

**CITY OF BOONE**

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

**JUNE 30, 2007**

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**CITY OF BOONE**

Officials

| <u>Name</u>      | <u>Title</u>                              | <u>Term Expires</u> |
|------------------|---|---------------------|
| John L.Slight    | Mayor                                     | Jan. 2011           |
| Shari Gillespie  | Mayor Pro tem                             | Jan. 2011           |
| Steven Ray       | Council Member                            | Jan. 2011           |
| Glen Thompson    | Council Member                            | Jan. 2011           |
| Merrill Tam      | Council Member                            | Jan. 2011           |
| Nick Mallas      | Council Member                            | Jan. 2010           |
| Lila Kruse       | Council Member                            | Jan. 2010           |
| Travis Stevenson | Council Member                            | Jan. 2010           |
| Brent Trout      | City Administrator –<br>Resigned May 2007 |                     |
| Luke Nelson      | City Administrator                        | Indefinite          |
| Ondrea Elmquist  | Treasurer/Finance Officer                 | Indefinite          |
| Alan Schroeder   | Attorney                                  | Indefinite          |

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

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boone, Iowa, as of and for the year ended June 30, 2007, 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, 2007, 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 January 15, 2008 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, 2006 (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 4 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.

Handwritten signature in cursive script, appearing to read "Peterson & Houston, P.C."

Peterson & Houston, P.C.  
Boone, Iowa

January 15, 2008

## 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, 2007. 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 increased 51%, or approximately \$5,502,000, from fiscal year 2006. The increase is due to selling more bonds than in fiscal year 2006.
- The City's governmental activities disbursements increased 23%, or approximately \$3,004,000 from fiscal year 2006. The increase is due to spending more on capital projects than the prior year and from the increased debt service due to refinancing bonds in 2007.
- The City's governmental activities cash balance at June 30, 2007 increased 12%, or approximately \$238,000 from June 30, 2006.

### **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 increased \$238 thousand from a year ago, from \$1.941 million to \$2.179 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities<br>(Expressed in Thousands) |                     |               |
|---|---------------------|---------------|
|   | Year ended June 30, |               |
|   | 2007                | 2006          |
| Receipts and transfers:   |                     |               |
| Program receipts:   |                     |               |
| Charges for services and sales  | \$ 746              | 639           |
| Operating grants, contributions and restricted interest                                 | 1,206               | 1,229         |
| Capital grants, contributions and restricted interest                                   | 426                 | 1,197         |
| General receipts:   |                     |               |
| Property tax  | 5,425               | 5,207         |
| Local option sales tax  | 966                 | 873           |
| Hotel/motel tax   | 117                 | 126           |
| Franchise taxes   | 177                 | 152           |
| Unrestricted investment earnings  | 109                 | 71            |
| Bond proceeds   | 5,952               | 233           |
| Bond good-faith deposit   | -                   | 117           |
| Other general receipts  | 778                 | 637           |
| Transfers, net  | 363                 | 281           |
| Total receipts and transfers  | <u>16,265</u>       | <u>10,762</u> |
| Disbursements:  |                     |               |
| Public safety   | 3,356               | 3,538         |
| Public works  | 1,770               | 1,519         |
| Health and social services  | 84                  | 77            |
| Culture and recreation  | 1,395               | 1,360         |
| Community and economic development  | 488                 | 276           |
| General government  | 668                 | 800           |
| Debt service  | 4,051               | 2,232         |
| Capital projects  | 4,215               | 3,220         |
| Total disbursements   | <u>16,027</u>       | <u>13,022</u> |
| Change in cash basis net assets   | 238                 | (2,260)       |
| Cash basis net assets beginning of year   | <u>1,941</u>        | <u>4,201</u>  |
| Cash basis net assets end of year   | <u>\$ 2,179</u>     | <u>1,941</u>  |

The City’s total receipts for governmental activities increased by 51% (\$5.502 million). The significant increase in receipts was primarily the result of more 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 \$3.004 million or 23%, which was due in part to refinancing some of the general obligation debt—thereby increasing the debt service disbursements. The increase in disbursements was also a result of spending more on capital projects than in the prior year.

The cost of all governmental activities this year was \$16,027,586 compared to \$13,022,160 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 \$13,649,179 because some of the cost was paid by those who directly benefited from the programs (\$746,225) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,206,245). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2007 from approximately \$3,064,000 to approximately \$2,378,000, principally due to a decrease in capital grants, contributions and restricted interest, from the completion of the South Story Street project in the prior year. The City paid for the remaining public benefit portion of governmental activities with approximately \$6,685,000 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<br>(Expressed in Thousands) |                     |              |
|--|---------------------|--------------|
|  | Year ended June 30, |              |
|  | 2007                | 2006         |
| Receipts and transfers:  |                     |              |
| Program receipts:  |                     |              |
| Charges for services and sales:  |                     |              |
| Water  | \$ 2,127            | 2,153        |
| Sewer  | 1,634               | 1,650        |
| Storm water  | 197                 | 195          |
| General receipts:  |                     |              |
| Unrestricted investment earnings   | 234                 | 179          |
| Bond proceeds  | -                   | -            |
| Other general receipts   | -                   | -            |
| Transfers, net:  | (363)               | (281)        |
| Total receipts   | <u>3,829</u>        | <u>3,896</u> |
| Disbursements:   |                     |              |
| Water  | 2,050               | 2,187        |
| Sewer  | 1,798               | 1,743        |
| Storm water  | -                   | -            |
| Total disbursements and transfers  | <u>3,848</u>        | <u>3,930</u> |
| Change in cash basis net assts   | (19)                | (34)         |
| Cash basis net assets beginning of year  | <u>3,447</u>        | <u>3,481</u> |
| Cash basis net assets end of year  | <u>\$ 3,428</u>     | <u>3,447</u> |

Total business type activities receipts for the fiscal year were \$3.829 million compared to \$3.896 million last year. The cash balance decreased by approximately \$19,000 from the prior year. Total disbursements for the fiscal year decreased by 2% to a total of \$3.848 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 \$99,000, a increase of \$189,000 from the prior year.
- The Road Use Tax Fund cash balance decreased by \$218,000 to \$414,000 during the year.
- The Group Insurance Fund decreased by \$79,000 during the fiscal year. The fund has a deficit balance of \$1,227,000; 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 \$966,000 during this year, a 10% 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 \$489,000.
- 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 \$413,000 and \$786,000, 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 \$471,000.
- 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 increased by \$661,000 during the year with a balance of \$412,000 at the end of the year.
- The City has a Cemetery Perpetual Care Fund which is a permanent fund. The cash in this fund increased by \$7,000 during the year with a balance at the end of the year of \$423,000.

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

- The cash balance of the Sewer Fund decreased by approximately \$146,000 to \$974,000, due primarily to an interfund loan to the General Fund.
- The Water Fund increased by approximately \$112,000 to \$2,340,000, due primarily to an decrease in disbursements.

## 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 21, 2007, to increase revenues and increase expenditures in certain City departments.

Before this budget amendment, the City exceeded the budget for the public works, health and social services, community and economic development, general government, and debt service functions. The amendment made during the 2007 fiscal year should not have any impact on the 2008 fiscal year budget.

## DEBT ADMINISTRATION

|  | Outstanding Debt at Year-End<br>(Expressed in Thousands) |               |
|--|--|---------------|
|  | 2007   | 2006          |
| General obligation bonds                               | \$ -   | 1,695         |
| General obligation notes                               | 11,050   | 6,865         |
| Urban renewal tax increment<br>financing revenue bonds | 330  | 485           |
| Urban renewal tax increment<br>financing revenue notes | -  | 66            |
| Revenue bonds and notes                                | 9,768  | 10,353        |
|  | <u>\$ 21,148</u>   | <u>19,464</u> |

At year-end, the City had approximately \$21,148,000 in bonds and other long-term debt compared to approximately \$19,464,000 last year as shown above.

Debt increased as a result of issuing general obligation notes of \$5,840,000 which was partially to refinance other general obligation debt.

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 \$11,380,000 is below the City's \$24,000,000 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 2008 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$20.7 million, a decrease of 5% over the final 2007 budget. Budgeted disbursements are expected to increase by approximately 18%.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$313,000 by the close of 2008.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ondrea Elmquist, Treasurer/Finance Officer, 923 8<sup>th</sup> Street, City of Boone, Iowa 50036.

## **Basic Financial Statements**

**CITY OF BOONE**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the year ended June 30, 2007**

|                                       | Disbursements        | Program Receipts              |  |  |
|---------------------------------------|----------------------|-------------------------------|--|--|
|                                       |                      | Charges for Service and Sales | Operating Grants, Contributions, and Restricted Interest | Capital Grants, Contributions, and Restricted Interest |
| <b>Functions / Programs:</b>          |                      |                               |  |  |
| Governmental activities:              |                      |                               |  |  |
| Public safety                         | \$ 3,356,173         | \$ 336,484                    | \$ 16,381  | \$ -   |
| Public works                          | 1,769,727            | 92,355                        | 1,067,064  | -  |
| Health and social services            | 84,462               | -                             | 39,946   | -  |
| Culture and recreation                | 1,395,283            | 207,804                       | 82,854   | -  |
| Community and economic development    | 487,911              | -                             | -  | -  |
| General government                    | 667,312              | 109,582                       | -  | -  |
| Debt service                          | 4,051,421            | -                             | -  | -  |
| Capital projects                      | 4,215,297            | -                             | -  | 425,937  |
| <b>Total governmental activities</b>  | <b>16,027,586</b>    | <b>746,225</b>                | <b>1,206,245</b>   | <b>425,937</b>   |
| Business-type activities:             |                      |                               |  |  |
| Water                                 | 2,049,541            | 2,127,346                     | -  | -  |
| Sewer                                 | 1,798,031            | 1,633,369                     | -  | -  |
| Storm Water                           | 78                   | 196,780                       | -  | -  |
| <b>Total business-type activities</b> | <b>3,847,650</b>     | <b>3,957,495</b>              | <b>-</b>   | <b>-</b>   |
| <b>Total</b>                          | <b>\$ 19,875,236</b> | <b>\$ 4,703,720</b>           | <b>\$ 1,206,245</b>                                      | <b>\$ 425,937</b>                                      |

**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 \$35,624 discount)    |
| Miscellaneous                               |
| Sale of assets                              |
| Transfers                                   |
| <b>Total general receipts and transfers</b> |
| 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                       |
| <b>Total cash basis net assets</b> |

See notes to financial statements.

