

CITY OF BOONE

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

JUNE 30, 2006

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CITY OF BOONE

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
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	Indefinite
Ondrea Elmquist	Treasurer/Finance Officer	Indefinite
Alan Schroeder	Attorney	Indefinite
(After January 2006)		
John L.Slight	Mayor	Jan. 2008
Shari Gillespie	Mayor Pro tem	Jan. 2008
Steven Ray	Council Member	Jan. 2008
Glen Thompson	Council Member	Jan. 2008
Nick Mallas	Council Member	Jan. 2010
Lila Kruse	Council Member	Jan. 2010
Don Batt	Council Member – Resigned June 2006	Jan. 2010
Merrill Tam	Council Member – Appointed to fill vacancy	Jan. 2008
Travis Stevenson	Council Member	Jan. 2010
Brent Trout	City Administrator	Indefinite
Ondrea Elmquist	Treasurer/Finance Officer	Indefinite
Alan Schroeder	Attorney	Indefinite

PETERSON & HOUSTON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2006, 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, 2006, 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 29, 2006 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 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain 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, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 that reads "Peterson & Houston P.C.".

Peterson & Houston, P.C.
Boone, Iowa

December 29, 2006

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, 2006. 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 \$676,000, from fiscal year 2005. The City sold fewer bonds than in fiscal year 2005.
- The City's governmental activities disbursements increased 10.9%, or approximately \$1,275,000 from fiscal year 2005. The increase is due to spending more on capital projects than the prior year.
- The City's governmental activities cash balance at June 30, 2006 decreased 53.8%, or approximately \$2,260,000 from June 30, 2005. This decrease in cash balances is smaller than the decrease estimated in the amended 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.

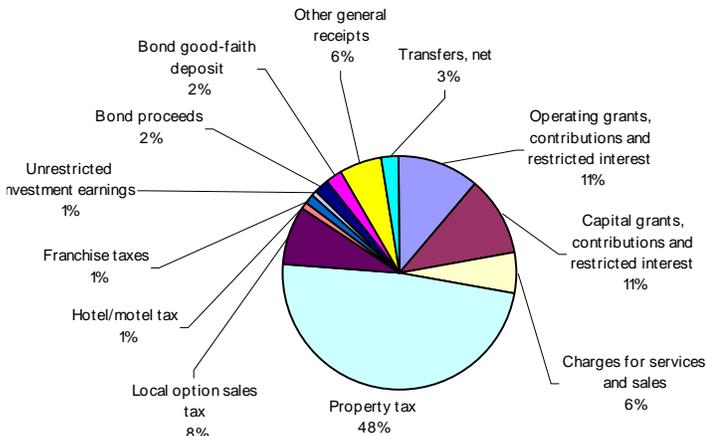
The required financial statement for fiduciary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

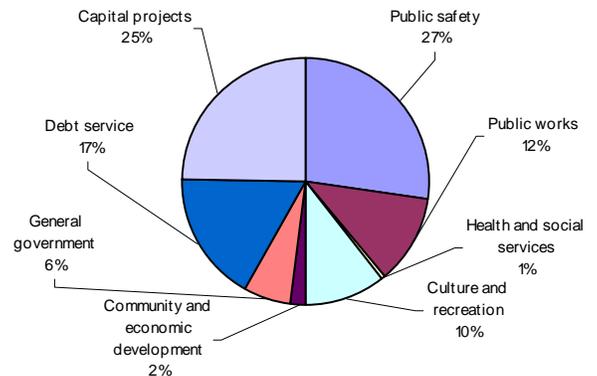
Net assets may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities decreased \$2.260 million from a year ago, from \$4.201 million to \$1.941 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2006	2005
Receipts and transfers:		
Program receipts:		
Charges for services and sales	\$ 639	638
Operating grants, contributions and restricted interest	1,229	1,188
Capital grants, contributions and restricted interest	1,197	1,291
General receipts:		
Property tax	5,207	5,121
Local option sales tax	873	860
Hotel/motel tax	126	119
Franchise taxes	152	161
Unrestricted investment earnings	71	93
Bond proceeds	233	1,376
Bond good-faith deposit	117	-
Other general receipts	637	612
Transfers, net	281	(21)
Total receipts and transfers	<u>10,762</u>	<u>11,438</u>
Disbursements:		
Public safety	3,538	3,102
Public works	1,519	1,389
Health and social services	77	71
Culture and recreation	1,360	1,383
Community and economic development	276	125
General government	800	620
Debt service	2,232	3,383
Capital projects	3,220	1,674
Total disbursements	<u>13,022</u>	<u>11,747</u>
Change in cash basis net assets	(2,260)	(309)
Cash basis net assets beginning of year	<u>4,201</u>	<u>4,510</u>
Cash basis net assets end of year	<u>\$ 1,941</u>	<u>4,201</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased by 5.9% (\$676,000). 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 increased by approximately \$1,275,000 or 10.9%, which was due to spending more on capital projects than in the prior year.

The cost of all governmental activities this year was \$13,022,160 compared to \$11,746,890 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 \$9,958,029 because some of the cost was paid by those who directly benefited from the programs (\$638,500) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,425,631). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2006 from approximately \$3,117,000 to approximately \$3,064,000, principally due to a decrease in capital grants, contributions and restricted interest, from the completion of the airport expansion and the railroad project in the prior year. The City paid for the remaining public benefit portion of governmental activities with approximately \$6,358,000 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,	
	2006	2005
Receipts and transfers:		
Program receipts:		
Charges for services and sales:		
Water	\$ 2,153	2,097
Sewer	1,650	1,660
Storm water	195	195
General receipts:		
Unrestricted investment earnings	179	143
Transfers, net:	(281)	21
Total receipts	<u>3,896</u>	<u>4,116</u>
Disbursements:		
Water	2,187	1,986
Sewer	1,743	1,606
Storm water	-	1
Total disbursements and transfers	<u>3,930</u>	<u>3,593</u>
Change in cash basis net assts	(34)	523
Cash basis net assets beginning of year	<u>3,481</u>	<u>2,958</u>
Cash basis net assets end of year	<u>\$ 3,447</u>	<u>3,481</u>

Total business type activities receipts for the fiscal year were \$3.896 million compared to \$4.116 million last year. The cash balance decreased by approximately \$34,000 from the prior year. Total disbursements for the fiscal year increased by 9% to a total of \$3.930 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 \$288,000, a decrease of \$73,000 from the prior year.
- The Road Use Tax Fund cash balance increased by \$98,000 to \$632,000 during the year.
- The Group Insurance Fund decreased by \$237,000 during the fiscal year. The fund has a deficit balance of \$1,148,000; however, the City has increased the employee benefits tax levy to assist in eliminating the deficit in this fund.
- The Local Option Tax Fund was established in 1990 to collect a 1% local option sales and service tax. The City collected \$873,000 during this year, a 1.5% increase over the previous year. The proceeds of the tax are designated 5% for human services, 20% for property tax relief, and 75% for capital projects.
- The Tax Increment Financing Fund was established in a prior fiscal year to account for the financing of capital improvements within the established TIF district, which contributes to urban and economic development. At the end of the year, the fund had a balance of \$643,000.
- 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 \$449,000 and \$876,000, 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 year, the fund had a balance of \$729,000.
- The General Obligation Bonds/Notes Debt Service Fund is used to pay the principal and interest of the City's general obligation debt. The cash in this fund decreased by \$595,000 during the year with a deficit balance of \$248,000 at the end of the year.
- The Special Assessment Bond Fund was established to track the collection of special assessments levied on property owners by the City. At the end of the year, the fund had a balance of \$336,000.
- 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 year of \$416,000.

