

CITY OF BOONE

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

JUNE 30, 2008

Table of Contents

	Page
Officials	3
Independent Auditor’s Report	4 - 5
Management’s Discussion and Analysis	6 - 12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 14-15
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 16-17
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 18
Fiduciary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 19
Notes to Financial Statements	20-30
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	32-33
Notes to Required Supplementary Information – Budgetary Reporting	34
Other Supplementary Information:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 36-37
Schedule of Indebtedness	2 38-39
Bond and Note Maturities	3 40-41
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 42
Schedule of Expenditures of Federal Awards	5 43
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 <u>Government Auditing Standards</u>	44-45
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	46-47
Schedule of Findings and Questioned Costs	48-54

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
Luke Nelson	City Administrator	Indefinite
Ondrea Elmquist	Treasurer/Finance Officer	Indefinite
Alan Schroeder	Attorney	Indefinite

PETERSON & HOUSTON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

724 Story Street, Suite 601

Boone, IA 50036-2871

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

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boone, Iowa, as of and for the year ended June 30, 2008, 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, 2008, 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 February 3, 2009 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, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Peterson & Houston, P.C.
Boone, Iowa

February 3, 2009

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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's governmental activities receipts decreased 1%, or approximately \$128,000, from fiscal year 2007.
- The City's governmental activities disbursements decreased 4%, or approximately \$698,000 from fiscal year 2007.
- The City's governmental activities cash balance at June 30, 2008 increased 40%, or approximately \$930,000 from June 30, 2007.

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 \$930 thousand from a year ago, from \$2.304 million to \$3.234 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts and transfers:		
Program receipts:		
Charges for services and sales	\$ 717	746
Operating grants, contributions and restricted interest	1,371	1,206
Capital grants, contributions and restricted interest	1,546	426
General receipts:		
Property tax	5,565	5,425
Local option sales tax	976	966
Hotel/motel tax	130	117
Franchise taxes	159	177
Unrestricted investment earnings	107	109
Bond proceeds	4,921	5,952
Other general receipts	440	903
Transfers, net	330	363
Total receipts and transfers	<u>16,262</u>	<u>16,390</u>
Disbursements:		
Public safety	3,466	3,356
Public works	1,686	1,770
Health and social services	81	84
Culture and recreation	1,389	1,395
Community and economic development	428	488
General government	648	668
Debt service	2,444	4,051
Capital projects	5,190	4,215
Total disbursements	<u>15,332</u>	<u>16,027</u>
Change in cash basis net assets	930	363
Cash basis net assets beginning of year	<u>2,304</u>	<u>1,941</u>
Cash basis net assets end of year	<u>\$ 3,234</u>	<u>2,304</u>

The City’s total receipts for governmental activities decreased by 1% (\$128 thousand). The significant decrease in receipts was primarily the result of less debt being issued in the current year as compared to the prior year. The total cost of all programs and services decreased by approximately \$695 thousand or 4%, which was due in part to refinancing some of the general obligation debt in the prior year—thereby increasing the debt service disbursements in the current year.

The cost of all governmental activities this year was \$15,332,068 compared to \$16,027,586 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 \$11,697,096 because some of the cost was paid by those who directly benefited from the programs (\$717,434) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,917,538). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2008 from approximately \$2,378,000 to approximately \$3,635,000, principally due to an increase in capital grants, contributions and restricted interest, related to the capital projects undertaken during the year. The City paid for the remaining public benefit portion of governmental activities with approximately \$6,830,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts and transfers:		
Program receipts:		
Charges for services and sales:		
Water	\$ 2,133	2,127
Sewer	1,876	1,634
Storm water	199	197
General receipts:		
Unrestricted investment earnings	133	234
Transfers, net:	(330)	(363)
Total receipts	<u>4,011</u>	<u>3,829</u>
Disbursements:		
Water	3,049	2,050
Sewer	1,876	1,798
Storm water	11	-
Total disbursements and transfers	<u>4,936</u>	<u>3,848</u>
Change in cash basis net assts	(925)	(19)
Cash basis net assets beginning of year	<u>3,428</u>	<u>3,447</u>
Cash basis net assets end of year	<u>\$ 2,503</u>	<u>3,428</u>

Total business type activities receipts for the fiscal year were \$4.011 million compared to \$3.829 million last year. The cash balance decreased by approximately \$925,000 from the prior year. Total disbursements for the fiscal year increased 28% to a total of \$4.936 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 balance of \$42,000, a increase of \$141,000 from the prior year.
- The Road Use Tax Fund cash balance decreased by \$48,000 to \$366,000 during the year.
- The Group Insurance Fund increased by \$20,000 during the fiscal year. The fund has a deficit balance of \$1,206,000; 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 \$976,000 during this year, a 1% 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 \$445,000.
- 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 \$362,000 and \$680,000, 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 \$509,000.
- The General Obligation Bonds/Notes Debt Service Fund is used to pay the principal and interest of the City's general obligation debt. The cash in this fund decreased by \$542,000 during the year with a deficit balance of \$130,000 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 \$3,000 during the year with a balance at the end of the year of \$425,000.