| Net (Disbursements) Receipts |                             |                     |
|------------------------------|-----------------------------|---------------------|
| Governmental<br>Activities   | Business-Type<br>Activities | Total               |
| \$ (3,003,308)               | \$ -                        | \$ (3,003,308)      |
| (610,308)                    | -                           | (610,308)           |
| (44,516)                     | -                           | (44,516)            |
| (1,104,625)                  | -                           | (1,104,625)         |
| (487,911)                    | -                           | (487,911)           |
| (557,730)                    | -                           | (557,730)           |
| (4,051,421)                  | -                           | (4,051,421)         |
| (3,789,360)                  | -                           | (3,789,360)         |
| <u>(13,649,179)</u>          | <u>-</u>                    | <u>(13,649,179)</u> |
| -                            | 77,805                      | 77,805              |
| -                            | (164,662)                   | (164,662)           |
| -                            | 196,702                     | 196,702             |
| <u>-</u>                     | <u>109,845</u>              | <u>109,845</u>      |
| <u>(13,649,179)</u>          | <u>109,845</u>              | <u>(13,539,334)</u> |
| 3,982,186                    | -                           | 3,982,186           |
| 890,451                      | -                           | 890,451             |
| 435,876                      | -                           | 435,876             |
| 116,018                      | -                           | 116,018             |
| 966,291                      | -                           | 966,291             |
| 117,058                      | -                           | 117,058             |
| 177,062                      | -                           | 177,062             |
| 108,984                      | 234,185                     | 343,169             |
| 5,952,244                    | -                           | 5,952,244           |
| 652,113                      | -                           | 652,113             |
| 125,000                      | -                           | 125,000             |
| 363,050                      | (363,050)                   | -                   |
| <u>13,886,333</u>            | <u>(128,865)</u>            | <u>13,757,468</u>   |
| 237,154                      | (19,020)                    | 218,134             |
| <u>1,941,363</u>             | <u>3,446,751</u>            | <u>5,388,114</u>    |
| <u>\$ 2,178,517</u>          | <u>\$ 3,427,731</u>         | <u>\$ 5,606,248</u> |
| \$ 414,151                   | \$ -                        | \$ 414,151          |
| 489,392                      | -                           | 489,392             |
| 504,888                      | 1,359,175                   | 1,864,063           |
| 1,175,429                    | 128,024                     | 1,303,453           |
| (405,343)                    | 1,940,532                   | 1,535,189           |
| <u>\$ 2,178,517</u>          | <u>\$ 3,427,731</u>         | <u>\$ 5,606,248</u> |

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2007**

|  | Special Revenue    |                   |                       |                        |                         | Police Retirement |
|--|--------------------|-------------------|-----------------------|------------------------|-------------------------|-------------------|
|  | General            | Road Use Tax      | Group Insurance       | Local Option Sales Tax | Tax Increment Financing |                   |
| <b>Receipts:</b>   |                    |                   |                       |                        |                         |                   |
| Property tax   | \$ 2,324,036       | \$ -              | \$ 996,195            | \$ -                   | \$ -                    | \$ -              |
| Tax increment financing collections                        | -                  | -                 | -                     | -                      | 890,451                 | -                 |
| Other city tax   | 99,160             | -                 | -                     | 966,291                | -                       | -                 |
| Licenses and permits                                       | 293,117            | -                 | -                     | -                      | -                       | -                 |
| Use of money and property                                  | 151,429            | -                 | -                     | -                      | -                       | 34,829            |
| Intergovernmental  | 202,902            | 1,067,064         | -                     | -                      | -                       | -                 |
| Charges for services                                       | 177,824            | -                 | -                     | -                      | -                       | -                 |
| Special assessments  | 6,008              | -                 | -                     | -                      | -                       | -                 |
| Miscellaneous  | 123,442            | -                 | 30,211                | 1                      | 387,774                 | -                 |
| <b>Total receipts</b>                                      | <b>3,377,918</b>   | <b>1,067,064</b>  | <b>1,026,406</b>      | <b>966,292</b>         | <b>1,278,225</b>        | <b>34,829</b>     |
| <b>Disbursements:</b>                                      |                    |                   |                       |                        |                         |                   |
| <b>Operating:</b>  |                    |                   |                       |                        |                         |                   |
| Public safety  | 2,156,586          | -                 | 559,064               | 93,450                 | -                       | -                 |
| Public works   | 94,050             | 1,208,412         | 271,006               | -                      | -                       | -                 |
| Health and social services                                 | -                  | -                 | -                     | 44,516                 | -                       | -                 |
| Culture and recreation                                     | 884,199            | 26,393            | 126,233               | 191,713                | -                       | -                 |
| Community and economic development                         | 23,266             | -                 | -                     | -                      | 370,317                 | -                 |
| General government   | 332,385            | -                 | 199,232               | 25,302                 | -                       | -                 |
| Debt service   | -                  | -                 | -                     | -                      | 67,462                  | -                 |
| Capital projects   | -                  | -                 | -                     | -                      | -                       | -                 |
| <b>Total disbursements</b>                                 | <b>3,490,486</b>   | <b>1,234,805</b>  | <b>1,155,535</b>      | <b>354,981</b>         | <b>437,779</b>          | <b>-</b>          |
| Excess (deficiency) of receipts over (under) disbursements | (112,568)          | (167,741)         | (129,129)             | 611,311                | 840,446                 | 34,829            |
| <b>Other financing sources (uses):</b>                     |                    |                   |                       |                        |                         |                   |
| Bond proceeds (net of \$35,624 discount)                   | -                  | -                 | -                     | -                      | -                       | -                 |
| Sale of capital assets                                     | -                  | -                 | -                     | -                      | -                       | -                 |
| Operating transfers in                                     | 301,740            | -                 | 50,000                | -                      | -                       | -                 |
| Operating transfers out                                    | -                  | (50,000)          | -                     | (566,486)              | (994,482)               | (124,620)         |
| <b>Total other financing sources (uses)</b>                | <b>301,740</b>     | <b>(50,000)</b>   | <b>50,000</b>         | <b>(566,486)</b>       | <b>(994,482)</b>        | <b>(124,620)</b>  |
| Net change in cash balances                                | 189,172            | (217,741)         | (79,129)              | 44,825                 | (154,036)               | (89,791)          |
| Cash balances beginning of year                            | (287,992)          | 631,892           | (1,147,614)           | 376,418                | 643,428                 | 875,881           |
| Cash balances end of year                                  | \$ (98,820)        | \$ 414,151        | \$ (1,226,743)        | \$ 421,243             | \$ 489,392              | \$ 786,090        |
| <b>Cash Basis Fund Balances</b>                            |                    |                   |                       |                        |                         |                   |
| <b>Reserved:</b>   |                    |                   |                       |                        |                         |                   |
| Debt service   | \$ -               | \$ -              | \$ -                  | \$ -                   | \$ -                    | \$ -              |
| <b>Unreserved:</b>   |                    |                   |                       |                        |                         |                   |
| General funds  | (98,820)           | -                 | -                     | -                      | -                       | -                 |
| Special revenue funds                                      | -                  | 414,151           | (1,226,743)           | 421,243                | 489,392                 | 786,090           |
| Capital projects funds                                     | -                  | -                 | -                     | -                      | -                       | -                 |
| Permanent fund   | -                  | -                 | -                     | -                      | -                       | -                 |
| <b>Total cash basis fund balances</b>                      | <b>\$ (98,820)</b> | <b>\$ 414,151</b> | <b>\$ (1,226,743)</b> | <b>\$ 421,243</b>      | <b>\$ 489,392</b>       | <b>\$ 786,090</b> |

See notes to financial statements.

| Fire Retirement | Mary Garvey | Debt Service<br>General<br>Obligation<br>Bonds/Notes | Capital Projects<br>South<br>Story | Permanent<br>Cemetery<br>Perpetual<br>Care | Other<br>Nonmajor<br>Governmental<br>Funds | Total        |
|-----------------|-------------|--|------------------------------------|--|--|--------------|
| \$ -            | \$ -        | \$ 435,876   | \$ -                               | \$ -                                       | \$ 661,955                                 | \$ 4,418,062 |
| -               | -           | -  | -                                  | -  | -  | 890,451      |
| -               | -           | -  | -                                  | -  | 117,058                                    | 1,182,509    |
| -               | -           | -  | -                                  | -  | -  | 293,117      |
| 23,501          | 19,211      | -  | -                                  | -  | 92,852                                     | 321,822      |
| -               | -           | -  | -                                  | -  | 246,242                                    | 1,516,208    |
| -               | -           | -  | -                                  | -  | 67,417                                     | 245,241      |
| -               | -           | -  | -                                  | -  | 110,010                                    | 116,018      |
| -               | 42,500      | 64,410   | -                                  | 6,793                                      | 310,887                                    | 966,018      |
| 23,501          | 61,711      | 500,286  | -                                  | 6,793                                      | 1,606,421                                  | 9,949,446    |
| -               | -           | -  | -                                  | -  | 547,073                                    | 3,356,173    |
| -               | -           | -  | -                                  | -  | 196,259                                    | 1,769,727    |
| -               | -           | -  | -                                  | -  | 39,946                                     | 84,462       |
| -               | -           | -  | -                                  | -  | 166,745                                    | 1,395,283    |
| -               | -           | -  | -                                  | -  | 94,328                                     | 487,911      |
| -               | 8,997       | -  | -                                  | -  | 101,396                                    | 667,312      |
| -               | -           | 3,983,959  | -                                  | -  | -  | 4,051,421    |
| -               | -           | -  | 70,476                             | -  | 4,144,821                                  | 4,215,297    |
| -               | 8,997       | 3,983,959  | 70,476                             | -  | 5,290,568                                  | 16,027,586   |
| 23,501          | 52,714      | (3,483,673)  | (70,476)                           | 6,793                                      | (3,684,147)                                | (6,078,140)  |
| -               | -           | 2,396,604  | -                                  | -  | 3,555,640                                  | 5,952,244    |
| -               | -           | -  | -                                  | -  | 125,000                                    | 125,000      |
| -               | -           | 1,747,820  | -                                  | -  | 783,315                                    | 2,882,875    |
| (59,821)        | (311,000)   | -  | -                                  | -  | (413,416)                                  | (2,519,825)  |
| (59,821)        | (311,000)   | 4,144,424  | -                                  | -  | 4,050,539                                  | 6,440,294    |
| (36,320)        | (258,286)   | 660,751  | (70,476)                           | 6,793                                      | 366,392                                    | 362,154      |
| 448,953         | 729,131     | (248,415)  | (200,769)                          | 415,749                                    | (295,299)                                  | 1,941,363    |
| \$ 412,633      | \$ 470,845  | \$ 412,336   | \$ (271,245)                       | \$ 422,542                                 | \$ 71,093                                  | \$ 2,303,517 |
| \$ -            | \$ -        | \$ 412,336   | \$ -                               | \$ -                                       | \$ 92,552                                  | \$ 504,888   |
| -               | -           | -  | -                                  | -  | 85,298                                     | (13,522)     |
| 412,633         | 470,845     | -  | -                                  | -  | (111,181)                                  | 1,656,430    |
| -               | -           | -  | (271,245)                          | -  | 4,424                                      | (266,821)    |
| -               | -           | -  | -                                  | 422,542                                    | -  | 422,542      |
| \$ 412,633      | \$ 470,845  | \$ 412,336   | \$ (271,245)                       | \$ 422,542                                 | \$ 71,093                                  | \$ 2,303,517 |