Individual Major Business Type Fund

- The cash balance of the Sewer Fund decreased by approximately \$65,000 to \$1,120,000, due primarily to an interfund loan to the General Fund.
- The Water Fund increased by approximately \$17,000 to \$2,228,000, due primarily to an increase in investment earnings.

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 15, 2006, to decrease revenues and increase expenditures in certain City departments.

Even with these budget amendments, the City exceeded the budget for the public works, health and social services, community and economic development, general government, debt service, and capital projects functions for the year ended June 30, 2006. The amendment made during the 2006 fiscal year should not have any impact on the 2007 fiscal year budget.

DEBT ADMINISTRATION

	Outstanding Debt at Year-End (Expressed in Thousands)	
	2006	2005
General obligation bonds	\$ 1,695	2,270
General obligation notes	6,865	7,455
Urban renewal tax increment financing revenue bonds	485	760
Urban renewal tax increment financing revenue notes	66	200
Revenue notes	10,353	11,130
	<u>\$ 19,464</u>	<u>21,815</u>

At year-end, the City had approximately \$19,464,000 in bonds and other long-term debt compared to approximately \$21,815,000 last year as shown above.

Debt decreased as a result of only issuing general obligation notes of \$235,000 for street improvements.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment financing debt of \$9,045,000 is below the City's \$27,000,000 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 2007 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$17.95 million, an increase of 35% over the final 2006 budget. Budgeted disbursements are expected to increase by approximately 5%.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$627,000 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 8th 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, 2006

	Disbursements	Program Receipts		
		Charges for Service and Sales	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 3,538,220	\$ 258,707	\$ 20,984	\$ -
Public works	1,518,385	89,672	1,071,937	-
Health and social services	77,010	-	37,010	-
Culture and recreation	1,360,339	200,957	98,690	-
Community and economic development	275,411	-	-	-
General government	800,212	89,164	-	-
Debt service	2,232,387	-	-	-
Capital projects	3,220,196	-	-	1,197,010
Total governmental activities	13,022,160	638,500	1,228,621	1,197,010
Business-type activities:				
Water	2,187,228	2,152,592	-	-
Sewer	1,742,803	1,649,994	-	-
Storm Water	14	195,244	-	-
Total business-type activities	3,930,045	3,997,830	-	-
Total	\$ 16,952,205	\$ 4,636,330	\$ 1,228,621	\$ 1,197,010

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 \$1,937 discount)	
Bond good-faith deposit	
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
\$ (3,258,529)	\$ -	\$ (3,258,529)
(356,776)	-	(356,776)
(40,000)	-	(40,000)
(1,060,692)	-	(1,060,692)
(275,411)	-	(275,411)
(711,048)	-	(711,048)
(2,232,387)	-	(2,232,387)
(2,023,186)	-	(2,023,186)
(9,958,029)	-	(9,958,029)
-	(34,636)	(34,636)
-	(92,809)	(92,809)
-	195,230	195,230
-	67,785	67,785
(9,958,029)	67,785	(9,890,244)
3,464,833	-	3,464,833
1,200,875	-	1,200,875
395,690	-	395,690
146,013	-	146,013
873,064	-	873,064
125,766	-	125,766
152,126	-	152,126
70,803	179,589	250,392
233,063	-	233,063
116,800	-	116,800
636,395	-	636,395
1,262	-	1,262
281,382	(281,382)	-
7,698,072	(101,793)	7,596,279
(2,259,957)	(34,008)	(2,293,965)
4,201,320	3,480,759	7,682,079
\$ 1,941,363	\$ 3,446,751	\$ 5,388,114
\$ 631,892	\$ -	\$ 631,892
643,428	-	643,428
85,120	1,736,797	1,821,917
1,427,071	115,905	1,542,976
(846,148)	1,594,049	747,901
\$ 1,941,363	\$ 3,446,751	\$ 5,388,114

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2006

	Special Revenue					
	General	Road Use Tax	Group Insurance	Employee Benefit	Local Option Sales Tax	
Receipts:						
Property tax	\$ 2,139,804	\$ -	\$ 834,768	\$ 463,760	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	1,200,875
Other city tax	-	-	-	-	873,064	-
Licenses and permits	242,983	-	-	-	-	-
Use of money and property	115,469	-	-	-	-	-
Intergovernmental	159,794	1,071,937	-	-	-	-
Charges for services	163,651	-	-	-	-	-
Special assessments	12,651	-	-	-	-	-
Miscellaneous	137,092	-	65,354	-	8,000	193,996
Total receipts	2,971,444	1,071,937	900,122	463,760	881,064	1,394,871
Disbursements:						
Operating:						
Public safety	2,023,724	-	522,462	471,528	439,855	-
Public works	97,847	947,319	223,815	140,999	29,476	-
Health and social services	-	-	-	-	40,000	-
Culture and recreation	845,247	26,953	144,535	122,784	92,696	-
Community and economic development	-	-	-	-	11,218	228,693
General government	411,696	-	245,929	16,744	31,592	-
Debt service	-	-	-	-	-	144,217
Capital projects	-	-	-	-	-	-
Total disbursements	3,378,514	974,272	1,136,741	752,055	644,837	372,910
Excess (deficiency) of receipts over (under) disbursements	(407,070)	97,665	(236,619)	(288,295)	236,227	1,021,961
Other financing sources (uses):						
Bond proceeds (net of \$1,937 discount)	-	-	-	-	-	-
Bond good-faith deposit	-	-	-	-	-	-
Operating transfers in	350,000	-	-	188,000	16,000	-
Operating transfers out	(16,000)	-	-	-	(541,327)	(1,161,141)
Total other financing sources (uses)	334,000	-	-	188,000	(525,327)	(1,161,141)
Net change in cash balances	(73,070)	97,665	(236,619)	(100,295)	(289,100)	(139,180)
Cash balances beginning of year	(214,922)	534,227	(910,995)	(189,990)	665,518	782,608
Cash balances end of year	\$ (287,992)	\$ 631,892	\$ (1,147,614)	\$ (290,285)	\$ 376,418	\$ 643,428
Cash Basis Fund Balances						
Reserved:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:						
General funds	(287,992)	-	-	-	-	-
Special revenue funds	-	631,892	(1,147,614)	(290,285)	376,418	643,428
Capital projects funds	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	\$ (287,992)	\$ 631,892	\$ (1,147,614)	\$ (290,285)	\$ 376,418	\$ 643,428

See notes to financial statements.

