Issued April 1, 1999		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
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>\$ 70,000</u>		<u>\$ 60,000</u>		<u>\$ 630,000</u>	<u>\$ 760,000</u>

See accompanying independent auditors' report

**CITY OF BOONE**  
**Bond and Note Maturities**  
**June 30, 2005**

General Obligation Notes													
Year Ending June 30,	Capital Loan Note Issued May 1, 2000		Capital Loan Note Issued July 1, 2002		Capital Loan Note Issued January 1, 2003		Capital Loan Note Issued October 1, 2003		Capital Loan Note Issued March 1, 2005		Total		
	Interest		Interest		Interest		Interest		Interest		G.O. Notes		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount			
2006	4.95%	65,000	3.60%	215,000	2.40%	190,000	3.00%	180,000	2.30%	175,000	825,000		
2007	5.00%	70,000	3.60%	220,000	2.70%	195,000	3.00%	185,000	2.50%	190,000	860,000		
2008	5.05%	75,000	3.70%	230,000	3.00%	205,000	3.30%	190,000	2.60%	200,000	900,000		
2009	5.10%	75,000	3.70%	240,000	3.15%	210,000	3.30%	195,000	2.80%	205,000	925,000		
2010	5.20%	80,000	3.70%	250,000	3.50%	215,000	3.30%	200,000	2.90%	205,000	950,000		
2011	-	-	3.70%	265,000	3.60%	225,000	3.30%	205,000	3.05%	210,000	905,000		
2012	-	-	3.70%	275,000	3.80%	235,000	3.30%	215,000	3.20%	45,000	770,000		
2013	-	-	-	-	3.90%	240,000	3.30%	220,000	3.35%	45,000	505,000		
2014	-	-	-	-	-	-	3.40%	230,000	3.45%	50,000	280,000		
2015	-	-	-	-	-	-	3.50%	235,000	3.55%	55,000	290,000		
2016	-	-	-	-	-	-	3.60%	245,000	-	-	245,000		
Total		<u>\$ 365,000</u>		<u>\$ 1,695,000</u>		<u>\$ 1,715,000</u>		<u>\$ 2,300,000</u>		<u>\$ 1,380,000</u>		<u>\$ 7,455,000</u>	

Urban Renewal Tax Increment Financing (TIF) Notes					Revenue Bonds			Revenue Notes						
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		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 Revenue Notes
	Interest		Interest			Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount		Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2006	4.50%	42,222	5.50%	36,840	79,062	4.60%	355,000	4.37%	363,000	4.54%	39,000	3.43%	20,000	422,000
2007	4.50%	42,222	5.50%	38,894	81,116	4.60%	370,000	4.37%	379,000	4.54%	41,000	3.43%	20,000	440,000
2008	4.50%	13,454	5.50%	26,660	40,114	4.60%	385,000	4.37%	395,000	4.54%	43,000	3.43%	20,000	458,000
2009	-	-	-	-	-	4.60%	405,000	4.37%	412,000	4.54%	45,000	-	-	457,000
2010	-	-	-	-	-	4.60%	425,000	4.37%	430,000	4.54%	47,000	-	-	477,000
2011	-	-	-	-	-	4.60%	445,000	4.37%	449,000	4.54%	49,000	-	-	498,000
2012	-	-	-	-	-	4.60%	465,000	4.37%	469,000	4.54%	51,000	-	-	520,000
2013	-	-	-	-	-	4.60%	480,000	4.37%	489,000	4.54%	54,000	-	-	543,000
2014	-	-	-	-	-	4.60%	505,000	4.37%	511,000	4.54%	56,000	-	-	567,000
2015	-	-	-	-	-	4.60%	525,000	4.37%	533,000	4.54%	59,000	-	-	592,000
2016	-	-	-	-	-	4.60%	550,000	-	-	4.54%	61,000	-	-	61,000
2017	-	-	-	-	-	4.60%	575,000	-	-	-	-	-	-	-
2018	-	-	-	-	-	4.60%	610,000	-	-	-	-	-	-	-
Total		<u>\$ 97,898</u>		<u>\$ 102,394</u>	<u>\$ 200,292</u>		<u>\$ 6,095,000</u>		<u>\$ 4,430,000</u>		<u>\$ 545,000</u>		<u>\$ 60,000</u>	<u>\$ 5,035,000</u>