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2007**

**Exhibit C**

|   | Enterprise Funds    |                   |                          |                     |
|---|---------------------|-------------------|--------------------------|---------------------|
|   | Water               | Sewer             | Non-Major<br>Storm Water | Total               |
| Operating receipts:                                       |                     |                   |                          |                     |
| Use of money and property                                 | \$ 151,941          | \$ 82,244         | \$ -                     | \$ 234,185          |
| Charges for services                                      | 2,127,346           | 1,633,369         | 196,780                  | 3,957,495           |
| Total operating receipts                                  | <u>2,279,287</u>    | <u>1,715,613</u>  | <u>196,780</u>           | <u>4,191,680</u>    |
| Operating disbursements:                                  |                     |                   |                          |                     |
| Business-type activities                                  | 1,415,501           | 1,213,696         | 78                       | 2,629,275           |
| Total operating disbursements                             | <u>1,415,501</u>    | <u>1,213,696</u>  | <u>78</u>                | <u>2,629,275</u>    |
| Excess of operating receipts over operating disbursements | 863,786             | 501,917           | 196,702                  | 1,562,405           |
| Non-operating disbursements:                              |                     |                   |                          |                     |
| Debt service  | (634,040)           | (584,335)         | -                        | (1,218,375)         |
| Excess of receipts over disbursements                     | 229,746             | (82,418)          | 196,702                  | 344,030             |
| Other financing sources (uses):                           |                     |                   |                          |                     |
| Operating transfers out                                   | (117,844)           | (63,455)          | (181,751)                | (363,050)           |
| Net change in cash balances                               | 111,902             | (145,873)         | 14,951                   | (19,020)            |
| Cash balances beginning of year                           | <u>2,228,181</u>    | <u>1,120,036</u>  | <u>98,534</u>            | <u>3,446,751</u>    |
| Cash balances end of year                                 | <u>\$ 2,340,083</u> | <u>\$ 974,163</u> | <u>\$ 113,485</u>        | <u>\$ 3,427,731</u> |
| <b>Cash Basis Fund Balances</b>                           |                     |                   |                          |                     |
| Reserved:   |                     |                   |                          |                     |
| Debt service  | \$ 809,500          | \$ 549,675        | \$ -                     | \$ 1,359,175        |
| Customer deposits   | 128,024             | -                 | -                        | 128,024             |
| Unreserved  | <u>1,402,559</u>    | <u>424,488</u>    | <u>113,485</u>           | <u>1,940,532</u>    |
| Total cash basis fund balances                            | <u>\$ 2,340,083</u> | <u>\$ 974,163</u> | <u>\$ 113,485</u>        | <u>\$ 3,427,731</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, 2007

|   | Private Purpose Trusts |                    |              |           |                            |
|---|------------------------|--------------------|--------------|-----------|----------------------------|
|   | Johnny<br>Appleseed    | Miles of<br>Lights | Swim<br>Team | Fireworks | Downtown<br>Beautification |
| Receipts:   |                        |                    |              |           |                            |
| Miscellaneous   | \$ 19,035              | \$ 2,475           | \$ 4,280     | \$ 3,920  | \$ 7,619                   |
| Total receipts  | 19,035                 | 2,475              | 4,280        | 3,920     | 7,619                      |
| Disbursements:  |                        |                    |              |           |                            |
| Culture and recreation  | 16,403                 | -                  | 2,977        | -         | -                          |
| Community and economic development                            | -                      | 9,386              | -            | 7,000     | 10,558                     |
| Total disbursements   | 16,403                 | 9,386              | 2,977        | 7,000     | 10,558                     |
| Excess (deficiency) of receipts<br>over (under) disbursements | 2,632                  | (6,911)            | 1,303        | (3,080)   | (2,939)                    |
| Cash balances beginning of year                               | (2,276)                | 4,588              | 6,675        | 3,899     | -                          |
| Cash balances end of year                                     | \$ 356                 | \$ (2,323)         | \$ 7,978     | \$ 819    | \$ (2,939)                 |
| <b>Cash Basis Fund Balances</b>                               |                        |                    |              |           |                            |
| Reserved:   |                        |                    |              |           |                            |
| Private purpose trust funds                                   | \$ 356                 | \$ (2,323)         | \$ 7,978     | \$ 819    | \$ (2,939)                 |
| Total cash basis fund balances                                | \$ 356                 | \$ (2,323)         | \$ 7,978     | \$ 819    | \$ (2,939)                 |

See notes to financial statements.

**CITY OF BOONE**  
**Notes to Financial Statements**

**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**

**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.

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

**CITY OF BOONE**  
**Notes to Financial Statements**

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

Special Revenue (continued):

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

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

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

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

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

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

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 proprietary fund:

The Storm Water Fund accounts for the operation and maintenance of the City's storm water 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**

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

**C. Measurement Focus and Basis of Accounting (continued)**

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City’s policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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, 2007, disbursements exceeded the amounts budgeted in the public works, health and social services, community and economic development, general government, and debt service before the budget was amended.

**Note 2 – Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2007, 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, 2007, are as follows:

|   | <u>Carrying<br/>Amount</u> | <u>Fair<br/>Value</u> |
|---|----------------------------|-----------------------|
| U.S. Government and Agencies Securities | \$ 1,430,284               | \$ 1,382,918          |
| Certificates of Deposit                 | 2,042,750                  | 2,042,750             |
| Money Market Accounts                   | <u>5,471</u>               | <u>5,471</u>          |
|   | <u>\$ 3,478,505</u>        | <u>\$ 3,431,139</u>   |

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$69,832 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

**CITY OF BOONE**  
**Notes to Financial Statements**

**Note 2 – Cash and Pooled Investments (continued)**

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

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

**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<br>Ending | General Obligation<br>Notes |                     | Urban Renewal<br>Tax Increment<br>Financing (TIF)<br>Revenue Bonds |                  |
|----------------|-----------------------------|---------------------|--|------------------|
|                | Principal                   | Interest            | Principal  | Interest         |
| June 30,       |                             |                     |  |                  |
| 2008           | 1,350,000                   | 407,381             | 160,000  | 20,050           |
| 2009           | 1,405,000                   | 361,080             | 170,000  | 10,370           |
| 2010           | 1,445,000                   | 311,940             | -  | -                |
| 2011           | 1,500,000                   | 260,335             | -  | -                |
| 2012           | 1,390,000                   | 205,880             | -  | -                |
| 2013           | 1,150,000                   | 153,545             | -  | -                |
| 2014           | 915,000                     | 109,688             | -  | -                |
| 2015           | 955,000                     | 74,424              | -  | -                |
| 2016           | 940,000                     | 37,315              | -  | -                |
| 2017           | -                           | -                   | -  | -                |
| 2018           | -                           | -                   | -  | -                |
| Total          | <u>\$ 11,050,000</u>        | <u>\$ 1,921,588</u> | <u>\$ 330,000</u>  | <u>\$ 30,420</u> |

| Year<br>Ending | Water<br>Revenue Bonds |                     | Sewer Revenue<br>Capital Loan Notes |                   | Total                |                     |
|----------------|------------------------|---------------------|-------------------------------------|-------------------|----------------------|---------------------|
|                | Principal              | Interest            | Principal                           | Interest          | Principal            | Interest            |
| June 30,       |                        |                     |                                     |                   |                      |                     |
| 2008           | 385,000                | 247,020             | 460,006                             | 175,717           | 2,355,006            | 850,168             |
| 2009           | 405,000                | 229,310             | 459,000                             | 156,414           | 2,439,000            | 757,174             |
| 2010           | 425,000                | 210,680             | 706,209                             | 137,000           | 2,576,209            | 659,620             |
| 2011           | 445,000                | 191,130             | 499,000                             | 116,769           | 2,444,000            | 568,234             |
| 2012           | 465,000                | 170,660             | 520,000                             | 95,647            | 2,375,000            | 472,187             |
| 2013           | 480,000                | 149,270             | 542,000                             | 73,622            | 2,172,000            | 376,437             |
| 2014           | 505,000                | 127,190             | 565,000                             | 50,663            | 1,985,000            | 287,541             |
| 2015           | 525,000                | 103,960             | 589,000                             | 26,712            | 2,069,000            | 205,096             |
| 2016           | 550,000                | 79,810              | 58,000                              | 1,740             | 1,548,000            | 118,865             |
| 2017           | 575,000                | 54,510              | -                                   | -                 | 575,000              | 54,510              |
| 2018           | 610,000                | 28,060              | -                                   | -                 | 610,000              | 28,060              |
| Total          | <u>\$ 5,370,000</u>    | <u>\$ 1,591,600</u> | <u>\$ 4,398,215</u>                 | <u>\$ 834,284</u> | <u>\$ 21,148,215</u> | <u>\$ 4,377,892</u> |

**CITY OF BOONE**  
**Notes to Financial Statements**

**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**

**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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$120,684, \$115,216, and \$120,373, respectively, equal to the required contributions for each year.

**CITY OF BOONE**  
**Notes to Financial Statements**

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

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, 7155 Lake Drive, West Des Moines, IA 50263.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ending June 30, 2007, 2006 and 2005 were \$423,672, \$405,209, and \$341,331, respectively, which met the required contribution rate 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, 2007, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u>      |
|------------------------|--------------------|
| Vacation               | \$ 264,000         |
| Sick leave             | <u>1,302,000</u>   |
| Total                  | <u>\$1,566,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2007.