Police Retirement	Fire Retirement	Mary Garvey	Debt Service		Capital Projects		Permanent Cemetery Perpetual Care	Other Nonmajor Governmental Funds	Total
			General Obligation Bonds/Notes	Special Assessment Bonds	South Story	Grade Separation			
\$ -	\$ -	\$ -	\$ 395,690	\$ -	\$ -	\$ -	\$ -	\$ 26,501	\$ 3,860,523
-	-	-	-	-	-	-	-	-	1,200,875
-	-	-	-	-	-	-	-	125,766	998,830
-	-	-	-	-	-	-	-	-	242,983
34,660	22,152	12,642	-	-	-	-	-	67,280	252,203
-	-	-	-	-	1,046,169	-	-	189,832	2,467,732
-	-	-	-	-	-	-	-	80,521	244,172
-	-	-	-	133,362	-	-	-	-	146,013
-	-	37,500	117,397	-	-	360	4,961	152,967	717,627
34,660	22,152	50,142	513,087	133,362	1,046,169	360	4,961	642,867	10,130,958
-	-	-	-	-	-	-	-	80,651	3,538,220
-	-	-	-	-	-	-	-	78,929	1,518,385
-	-	-	-	-	-	-	-	37,010	77,010
-	-	-	-	-	-	-	-	128,124	1,360,339
-	-	-	-	-	-	-	-	35,500	275,411
-	-	-	-	-	-	-	-	94,251	800,212
-	-	-	2,088,170	-	-	-	-	-	2,232,387
-	-	-	-	-	1,842,897	324,883	-	1,052,416	3,220,196
-	-	-	2,088,170	-	1,842,897	324,883	-	1,506,881	13,022,160
34,660	22,152	50,142	(1,575,083)	133,362	(796,728)	(324,523)	4,961	(864,014)	(2,891,202)
-	-	-	-	-	-	-	-	233,063	233,063
-	-	-	-	-	-	-	-	116,800	116,800
-	-	-	1,730,477	-	750,000	-	-	74,533	3,109,010
(132,000)	(68,000)	-	(750,000)	(104,160)	-	-	-	(55,000)	(2,827,628)
(132,000)	(68,000)	-	980,477	(104,160)	750,000	-	-	369,396	631,245
(97,340)	(45,848)	50,142	(594,606)	29,202	(46,728)	(324,523)	4,961	(494,618)	(2,259,957)
973,221	494,801	678,989	346,191	304,333	(154,041)	(780)	410,788	481,372	4,201,320
\$ 875,881	\$ 448,953	\$ 729,131	\$ (248,415)	\$ 333,535	\$ (200,769)	\$ (325,303)	\$ 415,749	\$ (13,246)	\$ 1,941,363
\$ -	\$ -	\$ -	\$ (248,415)	\$ 333,535	\$ -	\$ -	\$ -	\$ -	\$ 85,120
-	-	-	-	-	-	-	-	114,196	(173,796)
875,881	448,953	729,131	-	-	-	-	-	18,838	2,286,642
-	-	-	-	-	(200,769)	(325,303)	-	(146,280)	(672,352)
-	-	-	-	-	-	-	415,749	-	415,749
\$ 875,881	\$ 448,953	\$ 729,131	\$ (248,415)	\$ 333,535	\$ (200,769)	\$ (325,303)	\$ 415,749	\$ (13,246)	\$ 1,941,363

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2006

Exhibit C

	Enterprise Funds			
	Water	Sewer	Non-Major Storm Water	Total
Operating receipts:				
Use of money and property	\$ 102,017	\$ 77,572	\$ -	\$ 179,589
Charges for services	2,152,592	1,649,994	195,244	3,997,830
Total operating receipts	<u>2,254,609</u>	<u>1,727,566</u>	<u>195,244</u>	<u>4,177,419</u>
Operating disbursements:				
Business-type activities	1,551,558	1,127,415	14	2,678,987
Total operating disbursements	<u>1,551,558</u>	<u>1,127,415</u>	<u>14</u>	<u>2,678,987</u>
Excess of operating receipts over operating disbursements	703,051	600,151	195,230	1,498,432
Non-operating disbursements:				
Debt service	(635,670)	(615,388)	-	(1,251,058)
Excess of receipts over disbursements	67,381	(15,237)	195,230	247,374
Other financing sources (uses):				
Operating transfers out	(50,000)	(50,000)	(181,382)	(281,382)
Net change in cash balances	17,381	(65,237)	13,848	(34,008)
Cash balances beginning of year	<u>2,210,800</u>	<u>1,185,273</u>	<u>84,686</u>	<u>3,480,759</u>
Cash balances end of year	<u>\$ 2,228,181</u>	<u>\$ 1,120,036</u>	<u>\$ 98,534</u>	<u>\$ 3,446,751</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ 989,361	\$ 747,436	\$ -	\$ 1,736,797
Customer deposits	115,905	-	-	115,905
Unreserved	<u>1,122,915</u>	<u>372,600</u>	<u>98,534</u>	<u>1,594,049</u>
Total cash basis fund balances	<u>\$ 2,228,181</u>	<u>\$ 1,120,036</u>	<u>\$ 98,534</u>	<u>\$ 3,446,751</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, 2006

	Private Purpose Trusts			
	Johnny Appleseed	Miles of Lights	Swim Team	Fireworks
Receipts:				
Miscellaneous	\$ 16,455	\$ 4,160	\$ 8,380	\$ 4,099
Total receipts	16,455	4,160	8,380	4,099
Disbursements:				
Culture and recreation	15,574	-	5,519	3,446
Community and economic development	-	2,616	-	-
Total disbursements	15,574	2,616	5,519	3,446
Excess (deficiency) of receipts over (under) disbursements	881	1,544	2,861	653
Cash balances beginning of year	(3,157)	3,044	3,814	3,246
Cash balances end of year	\$ (2,276)	\$ 4,588	\$ 6,675	\$ 3,899
Cash Basis Fund Balances				
Reserved:				
Private purpose trust funds	\$ (2,276)	\$ 4,588	\$ 6,675	\$ 3,899
Total cash basis fund balances	\$ (2,276)	\$ 4,588	\$ 6,675	\$ 3,899

See notes to financial statements.

CITY OF BOONE
Notes to Financial Statements
June 30, 2006

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, Central Iowa Regional Transportation Planning Alliance, and Boone County E911 Board.

CITY OF BOONE
Notes to Financial Statements
June 30, 2006

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, 2006

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, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

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, 2006, disbursements exceeded the amounts budgeted in the public works, health and social services, community and economic development, general government, debt service, and capital projects functions.

Note 2 – Cash and Pooled Investments

The City's deposits in banks at June 30, 2006, 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, 2006, are as follows:

	Carrying <u>Amount</u>	Fair <u>Value</u>
U.S. Government and Agencies Securities	\$ 1,445,897	\$ 1,376,238
Certificates of Deposit	2,282,475	2,282,475
Money Market Accounts	<u>54,858</u>	<u>54,858</u>
	<u>\$ 3,783,230</u>	<u>\$ 3,713,571</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$67,249 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.