Individual Major Business Type Fund

- The cash balance of the Sewer Fund decreased by approximately \$16,000 to \$958,000, due primarily to an interfund loan to the General Fund.
- The Water Fund decreased by approximately \$979,000 to \$1,361,000, due primarily to the east water main project.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on June 2, 2008, to increase revenues and increase expenditures in certain City departments.

Before this budget amendment, the City exceeded the budget for the community and economic development, general government, and capital project functions. The amendment made during the 2008 fiscal year should not have any impact on the 2009 fiscal year budget.

DEBT ADMINISTRATION

Outstanding Debt at Year-End (Expressed in Thousands)		
	2008	2007
General obligation bonds	\$ 4,425	-
General obligation notes	9,700	11,050
Urban renewal tax increment financing revenue bonds	170	330
Revenue bonds and notes	8,944	9,768
	<u>\$ 23,239</u>	<u>21,148</u>

At year-end, the City had approximately \$23,239,000 in bonds and other long-term debt compared to approximately \$21,148,000 last year as shown above.

Debt increased as a result of issuing general obligation bonds of \$4,925,000 which was for capital projects.

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 \$14,295,000 is below the City's \$29,000,000 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 2009 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$21.9 million, an increase of 9% over the final 2008 budget. Budgeted disbursements are expected to increase by approximately 4%.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$584,000 by the close of 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

CITY OF BOONE
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service and Sales	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 3,466,532	\$ 324,599	\$ 3,180	\$ -
Public works	1,685,534	91,326	1,137,668	-
Health and social services	80,958	-	39,096	-
Culture and recreation	1,388,564	198,077	191,410	-
Community and economic development	427,704	2,213	-	-
General government	648,328	101,219	-	-
Debt service	2,444,413	-	-	-
Capital projects	5,190,035	-	-	1,546,184
Total governmental activities	15,332,068	717,434	1,371,354	1,546,184
Business-type activities:				
Water	3,049,376	2,133,021	-	-
Sewer	1,875,707	1,875,987	-	-
Storm Water	10,792	198,997	-	-
Total business-type activities	4,935,875	4,208,005	-	-
Total	\$ 20,267,943	\$ 4,925,439	\$ 1,371,354	\$ 1,546,184
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 \$30,975 discount)				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts		
Governmental Activities	Business-Type Activities	Total
\$ (3,138,753)	\$ -	\$ (3,138,753)
(456,540)	-	(456,540)
(41,862)	-	(41,862)
(999,077)	-	(999,077)
(425,491)	-	(425,491)
(547,109)	-	(547,109)
(2,444,413)	-	(2,444,413)
(3,643,851)	-	(3,643,851)
(11,697,096)	-	(11,697,096)
-	(916,355)	(916,355)
-	280	280
-	188,205	188,205
-	(727,870)	(727,870)
(11,697,096)	(727,870)	(12,424,966)
4,215,451	-	4,215,451
887,670	-	887,670
269,917	-	269,917
191,568	-	191,568
976,428	-	976,428
129,542	-	129,542
158,501	-	158,501
107,196	133,342	240,538
4,921,038	-	4,921,038
439,543	-	439,543
330,420	(330,420)	-
12,627,274	(197,078)	12,430,196
930,178	(924,948)	5,230
2,303,517	3,427,731	5,731,248
\$ 3,233,695	\$ 2,502,783	\$ 5,736,478
\$ 366,241	\$ -	\$ 366,241
444,453	-	444,453
(347,267)	1,419,952	1,072,685
1,533,247	142,972	1,676,219
1,237,021	939,859	2,176,880
\$ 3,233,695	\$ 2,502,783	\$ 5,736,478