**Note 6 – Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$31,881 during the year ended June 30, 2007.

**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 \$6,335,000 is outstanding at June 30, 2007. 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**

**Note 8 – Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007, is as follows:

| <u>Transfer to</u>                                 | <u>Transfer from</u>                        | <u>Amount</u>       |
|--|---|---------------------|
| General Fund:<br>General                           | General:<br>Hotel/Motel Tax                 | \$ 35,000           |
|  | Special Revenue:<br>Emergency               | 74,441              |
|  | Mary Garvey                                 | 11,000              |
|  | Enterprise:<br>Water                        | 117,844             |
|  | Sewer                                       | <u>63,455</u>       |
|  |   | \$ <u>301,740</u>   |
| Special Revenue:<br>Group Insurance                | Special Revenue:<br>Road Use Tax            | \$ 50,000           |
| Employee Benefit                                   | Local Option Tax                            | 176,000             |
|  | Police Retirement                           | 124,620             |
|  | Fire Retirement                             | <u>59,821</u>       |
|  |   | \$ <u>410,441</u>   |
| Debt Service:<br>General Obligation<br>Bonds/Notes | Special Revenue:<br>Local Option Sales Tax  | \$ 390,486          |
|  | Tax Increment Financing                     | 871,608             |
|  | Debt Service:<br>Special Assessment Bonds   | 303,975             |
|  | Enterprise:<br>Storm Water Utility          | <u>181,751</u>      |
|  |   | \$ <u>1,747,820</u> |
| Capital Projects:<br>Grade Separation              | Special Revenue:<br>Tax Increment Financing | \$ 122,874          |
| Police Building                                    | Mary Garvey                                 | 100,000             |
| Fire Trucks  | Mary Garvey                                 | <u>200,000</u>      |
|  |   | \$ <u>422,874</u>   |
| Total  |   | \$ <u>2,882,875</u> |

**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.

**CITY OF BOONE**  
**Notes to Financial Statements**

**Note 10 – Deficit Balances**

At June 30, 2007 the City had deficit balances in the following accounts:

|                                     |             |
|-------------------------------------|-------------|
| General Fund:                       |             |
| General                             | \$ (98,820) |
| Recreation                          | (1,989)     |
| Hotel/Motel Tax                     | (4,446)     |
| Special Revenue:                    |             |
| Group Insurance                     | (1,226,743) |
| Employee Benefits                   | (122,661)   |
| Unfunded Liability                  | (66,493)    |
| Emergency                           | (51,695)    |
| Capital Projects:                   |             |
| Airport Expansion                   | (111,142)   |
| Street/FRC Projects                 | (72,221)    |
| Westwood Addition 3                 | (96,304)    |
| Demolition Projects                 | (41,749)    |
| South Story                         | (271,245)   |
| Railroad Crossing                   | (480)       |
| INI Sanitary Sewer                  | (60,750)    |
| Housing Project                     | (53,462)    |
| Railroad Project                    | (311)       |
| Industrial Park                     | (14,081)    |
| South Marshall Realignment          | (3,267)     |
| Industrial Park Lift Station        | (55,247)    |
| 06 Paving Projects                  | (164,982)   |
| City Hall Remodeling                | (111,546)   |
| West Boone Water Tower              | (82,948)    |
| Sanitary Sewer                      | (7,885)     |
| Story Street and Mamie Intersection | (4,032)     |
| WW Plant Sludge Press               | (64,392)    |
| Runway Pavement Rehab               | (1,554)     |
| Lindahl Salvage Yard                | (502)       |
| 07 Sidewalk Program                 | (4,335)     |
| Miscellaneous                       | (1,992)     |
| Project Fund                        | (11,944)    |

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**

**Note 11 – Economic Development Loan Agreements**

The City has entered into economic development loan agreements with Boone Golf Estates, Agri-Pac LLC, Specialty Leather, Composite Technologies, AMPC, and Downtown Athletic Club. The amounts due and to be repaid to the City under the agreements in effect at June 30, 2007 are as follows:

| Year<br>Ending<br>June 30,    | Boone           |           | Specialty<br>Leather | Composite<br>Technologies | AMPC    | AMPC     | Downtown         |                    |                     |           | Total       |
|-------------------------------|-----------------|-----------|----------------------|---------------------------|---------|----------|------------------|--------------------|---------------------|-----------|-------------|
|                               | Golf<br>Estates | Agri-Pac  |                      |                           |         |          | Athletic<br>Club | Crestview<br>Court | Westwood<br>Estates | SunAm II  |             |
| 2008                          | 62,901          | 12,038    | 9,656                | 58,628                    | 5,795   | 26,651   | 2,333            | 26,330             | 14,052              | 29,296    | 247,680     |
| 2009                          | 62,901          | 12,038    | -                    | 58,628                    | 4,346   | 15,545   | -                | 25,285             | 14,052              | 28,134    | 220,929     |
| 2010                          | 62,901          | 12,038    | -                    | 58,628                    | -       | -        | -                | 24,241             | 14,052              | 26,972    | 198,832     |
| 2011                          | 62,901          | 12,038    | -                    | -                         | -       | -        | -                | 23,197             | 14,052              | 25,810    | 137,998     |
| 2012                          | 62,901          | 12,038    | -                    | -                         | -       | -        | -                | 22,152             | 14,052              | 24,648    | 135,791     |
| 2013                          | 62,901          | 12,038    | -                    | -                         | -       | -        | -                | 21,108             | 14,052              | 23,486    | 133,585     |
| 2014                          | -               | 12,038    | -                    | -                         | -       | -        | -                | 20,064             | 14,052              | 22,324    | 68,478      |
| 2015                          | -               | -         | -                    | -                         | -       | -        | -                | 19,019             | 14,052              | 21,162    | 54,233      |
| Total principal<br>& interest | 377,406         | 84,266    | 9,656                | 175,884                   | 10,141  | 42,196   | 2,333            | 181,396            | 112,416             | 201,832   | 1,197,526   |
| Less interest                 | 66,285          | 9,266     | 130                  | 10,057                    | 143     | 1,037    | -                | 37,596             | 21,594              | 41,832    | 187,940     |
| Total principal               | \$ 311,121      | \$ 75,000 | \$9,526              | \$ 165,827                | \$9,998 | \$41,159 | \$ 2,333         | \$143,800          | \$ 90,822           | \$160,000 | \$1,009,586 |

**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, 2007, disbursements in the public works, health and social services, community and economic development, general government, and debt service functions exceed the amount budgeted before the budget was amended.

**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, 2007, the City rebated \$82,190 of incremental tax to the developers.

**CITY OF BOONE**  
**Notes to Financial Statements**

**Note 15 – Subsequent Events**

In October 2007, the City awarded contracts for the 2007 Water Main Improvements-West Boone Project in the amount of \$1,220,912 and for the 2007 Water Main and Sanitary Sewer Improvements East Boone Project in the amount of \$1,043,833.

**Note 16 – Interfund Loan**

During the year ended June 30, 2007, the Enterprise Funds loaned \$181,299 with no interest to the General Fund. There were no repayments on the obligation during the year ended June 30, 2007.

## **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, 2007**

|  | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Total<br>Actual     |
|--|---------------------------------|--------------------------------|---------------------|
| Receipts:  |                                 |                                |                     |
| Property tax   | \$ 4,418,062                    | \$ -                           | \$ 4,418,062        |
| Tax increment financing collections  | 890,451                         | -                              | 890,451             |
| Other city tax   | 1,182,509                       | -                              | 1,182,509           |
| Licenses and permits   | 293,117                         | -                              | 293,117             |
| Use of money and property  | 321,822                         | 234,185                        | 556,007             |
| Intergovernmental  | 1,516,208                       | -                              | 1,516,208           |
| Charges for services   | 245,241                         | 3,957,495                      | 4,202,736           |
| Special assessments  | 116,018                         | -                              | 116,018             |
| Miscellaneous  | 966,018                         | -                              | 966,018             |
| Total receipts   | <u>9,949,446</u>                | <u>4,191,680</u>               | <u>14,141,126</u>   |
| Disbursements:   |                                 |                                |                     |
| Public safety  | 3,356,173                       | -                              | 3,356,173           |
| Public works   | 1,769,727                       | -                              | 1,769,727           |
| Health and social services   | 84,462                          | -                              | 84,462              |
| Culture and recreation   | 1,395,283                       | -                              | 1,395,283           |
| Community and economic development   | 487,911                         | -                              | 487,911             |
| General government   | 667,312                         | -                              | 667,312             |
| Debt service   | 4,051,421                       | -                              | 4,051,421           |
| Capital projects   | 4,215,297                       | -                              | 4,215,297           |
| Business-type activities   | -                               | 3,847,650                      | 3,847,650           |
| Total disbursements  | <u>16,027,586</u>               | <u>3,847,650</u>               | <u>19,875,236</u>   |
| Excess (deficiency) of receipts over disbursements   | (6,078,140)                     | 344,030                        | (5,734,110)         |
| Other financing sources, net   | 6,440,294                       | (363,050)                      | 6,077,244           |
| Excess (deficiency) of receipts and other financing sources<br>over (under) disbursements and other financing uses | 362,154                         | (19,020)                       | 343,134             |
| Balances beginning of year   | <u>1,941,363</u>                | <u>3,446,751</u>               | <u>5,388,114</u>    |
| Balances end of year   | <u>\$ 2,303,517</u>             | <u>\$ 3,427,731</u>            | <u>\$ 5,731,248</u> |

See accompanying independent auditors' report.

| Budgeted Amounts    |                     | Final to Actual       |
|---------------------|---------------------|-----------------------|
| Original            | Final               | Variance              |
| \$ 4,325,419        | \$ 4,325,419        | \$ 92,643             |
| 1,042,200           | 1,042,200           | (151,749)             |
| 1,180,811           | 1,180,811           | 1,698                 |
| 226,300             | 226,300             | 66,817                |
| 162,242             | 228,742             | 327,265               |
| 2,991,331           | 3,131,984           | (1,615,776)           |
| 4,341,065           | 4,341,065           | (138,329)             |
| 15,000              | 15,000              | 101,018               |
| 163,350             | 822,632             | 143,386               |
| <u>14,447,718</u>   | <u>15,314,153</u>   | <u>(1,173,027)</u>    |
| 3,535,124           | 3,535,124           | 178,951               |
| 1,648,805           | 1,855,605           | 85,878                |
| 45,000              | 45,000              | (39,462)              |
| 1,540,505           | 1,540,505           | 145,222               |
| 100,700             | 545,601             | 57,690                |
| 469,000             | 759,080             | 91,768                |
| 846,495             | 4,698,819           | 647,398               |
| 4,953,760           | 5,437,560           | 1,222,263             |
| 4,188,282           | 4,362,142           | 514,492               |
| <u>17,327,671</u>   | <u>22,779,436</u>   | <u>2,904,200</u>      |
| (2,879,953)         | (7,465,283)         | 1,731,173             |
| <u>3,507,060</u>    | <u>6,376,540</u>    | <u>(299,296)</u>      |
| 627,107             | (1,088,743)         | 1,431,877             |
| <u>8,355,751</u>    | <u>8,355,751</u>    | <u>(2,967,637)</u>    |
| <u>\$ 8,982,858</u> | <u>\$ 7,267,008</u> | <u>\$ (1,535,760)</u> |

## **CITY OF BOONE**

### **Required Supplementary Information**

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

**June 30, 2007**

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 \$5,451,765 and increased budgeted revenues by \$866,435. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public works, health and social services, community and economic development, general government, and debt service functions before the budget was amended.