CITY OF BOONE
Notes to Financial Statements
June 30, 2006

Note 2 – Cash and Pooled Investments (continued)

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

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	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30,								
2007	615,000	73,307	890,000	235,512	38,894	3,605	155,000	29,350
2008	330,000	45,770	930,000	207,567	26,616	1,466	160,000	20,050
2009	240,000	31,640	960,000	176,660	-	-	170,000	10,370
2010	250,000	21,680	985,000	143,975	-	-	-	-
2011	260,000	11,180	940,000	109,270	-	-	-	-
2012	-	6,625	805,000	76,935	-	-	-	-
2013	-	-	540,000	48,000	-	-	-	-
2014	-	-	280,000	28,543	-	-	-	-
2015	-	-	290,000	18,997	-	-	-	-
2016	-	-	245,000	8,820	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
Total	<u>\$ 1,695,000</u>	<u>\$ 190,202</u>	<u>\$ 6,865,000</u>	<u>\$ 1,054,279</u>	<u>\$ 65,510</u>	<u>\$ 5,071</u>	<u>\$ 485,000</u>	<u>\$ 59,770</u>

Year Ending	Water Revenue Bonds		Sewer Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2007	370,000	264,040	440,000	202,082	2,508,894	807,896
2008	385,000	247,020	458,006	182,968	2,289,622	704,841
2009	405,000	229,310	457,000	163,063	2,232,000	611,043
2010	425,000	210,680	477,000	143,016	2,137,000	519,351
2011	445,000	191,130	498,000	122,091	2,143,000	433,671
2012	465,000	170,660	520,000	100,244	1,790,000	354,464
2013	480,000	149,270	543,000	77,434	1,563,000	274,704
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>\$ 5,740,000</u>	<u>\$ 1,855,640</u>	<u>\$ 4,613,006</u>	<u>\$ 1,076,021</u>	<u>\$ 19,463,516</u>	<u>\$ 4,240,983</u>

CITY OF BOONE
Notes to Financial Statements
June 30, 2006

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 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 104th 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 28.21% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ending June 30, 2006, 2005 and 2004 were \$405,209, \$341,331, and \$264,864, respectively, which met the required minimum contribution for each year.

CITY OF BOONE
Notes to Financial Statements
June 30, 2006

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, 2006, 2005, and 2004 were \$115,216, \$120,373, and \$111,796, 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, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 254,000
Sick leave	<u>1,120,000</u>
Total	<u>\$1,374,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2006.

Note 6 – Related Party Transactions

The City had business transactions between the City and City officials, totaling \$21,505 during the year ended June 30, 2006.

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 \$6,596,000 is outstanding at June 30, 2006. 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, 2006

Note 8 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund:	General:	
General	Hotel/Motel Tax	\$ 50,000
	Special Revenue:	
	Police Retirement	132,000
	Fire Retirement	68,000
	Enterprise:	
	Water	50,000
	Sewer	50,000
Recreation	General:	
	Hotel/Motel Tax	5,000
		<u>\$ 355,000</u>
Special Revenue:	Special Revenue:	
Employee Benefit	Local Option Sales Tax	\$ 188,000
Local Option Sales Tax	General:	
	General	16,000
		<u>\$ 204,000</u>
Debt Service:	Special Revenue:	
General Obligation	Local Option Sales Tax	\$ 353,327
Bonds/Notes	Tax Increment Financing	1,091,608
	Debt Service:	
	Special Assessment Bonds	104,160
	Enterprise:	
	Storm Water Utility	181,382
		<u>\$ 1,730,477</u>
Capital Projects:	Special Revenue:	
Westwood Addition 3	Tax Increment Financing	\$ 14,052
High Development	Tax Increment Financing	40,481
Housing Project	Tax Increment Financing	15,000
South Story	Debt Service:	
	General Obligation Bonds	750,000
		<u>\$ 819,533</u>
Total		<u>\$ 3,109,010</u>

CITY OF BOONE
Notes to Financial Statements
June 30, 2006

Note 9 – Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 – Deficit Balances

At June 30, 2006 the City had deficit balances in the following accounts:

General Fund:	
General	\$ (287,992)
Recreation	(2,056)
Family Resource	(5,886)
Special Revenue:	
Group Insurance	(1,147,614)
Employee Benefits	(290,285)
Unfunded Liability	(67,966)
Emergency	(54,143)
Debt Service:	
General Obligation Bonds/Notes	(248,415)
Capital Projects:	
Airport Expansion	(115,790)
Street/FRC Projects	(80,105)
Westwood Addition 3	(96,304)
Demolition Projects	(16,846)
Railroad Crossing	(480)
Train Whistle	(3,760)
Railroad Project	(311)
Industrial Park	(13,593)
2005 Street Improvements	(6,752)
Snedden Drive Grade Separation	(31,024)
South Marshall Realignment	(3,267)
Police Department	(8,721)
West Boone Water Tower	(14,815)
Story Street and Mamie Intersection	(2,690)
Middle School Sidewalks	(12,010)
West Park Extension Study	(743)
South Story	(200,769)
Grade Separation	(325,303)
Sanitary Sewer	(60,750)
Housing Project	(90,050)
Industrial Park Lift Station	(55,247)
Miscellaneous	(1,992)

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, special revenue fund, and debt service fund deficits will be addressed on an ongoing basis.

CITY OF BOONE
Notes to Financial Statements
June 30, 2006

Note 11 – Economic Development Loan Agreements

The City has entered into economic development loan agreements with Boone’s Future, Boone Golf Estates, Downtown Athletic Club, Specialty Leather, Composite Technologies, AMPC, and Agri-Pak LLC. The amounts due and to be repaid to the City under the agreements in effect at June 30, 2006 are as follows:

Year Ending June 30,	Boone Golf Estates	Agri-Pac	Specialty Leather	Composite Technologies	AMPC	AMPC	Boone's Future	Downtown Athletic Club	Total
2007	125,801	12,038	11,589	58,615	5,795	26,651	140,739	2,333	383,561
2008	62,901	12,038	9,656	58,615	5,795	26,651	-	1,750	177,406
2009	62,901	12,038	-	58,615	4,346	15,545	-	-	153,445
2010	62,901	12,038	-	58,615	-	-	-	-	133,554
2011	62,901	12,038	-	-	-	-	-	-	74,939
2012	62,901	12,038	-	-	-	-	-	-	74,939
2013	62,901	12,038	-	-	-	-	-	-	74,939
Total principal & interest	503,207	84,266	21,245	234,460	15,936	68,847	140,739	4,083	1,072,783
Less interest	109,714	9,266	605	16,582	659	2,680	-	-	139,506
Total principal	\$ 393,493	\$ 75,000	\$ 20,640	\$ 217,878	\$ 15,277	\$ 66,167	\$ 140,739	\$ 4,083	\$ 933,277

At June 30, 2006, the Boone Tanning Co. defaulted on two loans totaling \$53,432. The City was held liable and had to repay \$26,318 to the Iowa Department of Economic Development.