See accompanying independent auditors' report

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

Schedule 4

For the Last Four Years

	2005	2004	2003	2002
Receipts:				
Property and other City tax	\$ 4,774,948	\$ 4,822,424	\$ 4,824,290	\$ 4,300,708
Tax increment financing collections	1,190,644	784,772	738,568	683,035
Licenses and permits	259,406	167,825	110,116	185,052
Use of money and property	211,846	171,036	204,520	233,431
Intergovernmental	1,949,177	2,203,323	2,938,219	1,694,558
Charges for services	251,684	339,631	267,432	363,739
Special assessments	134,388	124,133	155,170	63,160
Miscellaneous	1,310,694	973,563	927,502	1,083,810
Total	<u>10,082,787</u>	<u>9,586,707</u>	<u>10,165,817</u>	<u>8,607,493</u>
Disbursements:				
Public safety	3,101,989	3,155,998	2,936,400	2,685,477
Public works	1,388,806	1,541,326	1,728,234	1,582,931
Health and social services	70,782	36,500	50,000	41,100
Culture and recreation	1,382,628	1,336,061	1,540,762	1,277,976
Community and economic development	125,592	140,738	428,071	259,280
General government	619,701	587,278	551,306	573,372
Debt service	3,383,044	2,084,019	1,548,749	1,703,082
Capital projects	1,674,348	3,627,330	4,418,889	1,653,933
Total	<u>\$ 11,746,890</u>	<u>\$ 12,509,250</u>	<u>\$ 13,202,411</u>	<u>\$ 9,777,151</u>

See accompanying independent auditors' report.

**CITY OF BOONE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

**Schedule 5**

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
<b>U.S. Department of Transportation</b>			
Federal Aviation Administration: Install Airfield Guidance Signs	20.106	3-19-0009-07	\$ 45,722
Federal Highway Administration: Pass-Through Program From: Iowa Department of Transportation: STP Enhancement Funds	20.205	STP-ES-750(612)--8I-08	\$ 497,000
National Highway Traffic Safety Administration Pass-Through Program From: Department of Public Safety: Governor's Traffic Safety Bureau	20.605	PAP 05-163 Task 06	\$ 2,963
Total U.S. Department of Transportation			<u>\$ 545,685</u>
<b>U.S Department of Justice</b>			
Pass-Through Program From: Governor's Office of Drug Control Policy: Edward Byrne Justice Assistance Grant	16.579	05JAG-E37	<u>\$ 33,282</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	\$ 1,500
Community Development Block Grants/State's Program	14.228	04-HSG-071	<u>\$ 10,800</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 12,300</u>
Total			<u><u>\$ 591,267</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.

See accompanying independent auditors' report.

**CITY OF BOONE**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2005**

Comment Reference	Comment Title	Status	If not corrected, planned corrective action or other explanation
III-A-04	Segregation of Duties Over Federal Revenues	Not Corrected	Plan to review control procedures to obtain the maximum internal control possible under the existing circumstances.

**PETERSON & HOUSTON, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

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, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 2, 2005. 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 applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 opinions on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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-05, II-B-05, and II-D-05 are material weaknesses.

## Compliance and Other Matters

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 grant agreements, 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 or other matters 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, 2005 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.

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.

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 2, 2005

**PETERSON & HOUSTON, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

724 Story Street, Suite 601

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(515) 432-1186

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance in Accordance with  
OMB Circular A-133

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, 2005. 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 grant agreements 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, 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 OMB Circular A-133 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, 2005.

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 grant agreements 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 grant agreements. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable 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 grant agreements caused by error or fraud 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-05 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.

A handwritten signature in cursive script, appearing to read "Peterson & Houston, P.C.", written in dark ink.

Peterson & Houston, P.C.  
Boone, Iowa

December 2, 2005

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

**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 20.205 – Highway Planning and Construction.
- (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, 2005**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were required to be reported.

**REPORTABLE CONDITIONS:**

II-A-05     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-05     Review of Reconciliations – Monthly reconciliations of the Clerk’s balances to the bank accounts and investments did not have any evidence of review by an independent person.

Recommendation – To improve financial accountability and control, the monthly reconciliations should be reviewed by an independent person and evidence of this review should be documented.

Response – We will perform an independent review of the reconciliations on a timely basis and initial.