## **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, 2007**

|  | General           |                   |                  |               | Special Revenue |                   |                     |                    |                    |               |                  |                  | Debt Service     | Capital Projects |                          |                     |                     |                    |                  |                     |                     |                 |                  |                   |                    |                   |                    |      |
|--|-------------------|-------------------|------------------|---------------|-----------------|-------------------|---------------------|--------------------|--------------------|---------------|------------------|------------------|------------------|------------------|--------------------------|---------------------|---------------------|--------------------|------------------|---------------------|---------------------|-----------------|------------------|-------------------|--------------------|-------------------|--------------------|------|
|  | Recreation        | Hotel/Motel Tax   | Landfill         | Tennis        | Family Resource | Insurance Reserve | Employee Benefit    | Unfunded Liability | Emergency          | YSS Grant     | Police Trust     | Fire Trust       | Library Trust    | Park Trust       | Special Assessment Bonds | Airport Expansion   | Street/FRC Projects | Street Resurfacing | Grant Projects   | Westwood Addition 3 | Demolition Projects | Tennis Courts   | Grade Separation | Railroad Crossing | Sanitary Sewer     | Train Whistle     | Housing Project    |      |
| <b>Receipts:</b>   |                   |                   |                  |               |                 |                   |                     |                    |                    |               |                  |                  |                  |                  |                          |                     |                     |                    |                  |                     |                     |                 |                  |                   |                    |                   |                    |      |
| Property tax   | \$ -              | \$ -              | \$ -             | \$ -          | \$ -            | \$ -              | \$ 553,441          | \$ 31,625          | \$ 76,889          | \$ -          | \$ -             | \$ -             | \$ -             | \$ -             | \$ -                     | \$ -                | \$ -                | \$ -               | \$ -             | \$ -                | \$ -                | \$ -            | \$ -             | \$ -              | \$ -               | \$ -              | \$ -               | \$ - |
| Other city tax   | -                 | 117,058           | -                | -             | -               | -                 | -                   | -                  | -                  | -             | -                | -                | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Use of money and property                                  | -                 | -                 | 1,835            | -             | 84,123          | -                 | -                   | -                  | -                  | -             | -                | -                | -                | -                | -                        | -                   | 6,894               | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Intergovernmental  | -                 | -                 | -                | -             | -               | -                 | -                   | -                  | -                  | 39,946        | -                | -                | -                | -                | -                        | 4,648               | 1,695               | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | 80,453             |      |
| Charges for services                                       | -                 | -                 | 62,334           | 5,083         | -               | -                 | -                   | -                  | -                  | -             | -                | -                | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Special assessments  | -                 | -                 | -                | -             | -               | -                 | -                   | -                  | -                  | -             | -                | -                | -                | -                | 62,992                   | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Miscellaneous  | 72                | -                 | -                | -             | -               | 3,047             | 2,079               | 2,500              | -                  | -             | 21,725           | 1,300            | 23,058           | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | 219,641          | -                 | -                  | -                 |                    |      |
| <b>Total receipts</b>                                      | <b>72</b>         | <b>117,058</b>    | <b>64,169</b>    | <b>5,083</b>  | <b>84,123</b>   | <b>3,047</b>      | <b>555,520</b>      | <b>34,125</b>      | <b>76,889</b>      | <b>39,946</b> | <b>21,725</b>    | <b>1,300</b>     | <b>23,058</b>    | <b>-</b>         | <b>62,992</b>            | <b>4,648</b>        | <b>8,589</b>        | <b>-</b>           | <b>-</b>         | <b>-</b>            | <b>-</b>            | <b>-</b>        | <b>219,641</b>   | <b>-</b>          | <b>-</b>           | <b>-</b>          | <b>80,453</b>      |      |
| <b>Disbursements:</b>                                      |                   |                   |                  |               |                 |                   |                     |                    |                    |               |                  |                  |                  |                  |                          |                     |                     |                    |                  |                     |                     |                 |                  |                   |                    |                   |                    |      |
| <b>Governmental activities:</b>                            |                   |                   |                  |               |                 |                   |                     |                    |                    |               |                  |                  |                  |                  |                          |                     |                     |                    |                  |                     |                     |                 |                  |                   |                    |                   |                    |      |
| Public safety  | -                 | -                 | -                | -             | -               | -                 | 488,625             | 32,652             | -                  | -             | 25,187           | 609              | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Public works   | -                 | -                 | 64,015           | -             | -               | -                 | 132,244             | -                  | -                  | -             | -                | -                | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Health and social services                                 | -                 | -                 | -                | -             | -               | -                 | -                   | -                  | -                  | 39,946        | -                | -                | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Culture and recreation                                     | 5                 | 18,895            | -                | 5,847         | -               | -                 | 110,432             | -                  | -                  | -             | -                | 31,566           | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Community and economic development                         | -                 | 93,090            | -                | -             | -               | -                 | 1,238               | -                  | -                  | -             | -                | -                | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| General government   | -                 | -                 | -                | -             | 77,373          | 8,225             | 15,798              | -                  | -                  | -             | -                | -                | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Capital projects   | -                 | -                 | -                | -             | -               | -                 | -                   | -                  | -                  | -             | -                | -                | -                | -                | -                        | -                   | 705                 | -                  | -                | -                   | 24,903              | -               | 16,937           | -                 | -                  | 12,295            | 43,865             |      |
| <b>Total disbursements</b>                                 | <b>5</b>          | <b>111,985</b>    | <b>64,015</b>    | <b>5,847</b>  | <b>77,373</b>   | <b>8,225</b>      | <b>748,337</b>      | <b>32,652</b>      | <b>-</b>           | <b>39,946</b> | <b>25,187</b>    | <b>609</b>       | <b>31,566</b>    | <b>-</b>         | <b>-</b>                 | <b>-</b>            | <b>705</b>          | <b>-</b>           | <b>-</b>         | <b>-</b>            | <b>24,903</b>       | <b>-</b>        | <b>16,937</b>    | <b>-</b>          | <b>-</b>           | <b>12,295</b>     | <b>43,865</b>      |      |
| Excess (deficiency) of receipts over (under) disbursements | 67                | 5,073             | 154              | (764)         | 6,750           | (5,178)           | (192,817)           | 1,473              | 76,889             | -             | (3,462)          | 691              | (8,508)          | -                | 62,992                   | 4,648               | 7,884               | -                  | -                | -                   | (24,903)            | -               | 202,704          | -                 | -                  | (12,295)          | 36,588             |      |
| <b>Other financing sources (uses):</b>                     |                   |                   |                  |               |                 |                   |                     |                    |                    |               |                  |                  |                  |                  |                          |                     |                     |                    |                  |                     |                     |                 |                  |                   |                    |                   |                    |      |
| Bond proceeds  | -                 | -                 | -                | -             | -               | -                 | -                   | -                  | -                  | -             | -                | -                | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Sale of capital assets                                     | -                 | -                 | -                | -             | -               | -                 | -                   | -                  | -                  | -             | -                | -                | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | 125,000           | -                  |      |
| Operating transfers in                                     | -                 | -                 | -                | -             | -               | -                 | 360,441             | -                  | -                  | -             | -                | -                | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | 122,874          | -                 | -                  | -                 | -                  |      |
| Operating transfers out                                    | -                 | (35,000)          | -                | -             | -               | -                 | -                   | -                  | (74,441)           | -             | -                | -                | -                | -                | (303,975)                | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| <b>Total other financing sources (uses)</b>                | <b>-</b>          | <b>(35,000)</b>   | <b>-</b>         | <b>-</b>      | <b>-</b>        | <b>-</b>          | <b>360,441</b>      | <b>-</b>           | <b>(74,441)</b>    | <b>-</b>      | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>(303,975)</b>         | <b>-</b>            | <b>-</b>            | <b>-</b>           | <b>-</b>         | <b>-</b>            | <b>-</b>            | <b>-</b>        | <b>122,874</b>   | <b>-</b>          | <b>-</b>           | <b>125,000</b>    | <b>-</b>           |      |
| <b>Net change in cash balances</b>                         | <b>67</b>         | <b>(29,927)</b>   | <b>154</b>       | <b>(764)</b>  | <b>6,750</b>    | <b>(5,178)</b>    | <b>167,624</b>      | <b>1,473</b>       | <b>2,448</b>       | <b>-</b>      | <b>(3,462)</b>   | <b>691</b>       | <b>(8,508)</b>   | <b>-</b>         | <b>(240,983)</b>         | <b>4,648</b>        | <b>7,884</b>        | <b>-</b>           | <b>-</b>         | <b>-</b>            | <b>(24,903)</b>     | <b>-</b>        | <b>325,578</b>   | <b>-</b>          | <b>-</b>           | <b>112,705</b>    | <b>36,588</b>      |      |
| Cash balances beginning of year                            | (2,056)           | 25,481            | 31,164           | 1,184         | (5,886)         | 64,309            | (290,285)           | (67,966)           | (54,143)           | -             | 62,867           | 17,051           | 50,167           | 10,862           | 333,535                  | (115,790)           | (80,105)            | 213,448            | 46,203           | (96,304)            | (16,846)            | 7,684           | (325,303)        | (480)             | (60,750)           | (3,760)           | (90,050)           |      |
| Cash balances end of year                                  | \$ (1,989)        | \$ (4,446)        | \$ 31,318        | \$ 420        | \$ 864          | \$ 59,131         | \$ (122,661)        | \$ (66,493)        | \$ (51,695)        | \$ -          | \$ 59,405        | \$ 17,742        | \$ 41,659        | \$ 10,862        | \$ 92,552                | \$ (111,142)        | \$ (72,221)         | \$ 213,448         | \$ 46,203        | \$ (96,304)         | \$ (41,749)         | \$ 7,684        | \$ 275           | \$ (480)          | \$ (60,750)        | \$ 108,945        | \$ (53,462)        |      |
| <b>Cash Basis Fund Balances</b>                            |                   |                   |                  |               |                 |                   |                     |                    |                    |               |                  |                  |                  |                  |                          |                     |                     |                    |                  |                     |                     |                 |                  |                   |                    |                   |                    |      |
| Reserved:  |                   |                   |                  |               |                 |                   |                     |                    |                    |               |                  |                  |                  |                  |                          |                     |                     |                    |                  |                     |                     |                 |                  |                   |                    |                   |                    |      |
| Debt service   | -                 | -                 | -                | -             | -               | -                 | -                   | -                  | -                  | -             | -                | -                | -                | -                | 92,552                   | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Unreserved:  |                   |                   |                  |               |                 |                   |                     |                    |                    |               |                  |                  |                  |                  |                          |                     |                     |                    |                  |                     |                     |                 |                  |                   |                    |                   |                    |      |
| General funds  | (1,989)           | (4,446)           | 31,318           | 420           | 864             | 59,131            | -                   | -                  | -                  | -             | -                | -                | -                | -                | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Special revenue funds                                      | -                 | -                 | -                | -             | -               | -                 | (122,661)           | (66,493)           | (51,695)           | -             | 59,405           | 17,742           | 41,659           | 10,862           | -                        | -                   | -                   | -                  | -                | -                   | -                   | -               | -                | -                 | -                  | -                 | -                  |      |
| Capital projects funds                                     | -                 | -                 | -                | -             | -               | -                 | -                   | -                  | -                  | -             | -                | -                | -                | -                | -                        | (111,142)           | (72,221)            | 213,448            | 46,203           | (96,304)            | (41,749)            | 7,684           | 275              | (480)             | (60,750)           | 108,945           | (53,462)           |      |
| <b>Total cash basis fund balances</b>                      | <b>\$ (1,989)</b> | <b>\$ (4,446)</b> | <b>\$ 31,318</b> | <b>\$ 420</b> | <b>\$ 864</b>   | <b>\$ 59,131</b>  | <b>\$ (122,661)</b> | <b>\$ (66,493)</b> | <b>\$ (51,695)</b> | <b>\$ -</b>   | <b>\$ 59,405</b> | <b>\$ 17,742</b> | <b>\$ 41,659</b> | <b>\$ 10,862</b> | <b>\$ 92,552</b>         | <b>\$ (111,142)</b> | <b>\$ (72,221)</b>  | <b>\$ 213,448</b>  | <b>\$ 46,203</b> | <b>\$ (96,304)</b>  | <b>\$ (41,749)</b>  | <b>\$ 7,684</b> | <b>\$ 275</b>    | <b>\$ (480)</b>   | <b>\$ (60,750)</b> | <b>\$ 108,945</b> | <b>\$ (53,462)</b> |      |