CITY OF BOONE
Notes to Financial Statements
June 30, 2006

Note 12 – Pending Litigation

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

Note 13 – Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2006, disbursements in the public works, health and social services, community and economic development, general government, debt service, and capital projects functions exceed the amount budgeted.

Note 14 – 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, 2006, the City rebated \$78,402 of incremental tax to the developers.

Note 15 – Subsequent Events

In July 2006, the City issued \$5,840,000 of general obligation capital loan notes to be used for various capital projects and refunding \$2,200,000 of bond issues.

Note 16 – Interfund Loan

During the year ended June 30, 2006, the Special Revenue and Enterprise Funds loaned \$300,000 with no interest to the General Fund. There were no repayments on the obligation during the year ended June 30, 2006.

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, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 3,860,523	\$ -	\$ 3,860,523
Tax increment financing collections	1,200,875	-	1,200,875
Other city tax	998,830	-	998,830
Licenses and permits	242,983	-	242,983
Use of money and property	252,203	179,589	431,792
Intergovernmental	2,467,732	-	2,467,732
Charges for services	244,172	3,997,830	4,242,002
Special assessments	146,013	-	146,013
Miscellaneous	717,627	-	717,627
Total receipts	10,130,958	4,177,419	14,308,377
Disbursements:			
Public safety	3,538,220	-	3,538,220
Public works	1,518,385	-	1,518,385
Health and social services	77,010	-	77,010
Culture and recreation	1,360,339	-	1,360,339
Community and economic development	275,411	-	275,411
General government	800,212	-	800,212
Debt service	2,232,387	-	2,232,387
Capital projects	3,220,196	-	3,220,196
Business-type activities	-	3,930,045	3,930,045
Total disbursements	13,022,160	3,930,045	16,952,205
Excess (deficiency) of receipts over disbursements	(2,891,202)	247,374	(2,643,828)
Other financing sources, net	631,245	(281,382)	349,863
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,259,957)	(34,008)	(2,293,965)
Balances beginning of year	4,201,320	3,480,759	7,682,079
Balances end of year	\$ 1,941,363	\$ 3,446,751	\$ 5,388,114

See accompanying independent auditors' report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 3,655,175	\$ 3,655,175	\$ 205,348
1,354,143	1,223,487	(22,612)
1,092,364	1,092,364	(93,534)
224,300	224,300	18,683
150,000	128,792	303,000
2,974,800	2,292,761	174,971
3,992,300	4,304,435	(62,433)
45,000	45,000	101,013
443,950	353,150	364,477
<u>13,932,032</u>	<u>13,319,464</u>	<u>988,913</u>
3,334,425	3,839,729	301,509
1,471,650	1,487,650	(30,735)
40,000	40,000	(37,010)
1,332,901	1,377,682	17,343
50,250	228,739	(46,672)
557,625	632,175	(168,037)
1,809,145	1,809,145	(423,242)
3,460,000	2,935,000	(285,196)
3,907,305	4,167,305	237,260
<u>15,963,301</u>	<u>16,517,425</u>	<u>(434,780)</u>
(2,031,269)	(3,197,961)	554,133
<u>2,305,845</u>	<u>-</u>	<u>349,863</u>
274,576	(3,197,961)	903,996
<u>4,440,147</u>	<u>4,267,967</u>	<u>3,414,112</u>
<u>\$ 4,714,723</u>	<u>\$ 1,070,006</u>	<u>\$ 4,318,108</u>

CITY OF BOONE

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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 increased budgeted disbursements by \$554,124 and decreased budgeted revenues by \$612,568. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works, health and social services, community and economic development, general government, debt service, and capital projects 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, 2006

	General				Special Revenue								Capital Projects							
	Recreation	Hotel/Motel Tax	Landfill	Tennis	Family Resource	Insurance Reserve	Unfunded Liability	Emergency	YSS Grant	Police Trust	Fire Trust	Library Trust	Park Trust	Airport Expansion	Street/FRC Projects	Street Resurfacing	Grant Projects	Westwood Addition 3	Demolition Projects	High Development
Receipts:																				
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax	-	125,766	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	287	-	66,174	-	-	-	-	-	-	-	-	-	819	-	-	-	-	-
Intergovernmental	10,000	-	-	-	-	-	-	37,010	-	-	-	-	-	38,864	-	-	-	-	3,527	-
Charges for services	13,186	-	62,496	4,839	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	15,000	-	-	-	-	76,576	-	-	27,262	3,854	21,035	1,400	-	-	-	-	-	-	-	-
Total receipts	38,186	125,766	62,783	4,839	66,174	76,576	26,501	-	37,010	27,262	3,854	21,035	1,400	38,864	819	-	-	-	3,527	-
Disbursements:																				
Governmental activities:																				
Public safety	-	-	-	-	-	-	54,404	-	-	22,894	3,353	-	-	-	-	-	-	-	-	-
Public works	-	-	64,022	-	-	-	14,907	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	37,010	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	58,247	34,213	-	3,655	-	-	-	-	-	-	29,871	2,138	-	-	-	-	-	-	-	-
Community and economic development	-	35,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	81,984	12,267	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-	7,640	1,372	-	-	8,993	12,389	-
Total disbursements	58,247	69,713	64,022	3,655	81,984	12,267	69,311	-	37,010	22,894	3,353	29,871	2,138	7,640	1,372	-	-	8,993	12,389	-
Excess (deficiency) of receipts over (under) disbursements	(20,061)	56,053	(1,239)	1,184	(15,810)	64,309	(42,810)	-	-	4,368	501	(8,836)	(738)	31,224	(553)	-	-	(8,993)	(8,862)	-
Other financing sources (uses):																				
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond good-faith deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating transfers in	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,052	-	40,481
Operating transfers out	-	(55,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	5,000	(55,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,052	-	40,481
Net change in cash balances	(15,061)	1,053	(1,239)	1,184	(15,810)	64,309	(42,810)	-	-	4,368	501	(8,836)	(738)	31,224	(553)	-	-	5,059	(8,862)	40,481
Cash balances beginning of year	13,005	24,428	32,403	-	9,924	-	(25,156)	(54,143)	-	58,499	16,550	59,003	11,600	(147,014)	(79,552)	213,448	46,203	(101,363)	(7,984)	(40,481)
Cash balances end of year	\$ (2,056)	\$ 25,481	\$ 31,164	\$ 1,184	\$ (5,886)	\$ 64,309	\$ (67,966)	\$ (54,143)	\$ -	\$ 62,867	\$ 17,051	\$ 50,167	\$ 10,862	\$ (115,790)	\$ (80,105)	\$ 213,448	\$ 46,203	\$ (96,304)	\$ (16,846)	\$ -
Cash Basis Fund Balances																				
Unreserved:																				
General funds	(2,056)	25,481	31,164	1,184	(5,886)	64,309	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	(67,966)	(54,143)	-	62,867	17,051	50,167	10,862	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	-	-	(115,790)	(80,105)	213,448	46,203	(96,304)	(16,846)	-
Total cash basis fund balances	\$ (2,056)	\$ 25,481	\$ 31,164	\$ 1,184	\$ (5,886)	\$ 64,309	\$ (67,966)	\$ (54,143)	\$ -	\$ 62,867	\$ 17,051	\$ 50,167	\$ 10,862	\$ (115,790)	\$ (80,105)	\$ 213,448	\$ 46,203	\$ (96,304)	\$ (16,846)	\$ -

See accompanying independent auditors' report.