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2008

	Special Revenue					Police Retirement
	General	Road Use Tax	Group Insurance	Local Option Sales Tax	Tax Increment Financing	
Receipts:						
Property tax	\$ 2,367,343	\$ -	\$ 1,114,714	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	887,670	-
Other city tax	94,651	-	-	976,428	-	-
Licenses and permits	240,869	-	-	-	-	-
Use of money and property	95,780	-	-	-	-	26,013
Intergovernmental	233,792	1,096,867	-	-	-	-
Charges for services	186,632	-	-	-	-	-
Special assessments	4,522	-	-	-	-	-
Miscellaneous	140,392	-	37,025	2,543	130,497	-
Total receipts	3,363,981	1,096,867	1,151,739	978,971	1,018,167	26,013
Disbursements:						
Operating:						
Public safety	2,165,400	-	580,170	103,720	-	-
Public works	91,181	1,119,022	259,411	-	-	-
Health and social services	-	-	-	45,500	-	-
Culture and recreation	902,147	25,755	129,037	135,128	-	-
Community and economic development	27,450	-	-	-	290,754	-
General government	354,304	-	162,875	4,486	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	3,540,482	1,144,777	1,131,493	288,834	290,754	-
Excess (deficiency) of receipts over (under) disbursements	(176,501)	(47,910)	20,246	690,137	727,413	26,013
Other financing sources (uses):						
Bond proceeds (net of \$30,975 discount)	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Operating transfers in	319,226	-	-	-	135	-
Operating transfers out	(2,100)	-	-	(455,570)	(772,487)	(132,000)
Total other financing sources (uses)	317,126	-	-	(455,570)	(772,352)	(132,000)
Net change in cash balances	140,625	(47,910)	20,246	234,567	(44,939)	(105,987)
Cash balances beginning of year	(98,820)	414,151	(1,226,743)	421,243	489,392	786,090
Cash balances end of year	\$ 41,805	\$ 366,241	\$ (1,206,497)	\$ 655,810	\$ 444,453	\$ 680,103
Cash Basis Fund Balances						
Reserved:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:						
General funds	41,805	-	-	-	-	-
Special revenue funds	-	366,241	(1,206,497)	655,810	444,453	680,103
Capital projects funds	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	\$ 41,805	\$ 366,241	\$ (1,206,497)	\$ 655,810	\$ 444,453	\$ 680,103

See notes to financial statements.

		Debt Service	Capital Projects						Permanent	Other	
Fire Retirement	Mary Garvey	General Obligation Bonds/Notes	West Boone Water Tower/Main	Sanitary Sewer	Story Street & Mamie	WW Plant Sludge Press	Runway Pavement Rehab	Gates Project	Cemetery Perpetual Care	Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ 269,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 733,394	\$ 4,485,368
-	-	-	-	-	-	-	-	-	-	-	887,670
-	-	-	-	-	-	-	-	-	-	129,542	1,200,621
-	-	-	-	-	-	-	-	-	-	-	240,869
17,343	17,341	-	-	-	-	-	-	-	-	79,501	235,978
-	-	-	-	-	-	-	1,185,531	-	-	399,749	2,915,939
-	-	-	-	-	-	-	-	-	-	69,077	255,709
-	-	-	-	-	-	-	-	-	-	187,046	191,568
-	21,042	64,410	-	-	-	-	-	-	2,725	198,432	597,066
17,343	38,383	334,327	-	-	-	-	1,185,531	-	2,725	1,796,741	11,010,788
-	-	-	-	-	-	-	-	-	-	617,242	3,466,532
-	-	-	-	-	-	-	-	-	-	215,920	1,685,534
-	-	-	-	-	-	-	-	-	-	35,458	80,958
-	-	-	-	-	-	-	-	-	-	196,497	1,388,564
-	-	-	-	-	-	-	-	-	-	109,500	427,704
-	-	-	-	-	-	-	-	-	-	126,663	648,328
-	-	2,444,413	-	-	-	-	-	-	-	-	2,444,413
-	-	-	1,102,977	1,772,858	47,266	117,929	1,375,904	4,302	-	768,799	5,190,035
-	-	2,444,413	1,102,977	1,772,858	47,266	117,929	1,375,904	4,302	-	2,070,079	15,332,068
17,343	38,383	(2,110,086)	(1,102,977)	(1,772,858)	(47,266)	(117,929)	(190,373)	(4,302)	2,725	(273,338)	(4,321,280)
-	-	-	-	2,362,040	434,362	839,650	-	1,124,302	-	160,684	4,921,038
-	-	-	-	-	-	-	-	-	-	-	-
-	-	1,567,848	-	-	-	-	-	-	-	380,000	2,267,209
(68,000)	-	-	-	-	-	-	-	-	-	(506,632)	(1,936,789)
(68,000)	-	1,567,848	-	2,362,040	434,362	839,650	-	1,124,302	-	34,052	5,251,458
(50,657)	38,383	(542,238)	(1,102,977)	589,182	387,096	721,721	(190,373)	1,120,000	2,725	(239,286)	930,178
412,633	470,845	412,336	(82,948)	(7,885)	(4,032)	(7,212)	(1,554)	-	422,542	(96,521)	2,303,517
\$ 361,976	\$ 509,228	\$ (129,902)	\$ (1,185,925)	\$ 581,297	\$ 383,064	\$ 714,509	\$ (191,927)	\$ 1,120,000	\$ 425,267	\$ (335,807)	\$ 3,233,695
\$ -	\$ -	\$ (129,902)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (217,365)	\$ (347,267)
-	-	-	-	-	-	-	-	-	-	64,665	106,470
361,976	509,228	-	-	-	-	-	-	-	-	107,360	1,918,674
-	-	-	(1,185,925)	581,297	383,064	714,509	(191,927)	1,120,000	-	(290,467)	1,130,551
-	-	-	-	-	-	-	-	-	425,267	-	425,267
\$ 361,976	\$ 509,228	\$ (129,902)	\$ (1,185,925)	\$ 581,297	\$ 383,064	\$ 714,509	\$ (191,927)	\$ 1,120,000	\$ 425,267	\$ (335,807)	\$ 3,233,695