See accompanying independent auditors' report.

| Capital Projects |                 |                    |                          |                                |                            |                              |                   |                      |                      |                        |                |             |                    |                     |                                   |                       |             |                         |                       |                           |                    |                       |                       |                        |              |             |           |
|------------------|-----------------|--------------------|--------------------------|--------------------------------|----------------------------|------------------------------|-------------------|----------------------|----------------------|------------------------|----------------|-------------|--------------------|---------------------|-----------------------------------|-----------------------|-------------|-------------------------|-----------------------|---------------------------|--------------------|-----------------------|-----------------------|------------------------|--------------|-------------|-----------|
| Railroad Project | Industrial Park | City Hall Elevator | 2005 Street Improvements | Snedden Drive Grade Separation | South Marshall Realignment | Industrial Park Lift Station | Police Department | 2006 Paving Projects | City Hall Remodeling | West Boone Water Tower | Sanitary Sewer | Fire Trucks | Park/Pool Projects | Roadway Maintenance | Story Street & Mamie Intersection | WW Plant Sludge Press | Sludge Tank | Middle School Sidewalks | Runway Pavement Rehab | West Park Extension Study | Proliant Expansion | Lindhahl Salvage Yard | 2007 Sidewalk Program | Miscellaneous Projects | Project Fund | Total       |           |
| \$ -             | \$ -            | \$ -               | \$ -                     | \$ -                           | \$ -                       | \$ -                         | \$ -              | \$ -                 | \$ -                 | \$ -                   | \$ -           | \$ -        | \$ -               | \$ -                | \$ -                              | \$ -                  | \$ -        | \$ -                    | \$ -                  | \$ -                      | \$ -               | \$ -                  | \$ -                  | \$ -                   | \$ -         | \$ 661,955  |           |
| -                | -               | -                  | -                        | -                              | -                          | -                            | -                 | -                    | -                    | -                      | -              | -           | -                  | -                   | -                                 | -                     | -           | -                       | -                     | -                         | -                  | -                     | -                     | -                      | -            | 117,058     |           |
| -                | -               | -                  | -                        | -                              | -                          | -                            | -                 | -                    | -                    | -                      | -              | -           | -                  | -                   | -                                 | -                     | -           | -                       | -                     | -                         | -                  | -                     | -                     | -                      | -            | 92,852      |           |
| -                | -               | -                  | -                        | 40,000                         | -                          | -                            | -                 | -                    | -                    | -                      | -              | -           | -                  | -                   | -                                 | -                     | -           | -                       | -                     | -                         | -                  | 79,500                | -                     | -                      | -            | 246,242     |           |
| -                | -               | -                  | 22,488                   | -                              | -                          | -                            | -                 | -                    | -                    | -                      | -              | -           | -                  | -                   | -                                 | -                     | -           | -                       | -                     | -                         | -                  | -                     | -                     | -                      | -            | 67,417      |           |
| -                | -               | -                  | 37,465                   | -                              | -                          | -                            | -                 | -                    | -                    | -                      | -              | -           | -                  | -                   | -                                 | -                     | -           | -                       | 24,530                | -                         | -                  | -                     | -                     | -                      | -            | 110,010     |           |
| -                | -               | -                  | 59,953                   | 40,000                         | -                          | -                            | -                 | -                    | -                    | -                      | -              | -           | -                  | -                   | -                                 | -                     | -           | -                       | 24,530                | -                         | -                  | 79,500                | -                     | -                      | -            | 310,887     |           |
| -                | -               | -                  | 488                      | 12,768                         | 17,814                     | -                            | -                 | 295,544              | 868,242              | 651,546                | 68,133         | 198,856     | 1,115,280          | 267,422             | 948                               | 21,342                | 64,392      | 1,029                   | 194,046               | 91,444                    | 12,985             | 79,500                | 502                   | 4,335                  | -            | 79,500      | 4,144,821 |
| -                | -               | -                  | 488                      | 12,768                         | 17,814                     | -                            | -                 | 295,544              | 868,242              | 651,546                | 68,133         | 198,856     | 1,115,280          | 267,422             | 948                               | 21,342                | 64,392      | 1,029                   | 194,046               | 91,444                    | 12,985             | 79,500                | 502                   | 4,335                  | -            | 79,500      | 5,290,568 |
| -                | (488)           | (12,768)           | 42,139                   | 40,000                         | -                          | -                            | (295,544)         | (868,242)            | (651,546)            | (68,133)               | (198,856)      | (1,115,280) | (267,422)          | (948)               | (21,342)                          | (64,392)              | (1,029)     | (169,516)               | (91,444)              | (12,985)                  | -                  | (502)                 | (4,335)               | -                      | (79,500)     | (3,684,147) |           |
| -                | -               | -                  | -                        | -                              | -                          | -                            | 400,000           | 703,260              | 423,200              | -                      | 190,971        | 1,000,000   | 330,000            | 120,000             | 20,000                            | -                     | 58,209      | 200,000                 | 90,000                | 20,000                    | -                  | -                     | -                     | -                      | -            | -           | 3,555,640 |
| -                | -               | -                  | -                        | -                              | -                          | -                            | -                 | -                    | -                    | -                      | -              | -           | -                  | -                   | -                                 | -                     | -           | -                       | -                     | -                         | -                  | -                     | -                     | -                      | -            | -           | 125,000   |
| -                | -               | -                  | -                        | -                              | -                          | -                            | 100,000           | -                    | -                    | -                      | -              | 200,000     | -                  | -                   | -                                 | -                     | -           | -                       | -                     | -                         | -                  | -                     | -                     | -                      | -            | -           | 783,315   |
| -                | -               | -                  | -                        | -                              | -                          | -                            | -                 | -                    | -                    | -                      | -              | -           | -                  | -                   | -                                 | -                     | -           | -                       | -                     | -                         | -                  | -                     | -                     | -                      | -            | -           | (413,416) |
| -                | -               | -                  | -                        | -                              | -                          | -                            | 500,000           | 703,260              | 423,200              | -                      | 190,971        | 1,200,000   | 330,000            | 120,000             | 20,000                            | -                     | 58,209      | 200,000                 | 90,000                | 20,000                    | -                  | -                     | -                     | -                      | -            | -           | 4,050,539 |
| -                | (488)           | (12,768)           | 42,139                   | 40,000                         | -                          | -                            | 204,456           | (164,982)            | (228,346)            | (68,133)               | (7,885)        | 84,720      | 62,578             | 119,052             | (1,342)                           | (64,392)              | 57,180      | 30,484                  | (1,444)               | 7,015                     | -                  | (502)                 | (4,335)               | -                      | (79,500)     | 366,392     |           |
| (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       | (295,299)   |           |
| \$ (311)         | \$ (14,081)     | \$ 4,621           | \$ 35,387                | \$ 8,976                       | \$ (3,267)                 | \$ (55,247)                  | \$ 195,735        | \$ (164,982)         | \$ (111,546)         | \$ (82,948)            | \$ (7,885)     | \$ 84,720   | \$ 62,578          | \$ 119,052          | \$ (4,032)                        | \$ (64,392)           | \$ 57,180   | \$ 18,474               | \$ (1,554)            | \$ 6,272                  | \$ -               | \$ (502)              | \$ (4,335)            | \$ (1,992)             | \$ (11,944)  | \$ 71,093   |           |
| -                | -               | -                  | -                        | -                              | -                          | -                            | -                 | -                    | -                    | -                      | -              | -           | -                  | -                   | -                                 | -                     | -           | -                       | -                     | -                         | -                  | -                     | -                     | -                      | -            | -           | 92,552    |
| -                | -               | -                  | -                        | -                              | -                          | -                            | -                 | -                    | -                    | -                      | -              | -           | -                  | -                   | -                                 | -                     | -           | -                       | -                     | -                         | -                  | -                     | -                     | -                      | -            | -           | 85,298    |
| -                | -               | -                  | -                        | -                              | -                          | -                            | -                 | -                    | -                    | -                      | -              | -           | -                  | -                   | -                                 | -                     | -           | -                       | -                     | -                         | -                  | -                     | -                     | -                      | -            | -           | (111,181) |
| (311)            | (14,081)        | 4,621              | 35,387                   | 8,976                          | (3,267)                    | (55,247)                     | 195,735           | (164,982)            | (111,546)            | (82,948)               | (7,885)        | 84,720      | 62,578             | 119,052             | (4,032)                           | (64,392)              | 57,180      | 18,474                  | (1,554)               | 6,272                     | -                  | (502)                 | (4,335)               | (1,992)                | (11,944)     | 4,424       |           |
| \$ (311)         | \$ (14,081)     | \$ 4,621           | \$ 35,387                | \$ 8,976                       | \$ (3,267)                 | \$ (55,247)                  | \$ 195,735        | \$ (164,982)         | \$ (111,546)         | \$ (82,948)            | \$ (7,885)     | \$ 84,720   | \$ 62,578          | \$ 119,052          | \$ (4,032)                        | \$ (64,392)           | \$ 57,180   | \$ 18,474               | \$ (1,554)            | \$ 6,272                  | \$ -               | \$ (502)              | \$ (4,335)            | \$ (1,992)             | \$ (11,944)  | \$ 71,093   |           |