Capital Projects																					
Tennis Courts	Railroad Crossing	Sanitary Sewer	Train Whistle	Housing Project	Railroad Project	Industrial Park	City Hall Elevator	2005 Street Improvements	Snedden Drive Grade Separation	South Marshall Realignment	Industrial Park Lift Station	Police Department	City Hall Remodeling	West Boone Water Tower	Story Street & Mamie Intersection	Middle School Sidewalks	Runway Pavement Rehab	West Park Extension Study	Miscellaneous Projects	Project Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,501
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	125,766
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67,280
-	-	-	-	40,653	59,778	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	189,832
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80,521
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7,500	-	-	-	340	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	152,967
7,500	-	-	-	40,993	59,778	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	642,867
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80,651
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	78,929
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,010
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	128,124
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,500
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	94,251
247,501	-	28,289	2,600	145,763	-	8,473	242,608	218,161	31,024	3,267	55,247	8,721	-	14,815	2,690	12,010	110	743	-	1,052,416	
247,501	-	28,289	2,600	145,763	-	8,473	242,608	218,161	31,024	3,267	55,247	8,721	-	14,815	2,690	12,010	110	743	-	1,506,881	
(240,001)	-	(28,289)	(2,600)	(104,770)	59,778	(8,473)	(242,608)	(218,161)	(31,024)	(3,267)	(55,247)	(8,721)	-	(14,815)	(2,690)	(12,010)	(110)	(743)	-	(864,014)	
-	-	-	-	-	-	-	-	233,063	-	-	-	-	-	-	-	-	-	-	-	-	233,063
-	-	-	-	-	-	-	-	-	-	-	-	-	116,800	-	-	-	-	-	-	-	116,800
-	-	-	-	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,533
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(55,000)
-	-	-	-	15,000	-	-	-	233,063	-	-	-	-	116,800	-	-	-	-	-	-	-	369,396
(240,001)	-	(28,289)	(2,600)	(89,770)	59,778	(8,473)	(242,608)	14,902	(31,024)	(3,267)	(55,247)	(8,721)	116,800	(14,815)	(2,690)	(12,010)	(110)	(743)	-	(494,618)	
247,685	(480)	(32,461)	(1,160)	(280)	(60,089)	(5,120)	259,997	(21,654)	-	-	-	-	-	-	-	-	-	-	(1,992)	67,556	481,372
\$ 7,684	\$ (480)	\$ (60,750)	\$ (3,760)	\$ (90,050)	\$ (311)	\$ (13,593)	\$ 17,389	\$ (6,752)	\$ (31,024)	\$ (3,267)	\$ (55,247)	\$ (8,721)	\$ 116,800	\$ (14,815)	\$ (2,690)	\$ (12,010)	\$ (110)	\$ (743)	\$ (1,992)	\$ 67,556	\$ (13,246)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	114,196
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,838
7,684	(480)	(60,750)	(3,760)	(90,050)	(311)	(13,593)	17,389	(6,752)	(31,024)	(3,267)	(55,247)	(8,721)	116,800	(14,815)	(2,690)	(12,010)	(110)	(743)	(1,992)	67,556	(146,280)
\$ 7,684	\$ (480)	\$ (60,750)	\$ (3,760)	\$ (90,050)	\$ (311)	\$ (13,593)	\$ 17,389	\$ (6,752)	\$ (31,024)	\$ (3,267)	\$ (55,247)	\$ (8,721)	\$ 116,800	\$ (14,815)	\$ (2,690)	\$ (12,010)	\$ (110)	\$ (743)	\$ (1,992)	\$ 67,556	\$ (13,246)

CITY OF BOONE
Schedule of Indebtedness
Year Ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
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	July 2002	3.45 - 3.70	2,000,000
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
Capital loan note	October 2005	3.20 - 3.80	235,000
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	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	3.00 %	\$ 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
\$ 575,000	\$ -	\$ 275,000	\$ 300,000	\$ 26,750	\$ -
285,000	-	90,000	195,000	13,257	-
1,410,000	-	210,000	1,200,000	58,700	-
\$ 2,270,000	\$ -	\$ 575,000	\$ 1,695,000	\$ 98,707	\$ -
\$ 365,000	\$ -	\$ 65,000	\$ 300,000	\$ 18,490	\$ -
1,695,000	-	215,000	1,480,000	62,280	-
1,715,000	-	190,000	1,525,000	56,505	-
2,300,000	-	180,000	2,120,000	76,240	-
1,380,000	-	175,000	1,205,000	48,363	-
-	235,000	-	235,000	5,500	-
\$ 7,455,000	\$ 235,000	\$ 825,000	\$ 6,865,000	\$ 267,378	\$ -
\$ 70,000	\$ -	\$ 70,000	\$ -	\$ 2,958	\$ -
60,000	-	60,000	-	3,000	-
630,000	-	145,000	485,000	37,978	-
\$ 760,000	\$ -	\$ 275,000	\$ 485,000	\$ 43,936	\$ -
\$ 102,394	\$ -	\$ 36,884	\$ 65,510	\$ 4,788	\$ -
97,898	-	97,898	-	4,647	-
\$ 200,292	\$ -	\$ 134,782	\$ 65,510	\$ 9,435	\$ -
\$ 6,095,000	\$ -	\$ 355,000	\$ 5,740,000	\$ 280,370	\$ -
\$ 4,430,000	\$ -	\$ 363,000	\$ 4,067,000	\$ 163,246	\$ -
545,000	-	39,000	506,000	24,743	-
60,000	-	19,994	40,006	2,057	-
\$ 5,035,000	\$ -	\$ 421,994	\$ 4,613,006	\$ 190,046	\$ -

CITY OF BOONE
Bond and Note Maturities
June 30, 2006

General Obligation Bonds							
Year Ending June 30,	Refunding Bonds Issued Nov 1, 1997		Essential Corporate Purpose Issued Nov 1, 1997		Essential Corporate Purpose Issued Dec 1, 1998		Total G.O. Bonds
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
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>\$ 300,000</u>		<u>\$ 195,000</u>		<u>\$ 1,200,000</u>	<u>\$ 1,695,000</u>