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2008

Exhibit C

	Enterprise Funds			
	Water	Sewer	Non-Major Storm Water	Total
Operating receipts:				
Use of money and property	\$ 85,211	\$ 48,131	\$ -	\$ 133,342
Charges for services	2,133,021	1,875,987	198,997	4,208,005
Total operating receipts	<u>2,218,232</u>	<u>1,924,118</u>	<u>198,997</u>	<u>4,341,347</u>
Operating disbursements:				
Business-type activities	2,417,056	1,288,452	10,792	3,716,300
Total operating disbursements	<u>2,417,056</u>	<u>1,288,452</u>	<u>10,792</u>	<u>3,716,300</u>
Excess of operating receipts over operating disbursements	(198,824)	635,666	188,205	625,047
Non-operating disbursements:				
Debt service	(632,320)	(587,255)	-	(1,219,575)
Excess of receipts over disbursements	(831,144)	48,411	188,205	(594,528)
Other financing sources (uses):				
Operating transfers out	(150,000)	(64,462)	(118,058)	(332,520)
Net change in cash balances	(979,044)	(16,051)	70,147	(924,948)
Cash balances beginning of year	2,340,083	974,163	113,485	3,427,731
Cash balances end of year	<u>\$ 1,361,039</u>	<u>\$ 958,112</u>	<u>\$ 183,632</u>	<u>\$ 2,502,783</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ 821,572	\$ 598,380	\$ -	\$ 1,419,952
Customer deposits	142,972	-	-	142,972
Unreserved	396,495	359,732	183,632	939,859
Total cash basis fund balances	<u>\$ 1,361,039</u>	<u>\$ 958,112</u>	<u>\$ 183,632</u>	<u>\$ 2,502,783</u>

See notes to financial statements.

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Funds
As of and for the year ended June 30, 2008

Exhibit D

	Private Purpose Trusts					
	Johnny Appleseed	Miles of Lights	Swim Team	Fireworks	Downtown Beautification	Character Counts
Receipts:						
Miscellaneous	\$ 19,399	\$ 2,155	\$ 5,077	\$ 5,200	\$ 235	\$ 400
Total receipts	19,399	2,155	5,077	5,200	235	400
Disbursements:						
Culture and recreation	14,241	-	5,418	-	-	-
Community and economic development	-	1,065	-	3,704	87	144
Total disbursements	14,241	1,065	5,418	3,704	87	144
Excess (deficiency) of receipts over (under) disbursements	5,158	1,090	(341)	1,496	148	256
Cash balances beginning of year	356	(2,323)	7,978	819	(2,939)	-
Cash balances end of year	\$ 5,514	\$ (1,233)	\$ 7,637	\$ 2,315	\$ (2,791)	\$ 256
Cash Basis Fund Balances						
Reserved:						
Private purpose trust funds	\$ 5,514	\$ (1,233)	\$ 7,637	\$ 2,315	\$ (2,791)	\$ 256
Total cash basis fund balances	\$ 5,514	\$ (1,233)	\$ 7,637	\$ 2,315	\$ (2,791)	\$ 256

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, 2008, disbursements exceeded the amounts budgeted in the community and economic development, general government, and capital project functions.