**CITY OF BOONE**  
**Schedule of Indebtedness**  
**Year Ended June 30, 2007**

| Obligation                                   | Date of Issue | Interest Rates | Amount<br>Originally<br>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                        |
| Capital loan note                            | July 2006     | 3.875 - 4.100  | 5,840,000                      |
| Total  |               |                |                                |
| Urban renewal tax increment financing bonds: |               |                |                                |
| (TIF) revenue bond                           | April 1999    | 5.50 - 6.10 %  | \$ 1,155,000                   |
| Urban renewal tax increment financing notes: |               |                |                                |
| (TIF) revenue note                           | March 2000    | 5.50 %         | \$ 326,867                     |
| 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      | 3.00           | 831,000                        |
| Sewer revenue capital loan notes             | May 2003      | 3.43           | 100,000                        |
| Sewer revenue capital loan notes             | November 2006 | 0.00           | 148,800                        |
| Sewer revenue capital loan notes             | November 2006 | 0.00           | 170,000                        |
| Total  |               |                |                                |

See accompanying independent auditors' report.

Schedule 2

| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End<br>of Year | Interest<br>Paid  | Interest<br>Due and<br>Unpaid |
|---------------------------------|--------------------------|----------------------------|---------------------------|-------------------|-------------------------------|
| \$ 300,000                      | \$ -                     | \$ 300,000                 | \$ -                      | \$ 2,145          | \$ -                          |
| 195,000                         | -                        | 195,000                    | -                         | 1,387             | -                             |
| 1,200,000                       | -                        | 1,200,000                  | -                         | 7,679             | -                             |
| <b>\$ 1,695,000</b>             | <b>\$ -</b>              | <b>\$ 1,695,000</b>        | <b>\$ -</b>               | <b>\$ 11,211</b>  | <b>\$ -</b>                   |
| \$ 300,000                      | \$ -                     | \$ 300,000                 | \$ -                      | \$ 2,323          | \$ -                          |
| 1,480,000                       | -                        | 220,000                    | 1,260,000                 | 54,540            | -                             |
| 1,525,000                       | -                        | 195,000                    | 1,330,000                 | 51,945            | -                             |
| 2,120,000                       | -                        | 185,000                    | 1,935,000                 | 70,840            | -                             |
| 1,205,000                       | -                        | 190,000                    | 1,015,000                 | 34,665            | -                             |
| 235,000                         | -                        | 30,000                     | 205,000                   | 8,250             | -                             |
| -                               | 5,840,000                | 535,000                    | 5,305,000                 | 212,957           | -                             |
| <b>\$ 6,865,000</b>             | <b>\$ 5,840,000</b>      | <b>\$ 1,655,000</b>        | <b>\$ 11,050,000</b>      | <b>\$ 435,520</b> | <b>\$ -</b>                   |
| \$ 485,000                      | \$ -                     | \$ 155,000                 | \$ 330,000                | \$ 29,350         | \$ -                          |
| \$ 65,510                       | \$ -                     | \$ 65,510                  | \$ -                      | \$ 1,810          | \$ -                          |
| \$ 5,740,000                    | \$ -                     | \$ 370,000                 | \$ 5,370,000              | \$ 264,040        | \$ -                          |
| \$ 4,067,000                    | \$ -                     | \$ 379,000                 | \$ 3,688,000              | \$ 122,010        | \$ -                          |
| 506,000                         | -                        | 44,000                     | 462,000                   | 15,180            | -                             |
| 40,006                          | -                        | 20,000                     | 20,006                    | 1,029             | -                             |
| -                               | 58,209                   | -                          | 58,209                    | -                 | -                             |
| -                               | 170,000                  | -                          | 170,000                   | -                 | -                             |
| <b>\$ 4,613,006</b>             | <b>\$ 228,209</b>        | <b>\$ 443,000</b>          | <b>\$ 4,398,215</b>       | <b>\$ 138,219</b> | <b>\$ -</b>                   |

**CITY OF BOONE**  
**Bond and Note Maturities**  
**June 30, 2007**

| General Obligation Notes   |   |                     |  |                     |  |                     |
|----------------------------|---|---------------------|--|---------------------|--|---------------------|
| Year<br>Ending<br>June 30, | Capital Loan<br>Note<br>Issued July 1, 2002 |                     | Capital Loan<br>Note<br>Issued January 1, 2003 |                     | Capital Loan<br>Note<br>Issued October 1, 2003 |                     |
|                            | Interest                                    |                     | Interest                                       |                     | Interest                                       |                     |
|                            | Rates                                       | Amount              | Rates  | Amount              | Rates  | Amount              |
| 2008                       | 3.70%                                       | 230,000             | 3.00%  | 205,000             | 3.30%  | 190,000             |
| 2009                       | 3.70%                                       | 240,000             | 3.15%  | 210,000             | 3.30%  | 195,000             |
| 2010                       | 3.70%                                       | 250,000             | 3.50%  | 215,000             | 3.30%  | 200,000             |
| 2011                       | 3.70%                                       | 265,000             | 3.60%  | 225,000             | 3.30%  | 205,000             |
| 2012                       | 3.70%                                       | 275,000             | 3.80%  | 235,000             | 3.30%  | 215,000             |
| 2013                       |   | -                   | 3.90%  | 240,000             | 3.30%  | 220,000             |
| 2014                       |   | -                   |  | -                   | 3.40%  | 230,000             |
| 2015                       |   | -                   |  | -                   | 3.50%  | 235,000             |
| 2016                       |   | -                   |  | -                   | 3.60%  | 245,000             |
| Total                      |   | <u>\$ 1,260,000</u> |  | <u>\$ 1,330,000</u> |  | <u>\$ 1,935,000</u> |

| Year<br>Ending<br>June 30, | Urban Renewal<br>Tax Increment Financing (TIF) Bonds |                   |                               | Revenue Bonds               |                     |
|----------------------------|--|-------------------|-------------------------------|-----------------------------|---------------------|
|                            | Revenue Bonds<br>Issued April 1, 1999                |                   | Total<br>TIF Revenue<br>Bonds | Water<br>Issued Aug 1, 1998 |                     |
|                            | Interest<br>Rates                                    | Amount            |                               | Interest<br>Rates           | Amount              |
| 2008                       | 6.05%  | 160,000           | 160,000                       | 4.60%                       | 385,000             |
| 2009                       | 6.10%  | 170,000           | 170,000                       | 4.60%                       | 405,000             |
| 2010                       |  | -                 | -                             | 4.60%                       | 425,000             |
| 2011                       |  | -                 | -                             | 4.60%                       | 445,000             |
| 2012                       |  | -                 | -                             | 4.60%                       | 465,000             |
| 2013                       |  | -                 | -                             | 4.60%                       | 480,000             |
| 2014                       |  | -                 | -                             | 4.60%                       | 505,000             |
| 2015                       |  | -                 | -                             | 4.60%                       | 525,000             |
| 2016                       |  | -                 | -                             | 4.60%                       | 550,000             |
| 2017                       |  | -                 | -                             | 4.60%                       | 575,000             |
| 2018                       |  | -                 | -                             | 4.60%                       | 610,000             |
| Total                      |  | <u>\$ 330,000</u> | <u>\$ 330,000</u>             |                             | <u>\$ 5,370,000</u> |

See accompanying independent auditors' report

**CITY OF BOONE**  
**Bond and Note Maturities**  
**June 30, 2007**

Schedule 3

| General Obligation Notes   |  |                     |  |                   |   |                     |                      |
|----------------------------|--|---------------------|--|-------------------|---|---------------------|----------------------|
| Year<br>Ending<br>June 30, | Capital Loan<br>Note<br>Issued March 1, 2005 |                     | Capital Loan<br>Note<br>Issued October 1, 2005 |                   | Capital Loan<br>Note<br>Issued July 1, 2006 |                     | Total<br>G.O. Notes  |
|                            | Interest                                     |                     | Interest                                       |                   | Interest                                    |                     |                      |
|                            | Rates  | Amount              | Rates  | Amount            | Rates                                       | Amount              |                      |
| 2008                       | 2.60%  | 200,000             | 3.30%  | 30,000            | 3.88%                                       | 495,000             | 1,350,000            |
| 2009                       | 2.80%  | 205,000             | 3.40%  | 35,000            | 3.90%                                       | 520,000             | 1,405,000            |
| 2010                       | 2.90%  | 205,000             | 3.50%  | 35,000            | 3.90%                                       | 540,000             | 1,445,000            |
| 2011                       | 3.05%  | 210,000             | 3.60%  | 35,000            | 3.95%                                       | 560,000             | 1,500,000            |
| 2012                       | 3.20%  | 45,000              | 3.70%  | 35,000            | 4.00%                                       | 585,000             | 1,390,000            |
| 2013                       | 3.35%  | 45,000              | 3.80%  | 35,000            | 4.00%                                       | 610,000             | 1,150,000            |
| 2014                       | 3.45%  | 50,000              | -  | -                 | 4.05%                                       | 635,000             | 915,000              |
| 2015                       | 3.55%  | 55,000              | -  | -                 | 4.05%                                       | 665,000             | 955,000              |
| 2016                       | -  | -                   | -  | -                 | 4.10%                                       | 695,000             | 940,000              |
| <b>Total</b>               |  | <b>\$ 1,015,000</b> |  | <b>\$ 205,000</b> |   | <b>\$ 5,305,000</b> | <b>\$ 11,050,000</b> |