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Bonds			Urban Renewal Tax Increment Financing (TIF) Notes		
	Revenue Bonds Issued April 1, 1999		Total TIF Revenue Bonds	Revenue Note Issued Mar 1, 2000		Total TIF Revenue Notes
	Interest Rates	Amount		Interest Rates	Amount	
2007	6.00%	155,000	155,000	5.50%	38,894	38,894
2008	6.05%	160,000	160,000	5.50%	26,616	26,616
2009	6.10%	170,000	170,000		-	-
2010		-	-		-	-
2011		-	-		-	-
2012		-	-		-	-
2013		-	-		-	-
2014		-	-		-	-
2015		-	-		-	-
2016		-	-		-	-
2017		-	-		-	-
2018		-	-		-	-
Total		<u>\$ 485,000</u>	<u>\$ 485,000</u>		<u>\$ 65,510</u>	<u>\$ 65,510</u>

See accompanying independent auditors' report

**CITY OF BOONE
Bond and Note Maturities
June 30, 2006**

Schedule 3

Year Ending June 30,	General				Obligation Notes				Total G.O. Notes				
	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		Capital Loan Note Issued October 1, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount	Interest Rates	Amount
2007	5.00%	70,000	3.60%	220,000	2.70%	195,000	3.00%	185,000	2.50%	190,000	3.20%	30,000	890,000
2008	5.05%	75,000	3.70%	230,000	3.00%	205,000	3.30%	190,000	2.60%	200,000	3.30%	30,000	930,000
2009	5.10%	75,000	3.70%	240,000	3.15%	210,000	3.30%	195,000	2.80%	205,000	3.40%	35,000	960,000
2010	5.20%	80,000	3.70%	250,000	3.50%	215,000	3.30%	200,000	2.90%	205,000	3.50%	35,000	985,000
2011	-	-	3.70%	265,000	3.60%	225,000	3.30%	205,000	3.05%	210,000	3.60%	35,000	940,000
2012	-	-	3.70%	275,000	3.80%	235,000	3.30%	215,000	3.20%	45,000	3.70%	35,000	805,000
2013	-	-	-	-	3.90%	240,000	3.30%	220,000	3.35%	45,000	3.80%	35,000	540,000
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>\$ 300,000</u>		<u>\$ 1,480,000</u>		<u>\$ 1,525,000</u>		<u>\$ 2,120,000</u>		<u>\$ 1,205,000</u>		<u>\$ 235,000</u>	<u>\$ 6,865,000</u>

Year Ending June 30,	Revenue Bonds		Revenue Notes				Total 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	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2007	4.60%	370,000	4.37%	379,000	4.54%	41,000	3.43%	20,000	440,000
2008	4.60%	385,000	4.37%	395,000	4.54%	43,000	3.43%	20,006	458,006
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>\$ 5,740,000</u>		<u>\$ 4,067,000</u>		<u>\$ 506,000</u>		<u>\$ 40,006</u>	<u>\$ 4,613,006</u>

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

Schedule 4

For the Last Four Years

	2006	2005	2004	2003
Receipts:				
Property and other City tax	\$ 4,859,353	\$ 4,774,948	\$ 4,822,424	\$ 4,824,290
Tax increment financing collections	1,200,875	1,190,644	784,772	738,568
Licenses and permits	242,983	259,406	167,825	110,116
Use of money and property	252,203	211,846	171,036	204,520
Intergovernmental	2,467,732	1,949,177	2,203,323	2,938,219
Charges for services	244,172	251,684	339,631	267,432
Special assessments	146,013	134,388	124,133	155,170
Miscellaneous	717,627	1,310,694	973,563	927,502
Total	<u>10,130,958</u>	<u>10,082,787</u>	<u>9,586,707</u>	<u>10,165,817</u>
Disbursements:				
Public safety	3,538,220	3,101,989	3,155,998	2,936,400
Public works	1,518,385	1,388,806	1,541,326	1,728,234
Health and social services	77,010	70,782	36,500	50,000
Culture and recreation	1,360,339	1,382,628	1,336,061	1,540,762
Community and economic development	275,411	125,592	140,738	428,071
General government	800,212	619,701	587,278	551,306
Debt service	2,232,387	3,383,044	2,084,019	1,548,749
Capital projects	3,220,196	1,674,348	3,627,330	4,418,889
Total	<u>\$ 13,022,160</u>	<u>\$ 11,746,890</u>	<u>\$ 12,509,250</u>	<u>\$ 13,202,411</u>

See accompanying independent auditors' report.

CITY OF BOONE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Schedule 5

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
U.S. Department of Housing and Urban Development			
Pass-Through Program From:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	04-HSG-071	\$ 103,706
U.S Department of Justice			
Pass-Through Program From:			
Governor's Office of Drug Control Policy:			
Edward Byrne Justice Assistance Grant	16.579	04D-1361	9,957
Edward Byrne Justice Assistance Grant	16.579	05JAG-E37	27,053
Total U.S. Department of Justice			37,010
U.S. Department of Transportation			
Federal Aviation Administration:			
Install Airfield Guidance Signs	20.106	3-19-0009-07	325
Federal Highway Administration:			
Pass-Through Program From:			
Iowa Department of Transportation:			
STP Enhancement Funds	20.205	STP-U-0750(616)--70-08	812,100
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
Governor's Traffic Safety Bureau	20.605	PAP 06-163 Task 07	3,939
Total U.S. Department of Transportation			819,327
U.S Department of Health and Human Services			
Pass-Through Program From:			
Iowa Department of Public Health			
EMS Disaster Preparedness	93.889	5886EM107	2,154
Total			\$ 962,197

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, 2006

Comment Reference	Comment Title	Status	If not corrected, planned corrective action or other explanation
III-A-05	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, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 29, 2006. 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 and the 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-06, II-B-06, II-C-06 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, 2006 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.

Handwritten signature in cursive script that reads "Peterson & Houston P.C."

Peterson & Houston, P.C.
Boone, Iowa

December 29, 2006

PETERSON & HOUSTON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2006. 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, 2006.

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-06 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 that reads "Peterson & Houston P.C.".

Peterson & Houston, P.C.
Boone, Iowa

December 29, 2006

CITY OF BOONE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

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 – STP Enhancement Funds.
- (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, 2006

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were required to be reported.

REPORTABLE CONDITIONS:

II-A-06 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-06 Monthly Bank to Book Reconciliations – Monthly reconciliations of the Finance Officer's balances to the bank accounts and investments were not prepared on a consistent basis.

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

Response – Changes in personnel responsibilities enacted this year should allow for timely completion of monthly reconciliations.

Conclusion – Response accepted.

CITY OF BOONE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

II-C-06 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

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

Response – Software provider will provide training to enable staff to complete reconciliations.

Conclusion – Response accepted

II-D-06 Accounting Records – Instances were noted where receipts and disbursements were not timely recorded on the general ledger. When this occurs, it is difficult for the City to reconcile cash to the general ledger, to compare receipts and disbursements by fund between years, and compare actual results to budgeted amounts.

Recommendation – The City should implement procedures to ensure that all receipts and disbursements are entered in the accounting system in a timely manner.

Response – Changes in personnel responsibilities enacted this year should allow for a timely completion of the recording of receipts and disbursements to the general ledger.

Conclusion – Response accepted.

II-E-06 Payroll Tax Deposits – It was noted that payroll tax deposits were not remitted in a timely manner for two pay periods resulting in the following assessment of penalties and interest.