Note 2 – Cash and Pooled Investments

The City’s deposits in banks at June 30, 2008, 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, 2008, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government and Agencies Securities	\$ 968,140	\$ 1,014,553
Certificates of Deposit	2,542,750	2,542,750
Money Market Accounts	<u>67,615</u>	<u>67,615</u>
	<u>\$3,578,505</u>	<u>\$3,624,918</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$72,581 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 Ending	General Obligation Bonds		General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2009	\$ -	\$ 175,449	\$ 1,405,000	\$ 361,080	\$ 170,000	\$ 10,370
2010	430,000	150,385	1,445,000	311,940	-	-
2011	445,000	138,990	1,500,000	260,335	-	-
2012	460,000	126,530	1,390,000	205,880	-	-
2013	475,000	112,730	1,150,000	153,545	-	-
2014	490,000	97,530	915,000	109,688	-	-
2015	505,000	80,870	955,000	74,424	-	-
2016	520,000	62,690	940,000	37,315	-	-
2017	540,000	43,190	-	-	-	-
2018	560,000	22,400	-	-	-	-
Total	<u>\$ 4,425,000</u>	<u>\$ 1,010,764</u>	<u>\$ 9,700,000</u>	<u>\$ 1,514,207</u>	<u>\$ 170,000</u>	<u>\$ 10,370</u>

Year Ending	Water Revenue Bonds		Sewer Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2009	\$ 405,000	\$ 229,310	\$ 459,000	\$ 156,414	\$ 2,439,000	\$ 932,623
2010	425,000	210,680	726,539	137,000	3,026,539	810,005
2011	445,000	191,130	499,000	116,769	2,889,000	707,224
2012	465,000	170,660	520,000	95,647	2,835,000	598,717
2013	480,000	149,270	542,000	73,622	2,647,000	489,167
2014	505,000	127,190	565,000	50,663	2,475,000	385,071
2015	525,000	103,960	589,000	26,712	2,574,000	285,966
2016	550,000	79,810	58,000	1,740	2,068,000	181,555
2017	575,000	54,510	-	-	1,115,000	97,700
2018	610,000	28,060	-	-	1,170,000	50,460
Total	<u>\$ 4,985,000</u>	<u>\$ 1,344,580</u>	<u>\$ 3,938,539</u>	<u>\$ 658,567</u>	<u>\$ 23,238,539</u>	<u>\$ 4,538,488</u>

CITY OF BOONE
Notes to Financial Statements

Note 3 – Bonds and Notes Payable (continued)

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$1,155,000 of urban renewal tax increment financing revenue bonds in April 1999 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds 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. Total principal and interest remaining on the bonds is \$180,370, payable through June 2009. For the current year, interest paid and total TIF receipts were \$20,050 and \$887,670, respectively.

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$8,000,000 in water revenue bonds issued in August 1998. Proceeds from the bonds provided financing for the construction of water treatment plant. The notes are payable solely from water customer net receipts and are payable through 2018. Annual principal and interest payments on the notes are expected to require less than 80 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$6,329,580. For the current year, principal and interest paid and total customer net receipts were \$632,020 and \$824,919, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$8,569,800 in sewer revenue notes. Proceeds from the notes provided financing for the construction of improvements to the sewer system and waste water treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2016. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$4,617,106. For the current year, principal and interest paid and total customer net receipts were \$584,839 and \$635,666, respectively.

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.

CITY OF BOONE
Notes to Financial Statements

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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007, and 2006 were \$130,456, \$120,684, and \$115,216, respectively, equal to the required contributions for each year.

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, 2008, 2007 and 2006 were \$390,468, \$423,672, and \$405,209, 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, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 260,000
Sick leave	<u>1,698,000</u>
Total	<u>\$1,958,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

Note 6 – Related Party Transactions

The City had business transactions between the City and City officials, totaling \$18,460 during the year ended June 30, 2008.

CITY OF BOONE
Notes to Financial Statements

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 \$6,069,000 is outstanding at June 30, 2008. 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.

Note 8 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund:	General:	
General	Hotel/Motel Tax	\$ 26,000
	Special Revenue:	
	Emergency	78,764
	Enterprise:	
	Water	150,000
	Sewer	<u>64,462</u>
		\$ <u>319,226</u>
Special Revenue:	Special Revenue:	
Employee Benefit	Local Option Tax	\$ 180,000
	Police Retirement	132,000
	Fire Retirement	68,000
Tax Increment Financing	Debt Service:	
	Special Assessment Bonds	<u>135</u>
		\$ <u>380,135</u>
Debt Service:	Special Revenue:	
General Obligation	Local Option Sales Tax	\$ 275,570
Bonds/Notes	Tax Increment Financing	772,487
	Debt Service:	
	Special Assessment Bonds	401,733
	Enterprise:	
	Storm Water Utility	<u>118,058</u>
		\$ <u>1,567,848</u>
Enterprise:	General:	
Water	General	\$ <u>2,100</u>
Total		\$ <u>2,269,309</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, 2008 the City had deficit balances in the following accounts:

General Fund:	
Recreation	\$ (1,989)
Hotel/Motel Tax	(9,890)
Family Resource	(5,885)
Special Revenue:	
Group Insurance	(1,206,497)
Unfunded Liability	(208,325)
Emergency	(51,739)
Debt Service:	
General Obligation Bonds/Notes	(129,902)
Special Assessment Bonds	(217,365)
Capital Projects:	
Airport Expansion	(111,142)
Street/FRC Projects	(72,221)
Westwood Addition 3	(96,304)
Demolition Projects	(37,826)
South Story	(52,810)
Railroad Crossing	(480)
INI Sanitary Sewer	(60,750)
Housing Project	(47,785)
Railroad Project	(311)
Industrial Park	(14,081)
South Marshall Realignment	(3,267)
Industrial Park Lift Station	(55,247)
06 Paving Projects	(235,880)
City Hall Remodeling	(236,559)
West Boone Water Tower/Main	(1,185,925)
Park/Pool Projects	(10,003)
Runway Pavement Rehab	(191,927)
West Park Extension Study	(6,001)
Technochem Utilities	(1,760)
Lindahl Salvage Yard	(607)
11 th Street Alley	(3,142)
Taxiway Project	(24,912)
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 Agri-Pac LLC, Composite Technologies, AMPC, Downtown Athletic Club, Westwood Estates, and SunAm Development LC. The amounts due and to be repaid to the City under the agreements in effect at June 30, 2008 are as follows:

Year Ending June 30,	Agri-Pac	Composite Technologies	AMPC	AMPC	Downtown Athletic Club	Westwood Estates	SunAm II	Total
2009	\$ -	\$ 58,628	\$ 4,346	\$ 15,545	\$ 1,750	\$ 14,052	\$ 28,134	\$ 122,455
2010	12,038	58,628	-	-	-	14,052	26,972	111,690
2011	12,038	-	-	-	-	14,052	25,810	51,900
2012	12,038	-	-	-	-	14,052	24,648	50,738
2013	12,038	-	-	-	-	14,052	23,486	49,576
2014	12,038	-	-	-	-	14,052	22,324	48,414
2015	-	-	-	-	-	14,052	21,162	35,214
Total principal & interest	60,190	117,256	4,346	15,545	1,750	98,364	172,536	469,987
Less interest	9,266	10,057	143	1,037	-	21,594	41,832	84,059
Total principal	\$ 50,924	\$ 107,199	\$ 4,203	\$ 14,508	\$ 1,750	\$ 76,770	\$ 130,704	\$ 385,928

At June 30, 2008, Boone Golf Estates and Crestview Court, which were formally the Boone Golf and Country Club, defaulted on their economic development loan agreements. The defaulted loans totaled \$454,921.

The City has also committed \$100,000 to the Central Iowa Expo. The City will pay \$20,000 each year for five years under the agreement. The City plans on funding this commitment with revenues from the Hotel/Motel Tax fund.

Note 12 – Pending Litigation

The City is currently a defendant in various lawsuits. One lawsuit was settled subsequent to June 30, 2008, for \$95,000. The probability and amount of loss, if any, is undeterminable for the other lawsuits.

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, 2008, disbursements in the community and economic development, general government, and capital project functions exceeded the amount budgeted.

Note 14– Development Agreements

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

During the year ended June 30, 2008, the City rebated \$21,287 of incremental tax to the developers.

CITY OF BOONE
Notes to Financial Statements

Note 15 – Subsequent Events

In August 2008, the City awarded contracts for the 2008 Sludge System Improvements in the amount of \$1,645,000 and for the 2008 Sanitary Sewer Improvements Phase IIA in the amount of \$3,632,322. The City also approved an increase in water rates for service.

In September 2008, the City awarded a contract for 2008 Sanitary Sewer Improvements Phase IIB in the amount of \$2,122,048. The City also authorized the issuance of \$8,000,000 of Water Revenue Capital Loan Notes to pay the costs of improvements.

In December 2008, the City authorized the issuance of \$2,425,000 Sewer Capital Loan Notes to finance improvements to the Wastewater Treatment System. The City also authorized the issuance of \$3,000,000 General Obligation Capital Loan Anticipation Note to pay for construction and improvements to the water system.

Note 16 – Interfund Loan

During the year ended June 30, 2008, the Enterprise Funds loaned \$214,462 with no interest to the General Fund, and the Special Revenue Funds loaned \$78,764 with no interest to the General Fund. There were no repayments on the obligation during the year ended June 30, 2008.