| Revenue Notes              |   |                     |   |                   |  |                  |   |                  |   |                   |                           |
|----------------------------|---|---------------------|---|-------------------|--|------------------|---|------------------|---|-------------------|---------------------------|
| Year<br>Ending<br>June 30, | Sewer<br>Capital Loan Note<br>Issued Mar 19, 1993 |                     | Sewer<br>Capital Loan Note<br>Issued May 20, 1996 |                   | Sewer<br>Capital Loan Note<br>Issued May 5, 2003 |                  | Sewer<br>Capital Loan Note<br>Issued November 2, 2006 |                  | Sewer<br>Capital Loan Note<br>Issued November 2, 2006 |                   | Total<br>Revenue<br>Notes |
|                            | Interest  |                     | Interest  |                   | Interest   |                  | Interest  |                  | Interest  |                   |                           |
|                            | Rates   | Amount              | Rates   | Amount            | Rates  | Amount           | Rates   | Amount           | Rates   | Amount            |                           |
| 2008                       | 4.37%   | 395,000             | 4.54%   | 45,000            | 3.43%  | 20,006           | -   | -                | -   | -                 | 460,006                   |
| 2009                       | 4.37%   | 412,000             | 4.54%   | 47,000            | -  | -                | -   | -                | -   | -                 | 459,000                   |
| 2010                       | 4.37%   | 430,000             | 4.54%   | 48,000            | -  | -                | 0.00%   | 58,209           | 0.00%   | 170,000           | 706,209                   |
| 2011                       | 4.37%   | 449,000             | 4.54%   | 50,000            | -  | -                | -   | -                | -   | -                 | 499,000                   |
| 2012                       | 4.37%   | 469,000             | 4.54%   | 51,000            | -  | -                | -   | -                | -   | -                 | 520,000                   |
| 2013                       | 4.37%   | 489,000             | 4.54%   | 53,000            | -  | -                | -   | -                | -   | -                 | 542,000                   |
| 2014                       | 4.37%   | 511,000             | 4.54%   | 54,000            | -  | -                | -   | -                | -   | -                 | 565,000                   |
| 2015                       | 4.37%   | 533,000             | 4.54%   | 56,000            | -  | -                | -   | -                | -   | -                 | 589,000                   |
| 2016                       | -   | -                   | 4.54%   | 58,000            | -  | -                | -   | -                | -   | -                 | 58,000                    |
| 2017                       | -   | -                   | -   | -                 | -  | -                | -   | -                | -   | -                 | -                         |
| 2018                       | -   | -                   | -   | -                 | -  | -                | -   | -                | -   | -                 | -                         |
| <b>Total</b>               |   | <b>\$ 3,688,000</b> |   | <b>\$ 462,000</b> |  | <b>\$ 20,006</b> |   | <b>\$ 58,209</b> |   | <b>\$ 170,000</b> | <b>\$ 4,398,215</b>       |

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

Schedule 4

For the Last Four Years

|                                     | 2007                 | 2006                 | 2005                 | 2004                 |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Receipts:                           |                      |                      |                      |                      |
| Property and other City tax         | \$ 5,600,571         | \$ 4,859,353         | \$ 4,774,948         | \$ 4,822,424         |
| Tax increment financing collections | 890,451              | 1,200,875            | 1,190,644            | 784,772              |
| Licenses and permits                | 293,117              | 242,983              | 259,406              | 167,825              |
| Use of money and property           | 321,822              | 252,203              | 211,846              | 171,036              |
| Intergovernmental                   | 1,516,208            | 2,467,732            | 1,949,177            | 2,203,323            |
| Charges for services                | 245,241              | 244,172              | 251,684              | 339,631              |
| Special assessments                 | 116,018              | 146,013              | 134,388              | 124,133              |
| Miscellaneous                       | 966,018              | 717,627              | 1,310,694            | 973,563              |
| Total                               | <u>9,949,446</u>     | <u>10,130,958</u>    | <u>10,082,787</u>    | <u>9,586,707</u>     |
| Disbursements:                      |                      |                      |                      |                      |
| Public safety                       | 3,356,173            | 3,538,220            | 3,101,989            | 3,155,998            |
| Public works                        | 1,769,727            | 1,518,385            | 1,388,806            | 1,541,326            |
| Health and social services          | 84,462               | 77,010               | 70,782               | 36,500               |
| Culture and recreation              | 1,395,283            | 1,360,339            | 1,382,628            | 1,336,061            |
| Community and economic development  | 487,911              | 275,411              | 125,592              | 140,738              |
| General government                  | 667,312              | 800,212              | 619,701              | 587,278              |
| Debt service                        | 4,051,421            | 2,232,387            | 3,383,044            | 2,084,019            |
| Capital projects                    | 4,215,297            | 3,220,196            | 1,674,348            | 3,627,330            |
| Total                               | <u>\$ 16,027,586</u> | <u>\$ 13,022,160</u> | <u>\$ 11,746,890</u> | <u>\$ 12,509,250</u> |

See accompanying independent auditors' report.

**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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 15, 2008. 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, but not for the purpose of expressing our opinion on the effectiveness of the City of Boone's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Boone's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Boone's financial statements that is more than inconsequential will not be prevented or detected by the City of Boone's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Boone's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item A is a material weakness.

#### 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



Peterson & Houston, P.C.  
Boone, Iowa

January 15, 2008

**CITY OF BOONE**  
**Schedule of Findings**

**Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES:**

- (A) 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. The City of Boone has a limited number of people which have the primary responsibility for most of the accounting and financial duties, as a result some of the aspects of internal control are missing.

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.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Although the utility billings, collections and delinquent accounts were being tracked throughout the year, they were not being monitored and reconciled on a timely basis.

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

Response – We will review and monitor the reconciliations on a timely basis.

Conclusion – Response accepted

**INSTANCES OF NON-COMPLIANCE:**

No matters were required to be reported.

**CITY OF BOONE**  
**Schedule of Findings**

**Other Findings Related to Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public works, health and social services, community and economic development, general government, and debt service functions before the budget was amended. Chapter 384.20 of the Code of Iowa states, in part, “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 before the over-expenditures occur in the future, if applicable.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) 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<br>owner of R&R Cleaning | Cleaning City Hall             | \$15,860      |
| Darci Newcomb, Employee                         | Swimming Lessons               | 1,600         |
| Kevin Beaman, Employee                          | Services                       | 2,400         |
| Max Brower, Employee                            | Repair services                | 90            |
| John Slight, Mayor<br>Part-Owner of S&H Motors  | Vehicle                        | 11,931        |

The transaction with Brower does not appear to represent a conflict of interest since it is less than \$1,500 during the fiscal year. The transactions with Phipps, Beaman, and Slight do not appear to represent a conflict of interest since they were entered into through competitive bidding.

**CITY OF BOONE**  
**Schedule of Findings**

- (5) 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.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) 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.
- (8) 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.

- (9) Revenue Notes and Bonds – Except as noted below, no instances of non-compliance with the requirements of the water and sewer revenue bond resolutions were noted.

Monthly transfers were not made to the water and sewer revenue bond sinking accounts as required by the water and sewer revenue bond resolutions.

Recommendation – Monthly transfers should be made to the water and sewer bond sinking accounts as required by the water and sewer revenue bond resolutions.

Response – Transfers will be made as required.

Conclusion – Response accepted.

- (10) Annual Financial Report – The Annual Financial Report was not submitted by the deadline of December 1, 2006.

Recommendation – The City should submit the annual financial report by December 1.

Response – The Annual Report will be submitted prior to December 1.

Conclusion – Response accepted.

**CITY OF BOONE**  
**Schedule of Findings**

(11) Financial Condition – At June 30, 2007 the City had deficit balances in the following accounts:

|                                     |             |
|-------------------------------------|-------------|
| General Fund:                       |             |
| General                             | \$ (98,820) |
| Recreation                          | (1,989)     |
| Hotel/Motel Tax                     | (4,446)     |
| Special Revenue:                    |             |
| Group Insurance                     | (1,226,743) |
| Employee Benefits                   | (122,661)   |
| Unfunded Liability                  | (66,493)    |
| Emergency                           | (51,695)    |
| Capital Projects:                   |             |
| Airport Expansion                   | (111,142)   |
| Street/FRC Projects                 | (72,221)    |
| Westwood Addition 3                 | (96,304)    |
| Demolition Projects                 | (41,749)    |
| South Story                         | (271,245)   |
| Railroad Crossing                   | (480)       |
| INI Sanitary Sewer                  | (60,750)    |
| Housing Project                     | (53,462)    |
| Railroad Project                    | (311)       |
| Industrial Park                     | (14,081)    |
| South Marshall Realignment          | (3,267)     |
| Industrial Park Lift Station        | (55,247)    |
| 06 Paving Projects                  | (164,982)   |
| City Hall Remodeling                | (111,546)   |
| West Boone Water Tower              | (82,948)    |
| Sanitary Sewer                      | (7,885)     |
| Story Street and Mamie Intersection | (4,032)     |
| WW Plant Sludge Press               | (64,392)    |
| Runway Pavement Rehab               | (1,554)     |
| Lindahl Salvage Yard                | (502)       |
| 07 Sidewalk Program                 | (4,335)     |
| Miscellaneous                       | (1,992)     |
| Project Fund                        | (11,944)    |

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**

The following insurance policies were in force at June 30, 2007:

|                                     |   |  |
|-------------------------------------|---|--|
| EMC Insurance<br>Companies          | General Liability:<br>Each Occurrence   | \$1,000,000                                    |
| EMC Insurance<br>Companies          | Automobile Liability:<br>Each Accident<br>automobile physical<br>damage: comprehensive<br>and collision   | \$1,000,000<br><br><br><br>per occurrence      |
| EMC Insurance<br>Companies          | Commercial Umbrella:<br>Covers General, Auto,<br>Official, Property and<br>Workers Compensation<br>Each Occurrence  | \$5,000,000                                    |
| EMC Insurance<br>Companies          | Official Liability:<br>Each claim   | \$1,000,000                                    |
| EMC Insurance<br>Companies          | Property Coverage:<br>Actual cash value,<br>replacement cost or an<br>agreed amount   | \$33,869,425                                   |
| EMC Insurance<br>Companies          | Workers Compensation<br>and Employer's Liability<br>bodily injury by accident:<br>each accident<br>bodily injury by disease:<br>Limit<br>Bodily injury by disease:<br>each employee | \$ 500,000<br><br>\$ 500,000<br><br>\$ 500,000 |
| Hartford Steam Boiler<br>Inspection | Boiler and Machinery:<br>Unlimited per accident   | per occurrence                                 |
| State Surety                        | Public officials/employees<br>Blanket bond  | \$100,000                                      |
| Old Republic<br>Insurance Company   | Airport comprehensive<br>general liability:<br>Each occurrence and<br>aggregate:  | \$3,000,000                                    |

**CITY OF BOONE**  
**Schedule of Findings**

Statistical Information

| Description   | Amount         |
|---|----------------|
| Customers served at June 30, 2007                       | 5,013          |
| Sewer rates in effect at June 30, 2007:                 |                |
| 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<br>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.