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Internal Revenue Service	Payroll tax penalties	\$1,628
Iowa Department of Revenue	Payroll penalties and interest	1,324

Recommendation – The City should ensure the required deposits are made by the due dates. The City should implement a system whereby the payroll tax deposits are made when the liabilities are due and the procedures should include the oversight of the City personnel responsible for the deposits by the Department head.

Response – We will submit payroll tax deposits in a timely manner.

Conclusion – Response accepted.

CITY OF BOONE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

II-F-06 Municipal Fire and Police Retirement System Rates – The employer contribution rate increased from 24.92% to 28.21% effective July 1, 2005 but was not changed in the payroll system until April, 2006. The resulting underpayment of \$37,155 in contributions and an interest assessment of \$75 were remitted in April, 2006.

Recommendation – The City should ensure the payroll system is updated with the correct contribution rate each July 1.

Response – Staff has been trained on proper entry procedure and will ensure proper rate is used.

Conclusion – Response accepted.

II-G-06 Information Systems – The City does not have a disaster recovery plan.

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

Response – We will create a disaster recovery plan.

Conclusion – Response accepted.

II-H-06 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 create a credit card usage policy.

Conclusion – Response accepted.

CITY OF BOONE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

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: STP Enhancement Funds
Pass Through Agency Number: STP-U-0750(616)—70-08
Federal Award Year: 2006
Department of Transportation
Passed through the Iowa Department of Transportation

III-A-06 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-06.

CITY OF BOONE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part IV – Other Findings Related to Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public works, health and social services, community and economic development, general government, debt service, and capital projects 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-B-06 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-06 Disbursements – One disbursement was noted that did not have supporting documentation to substantiate the request for payment being submitted. One disbursement was noted that was paid twice; once from the invoice and again from the statement. One payment was not made timely resulting in late fees and finance charges being assessed. The disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Mastercard	Unknown	\$102
Howard R. Green	Engineering Services (Paid twice)	500
Mastercard	Finance charges	19
Mastercard	Late charge	15

Recommendation – The City should implement procedures to ensure disbursements are supported by an invoice or contract from the payee, are paid timely, and that documentation is retained. Invoices should be matched to corresponding statements and checks written from the statements only.

Response – We will ensure proper documentation is maintained for all purchases.

Conclusion – Response accepted.

CITY OF BOONE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

IV-D-06 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-06 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	\$4,680
Darci Newcomb, Employee	Swimming Lessons	1,600
Kevin Beaman, Employee	Repairs, services	2,725
John Slight, Mayor Part-Owner of S&H Motors	Vehicle	12,500

The transactions with Phipps, Beaman, and Slight do not appear to represent a conflict of interest since they were entered into through competitive bidding.

IV-F-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-G-06 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 document the proper roll call vote in one instance in accordance with 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 – We will record in the minutes the vote to enter a closed session.

Conclusion – Response accepted.

CITY OF BOONE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

IV-H-06 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-06 Interfund Transfers – The City makes numerous transfers between funds and accounts during the year. The transfers are not always approved in the minutes and the purpose of the transfer is not always documented.

Recommendation – Except as authorized by the City Council through the budgetary process, transfers between funds should only be made upon the authority of the City Council through resolution detailing the amounts to be transferred to/from the funds involved, along with the reason for each transfer.

Response – We will approve by vote all interfund transfers.

Conclusion – Response accepted.

CITY OF BOONE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

IV-J-06 Financial Condition – At June 30, 2006 the City had deficit balances in the following accounts:

General Fund:	
General	\$ (287,992)
Recreation	(2,056)
Family Resource	(5,886)
Special Revenue:	
Group Insurance	(1,147,614)
Employee Benefits	(290,285)
Unfunded Liability	(67,966)
Emergency	(54,143)
Debt Service:	
General Obligation Bonds/Notes	(248,415)
Capital Projects:	
Airport Expansion	(115,790)
Street/FRC Projects	(80,105)
Westwood Addition 3	(96,304)
Demolition Projects	(16,846)
Railroad Crossing	(480)
Train Whistle	(3,760)
Railroad Project	(311)
Industrial Park	(13,593)
2005 Street Improvements	(6,752)
Snedden Drive Grade Separation	(31,024)
South Marshall Realignment	(3,267)
Police Department	(8,721)
West Boone Water Tower	(14,815)
Story St. and Mamie Intersection	(2,690)
Middle School Sidewalks	(12,010)
West Park Extension Study	(743)
South Story	(200,769)
Grade Separation	(325,303)
Sanitary Sewer	(60,750)
Housing Project	(90,050)
Industrial Park Lift Station	(55,247)
Miscellaneous Projects	(1,992)

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 – We will evaluate the reason for these deficits and investigate alternatives to eliminate these deficits. We will eliminate these deficits whenever feasible.

Conclusion – Response accepted.

CITY OF BOONE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

IV-K-06 Revenue Notes and Bonds – All provisions of the water and sewer revenue bond resolutions have been met.

IV-L-06 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.

CITY OF BOONE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

The following insurance policies were in force at June 30, 2006:

EMC Insurance Companies	General Liability: Each Occurrence	\$1,000,000
EMC Insurance Companies	Automobile Liability: Each Accident automobile physical damage: comprehensive and collision	\$1,000,000 per occurrence
EMC Insurance Companies	Commercial Umbrella: Covers General, Auto, Official, Property and Workers Compensation Each Occurrence	\$5,000,000
EMC Insurance Companies	Official Liability: Each claim and baggage	\$1,000,000
EMC Insurance Companies	Property Coverage: Actual cash value, replacement cost or an agreed amount	\$32,664,394
EMC Insurance Companies	Workers Compensation and Employer's Liability bodily injury by accident: each accident bodily injury by disease: Limit Bodily injury by disease: each employee	\$ 500,000 \$ 500,000 \$ 500,000
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, 2006

Statistical Information

Description	Amount
Customers served at June 30, 2006	4,994
Sewer rates in effect at June 30, 2006:	
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, 2006

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, and Phone Number	Anticipated Date of Completion
III-A-06	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 15, 2007

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

The City's receipts totaled \$14,658,240 for the year ended June 30, 2006, a 6% decrease from 2005. The receipts included \$4,006,536 in property tax, \$1,200,875 in tax increment financing collections, \$4,636,330 from charges for service, \$1,228,621 from operating grants, contributions and restricted interest, \$1,197,010 from capital grants, contributions, and restricted interest, \$873,064 from local option sales tax, \$125,766 from hotel/motel tax, \$250,392 from unrestricted investment earnings, \$233,063 from bond/note proceeds, \$116,800 from a bond good-faith deposit, and \$789,783 from other general receipts.

Disbursements for the year totaled \$16,952,205, an 11% increase from the prior year, and included \$3,538,220 for public safety, \$3,220,196 for capital projects, and \$2,232,387 for debt service. Also, disbursements for business type activities totaled \$3,930,045.

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 City Clerk's office, the Office of the Auditor of State, and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.