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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 4,485,368	\$ -	\$ 4,485,368
Tax increment financing collections	887,670	-	887,670
Other city tax	1,200,621	-	1,200,621
Licenses and permits	240,869	-	240,869
Use of money and property	235,978	133,342	369,320
Intergovernmental	2,915,939	-	2,915,939
Charges for services	255,709	4,208,005	4,463,714
Special assessments	191,568	-	191,568
Miscellaneous	597,066	-	597,066
Total receipts	11,010,788	4,341,347	15,352,135
Disbursements:			
Public safety	3,466,532	-	3,466,532
Public works	1,685,534	-	1,685,534
Health and social services	80,958	-	80,958
Culture and recreation	1,388,564	-	1,388,564
Community and economic development	427,704	-	427,704
General government	648,328	-	648,328
Debt service	2,444,413	-	2,444,413
Capital projects	5,190,035	-	5,190,035
Business-type activities	-	4,935,875	4,935,875
Total disbursements	15,332,068	4,935,875	20,267,943
Excess (deficiency) of receipts over disbursements	(4,321,280)	(594,528)	(4,915,808)
Other financing sources, net	5,251,458	(330,420)	4,921,038
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	930,178	(924,948)	5,230
Balances beginning of year	2,303,517	3,427,731	5,731,248
Balances end of year	\$ 3,233,695	\$ 2,502,783	\$ 5,736,478

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 4,398,267	\$ 4,398,267	\$ 87,101
875,476	875,476	12,194
1,209,363	1,209,363	(8,742)
214,200	257,700	(16,831)
244,356	252,356	116,964
1,985,308	2,499,541	416,398
4,366,975	4,388,525	75,189
137,540	137,540	54,028
385,559	385,559	211,507
<u>13,817,044</u>	<u>14,404,327</u>	<u>947,808</u>
3,704,879	3,826,171	359,639
1,619,676	1,693,576	8,042
86,000	86,000	5,042
1,415,800	1,474,300	85,736
93,190	387,296	(40,408)
437,385	520,635	(127,693)
1,965,890	2,470,140	25,727
1,317,100	2,994,579	(2,195,456)
<u>10,379,982</u>	<u>11,839,608</u>	<u>6,903,733</u>
<u>21,019,902</u>	<u>25,292,305</u>	<u>5,024,362</u>
(7,202,858)	(10,887,978)	5,972,170
<u>6,890,100</u>	<u>6,881,014</u>	<u>(1,959,976)</u>
(312,758)	(4,006,964)	4,012,194
<u>5,666,227</u>	<u>5,666,227</u>	<u>65,021</u>
<u>\$ 5,353,469</u>	<u>\$ 1,659,263</u>	<u>\$ 4,077,215</u>

CITY OF BOONE

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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 \$4,272,403 and increased budgeted revenues by \$587,283. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the community and economic development, general government, and capital project functions.

Other Supplementary Information

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 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	Fire Grant	South Story	Tennis Courts	Grade Separation	Railroad Crossing	
Receipts:																											
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 619,286	\$ 35,388	\$ 78,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax	-	129,542	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	76,862	-	-	-	-	-	-	2,639	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	39,096	-	-	-	-	-	-	-	-	-	600	-	-	21,888	219,931	-	-	-	
Charges for services	-	-	63,771	5,306	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91,951	-	-	-	-	-	-	13,378	-	-	-	-	-
Miscellaneous	-	-	-	-	-	15,697	12,819	-	-	-	13,574	1,180	127,478	2,594	-	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	-	129,542	63,771	5,306	76,862	15,697	632,105	35,388	78,720	39,096	13,574	1,180	130,117	2,594	91,951	-	-	-	600	-	13,378	21,888	219,931	-	-	-	
Disbursements:																											
Governmental activities:																											
Public safety	-	-	-	-	-	-	465,920	131,147	-	-	18,312	1,863	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public works	-	-	64,015	-	-	-	148,820	3,085	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-	35,458	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	5,191	-	-	107,164	42,988	-	-	-	39,188	1,966	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and economic development	-	107,380	-	-	-	-	2,120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General government	-	1,606	-	-	83,611	24,008	17,438	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,455	19,010	1,496	-	-	-	-
Total disbursements	-	108,986	64,015	5,191	83,611	24,008	741,462	177,220	-	35,458	18,312	1,863	39,188	1,966	-	-	-	-	-	-	9,455	19,010	1,496	-	-	-	
Excess (deficiency) of receipts over (under) disbursements	-	20,556	(244)	115	(6,749)	(8,311)	(109,357)	(141,832)	78,720	3,638	(4,738)	(683)	90,929	628	91,951	-	-	-	600	-	3,923	2,878	218,435	-	-	-	
Other financing sources (uses):																											
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	380,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating transfers out	-	(26,000)	-	-	-	-	-	-	(78,764)	-	-	-	-	-	(401,868)	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(26,000)	-	-	-	-	380,000	-	(78,764)	-	-	-	-	-	(401,868)	-	-	-	-	-	-	-	-	-	-	-	-
Net change in cash balances	-	(5,444)	(244)	115	(6,749)	(8,311)	270,643	(141,832)	(44)	3,638	(4,738)	(683)	90,929	628	(309,917)	-	-	-	600	-	3,923	2,878	218,435	-	-	-	
Cash balances beginning 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)	-	(271,245)	7,684	275	(480)	
Cash balances end of year	\$ (1,989)	\$ (9,890)	\$ 31,074	\$ 535	\$ (5,885)	\$ 50,820	\$ 147,982	\$ (208,325)	\$ (51,739)	\$ 3,638	\$ 54,667	\$ 17,059	\$ 132,588	\$ 11,490	\$ (217,365)	\$ (111,142)	\$ (72,221)	\$ 213,448	\$ 46,803	\$ (96,304)	\$ (37,826)	\$ 2,878	\$ (52,810)	\$ 7,684	\$ 275	\$ (480)	
Cash Basis Fund Balances																											
Reserved:																											
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(217,365)	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved:																											
General funds	(1,989)	(9,890)	31,074	535	(5,885)	50,820	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	147,982	(208,325)	(51,739)	3,638	54,667	17,059	132,588	11,490	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(111,142)	(72,221)	213,448	46,803	(96,304)	(37,826)	2,878	(52,810)	7,684	275	(480)	
Total cash basis fund balances	\$ (1,989)	\$ (9,890)	\$ 31,074	\$ 535	\$ (5,885)	\$ 50,820	\$ 147,982	\$ (208,325)	\$ (51,739)	\$ 3,638	\$ 54,667	\$ 17,059	\$ 132,588	\$ 11,490	\$ (217,365)	\$ (111,142)	\$ (72,221)	\$ 213,448	\$ 46,803	\$ (96,304)	\$ (37,826)	\$ 2,878	\$ (52,810)	\$ 7,684	\$ 275	\$ (480)	