Conclusion – Response accepted.

II-C-05     Information Systems – The City does not have a disaster recovery plan.

Recommendation – The City should develop a written disaster recovery plan.

Response – We will develop a written policy.

Conclusion - Response accepted.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

II-D-05     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.

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 20.205: Highway Planning and Construction  
Pass Through Agency Number: STP-ES-750(612)—8I-08  
Federal Award Year: 2005  
Department of Transportation  
Passed through the Iowa Department of Transportation

III-A-05     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-05.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

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

IV-A-05 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, 2005.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the health and social services, general government, and debt service 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-05 Unsupported Expenditures – One disbursement was noted that did not have supporting documentation to substantiate the request for payment being submitted. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Engineering Alliance	Engineering Services	\$15,818

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-D-05 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

IV-E-05 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	\$13,520
Darci Newcomb, Employee	Swimming Lessons	1,600
Steven Platter, Employee Owner of Platter Masonry	Repair Services	958
Kevin Beaman, Employee	Repairs, services	2,415
John Slight, Mayor Part-Owner of S&H Motors	Vehicle	13,600

The transactions with Phipps and Beaman do not appear to represent a conflict of interest since they were 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 Platter does not appear to represent a conflict of interest since the total transaction with the individual was less than \$1,500 during the fiscal year.

The transaction with Slight may be a conflict of interest.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will contact its legal counsel.

Conclusion – Response accepted.

IV-F-05 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.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

IV-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council went into closed session on numerous occasions during the year. However, the minutes record did not always document the proper procedures regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open meetings law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

Response – Closed sessions will be documented as required in the future.

Conclusion – Response accepted.

IV-H-05 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-I-05 Financial Condition – At June 30, 2005 the City had deficit balances in the following accounts:

General Fund:	
General	\$ (214,922)
Special Revenue:	
Group Insurance	(910,995)
Employee Benefits	(189,990)
Unfunded Liability	(25,156)
Emergency	(54,143)
Capital Projects:	
Airport Expansion	(147,014)
Street/FRC Projects	(79,552)
Westwood Addition 3	(101,363)
South Story	(154,041)
Railroad Project	(60,089)
Miscellaneous Projects	(44,836)

Recommendation – The City should evaluate the reason for these deficits and 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.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

IV-J-05     Revenue Notes and Bonds – All provisions of the water and sewer revenue bond resolutions have been met.

IV-K-05     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-L-05     General Obligation Notes – Certain general obligation notes were paid from the Special Revenue Fund rather than the Debt Service Fund.

Recommendation – Principal payments should be made from the proper fund.

Response – This will be done.

Conclusion – Response accepted.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

The following insurance policies were in force at June 30, 2005:

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

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

Statistical Information

Description	Amount
Customers served at June 30, 2005	4,952
Sewer rates in effect at June 30, 2005:	
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.

**CITY OF BOONE**  
**Corrective Action Plan for Federal Audit Findings**  
**Year Ended June 30, 2005**

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, and Phone Number	Anticipated Date of Completion
III-A-05	Segregation of Duties Over Federal Revenues	Plan to review control procedures to obtain the maximum internal control possible under the existing circumstances.	Ondrea Elmquist City of Boone Finance Officer (515) 432-4211	Ongoing

NEWS RELEASE

FOR RELEASE January 16, 2006

Peterson & Houston, P.C. today released an audit report on the City of Boone, Iowa.

The City's receipts totaled \$15,554,317 for the year ended June 30, 2005, a 3% decrease from 2004. The receipts included \$3,930,497 in property tax, \$1,190,644 in tax increment financing collections, \$4,589,744 from charges for service, \$1,188,548 from operating grants, contributions and restricted interest, \$1,291,367 from capital grants, contributions, and restricted interest, \$859,586 from local option sales tax, \$119,253 from hotel/motel tax, \$236,640 from unrestricted investment earnings, \$1,375,967 from bond/note proceeds, and \$772,071 from other general receipts.

Disbursements for the year totaled \$15,340,178, a 4% decrease from the prior year, and included \$1,674,348 for capital projects, \$3,101,989 for public safety, and \$3,383,044 for debt service. Also, disbursements for business type activities totaled \$3,593,288.

The report also contains several recommendations to the City Council and other City officials.

A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.