See accompanying independent auditor's report.

Capital Projects																											
Sanitary Sewer	Train Whistle	Housing Project	Railroad Project	Industrial Park	City Hall Elevator	2005 Street Improvements	Snedden Drive Grade Separation	South Marshall Realignment	Industrial Park Lift Station	Police Department	2006 Paving Projects	City Hall Remodeling	Fire Trucks	Park/Pool Projects	Roadway Maintenance	Middle School Sidewalks	West Park Extension Study	Proliant Expansion	Technochem Utilities	Lindahl Salvage Yard	2007 Sidewalk Program	11th Street Alley	Taxiway Project	Miscellaneous Projects	Project Fund	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	733,394
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	129,542
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	79,501
-	-	113,944	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,250	-	2,040	-	-	-	-	-	399,749
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,077
-	-	25,090	-	-	-	-	-	-	-	-	81,717	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	187,046
-	-	139,034	-	-	-	-	-	-	-	-	81,717	-	-	-	-	-	-	-	2,250	-	2,040	-	-	-	-	-	1,796,741
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	617,242
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	215,920
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,458
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	196,497
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109,500
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	126,663
-	101,879	133,357	-	-	-	-	-	-	-	-	152,615	125,013	-	72,581	99,683	-	12,273	2,250	1,760	2,145	7,228	3,142	24,912	-	-	768,799	
-	101,879	133,357	-	-	-	-	-	-	-	-	152,615	125,013	-	72,581	99,683	-	12,273	2,250	1,760	2,145	7,228	3,142	24,912	-	-	2,070,079	
-	(101,879)	5,677	-	-	-	-	-	-	-	-	(70,898)	(125,013)	-	(72,581)	(99,683)	-	(12,273)	-	(1,760)	(105)	(7,228)	(3,142)	(24,912)	-	-	(273,338)	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110,391	-	-	-	-	-	50,293	-	-	-	-	-	160,684
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380,000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(506,632)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110,391	-	-	-	-	-	-	50,293	-	-	-	-	34,052
-	(101,879)	5,677	-	-	-	-	-	-	-	-	(70,898)	(125,013)	-	(72,581)	10,708	-	(12,273)	-	(1,760)	(105)	43,065	(3,142)	(24,912)	-	-	(239,286)	
(60,750)	108,945	(53,462)	(311)	(14,081)	4,621	35,387	8,976	(3,267)	(55,247)	195,735	(164,982)	(111,546)	84,720	62,578	119,052	18,474	6,272	-	-	(502)	(4,335)	-	-	(1,992)	(11,944)	(96,521)	
\$ (60,750)	\$ 7,066	\$ (47,785)	\$ (311)	\$ (14,081)	\$ 4,621	\$ 35,387	\$ 8,976	\$ (3,267)	\$ (55,247)	\$ 195,735	\$ (235,880)	\$ (236,559)	\$ 84,720	\$ (10,003)	\$ 129,760	\$ 18,474	\$ (6,001)	\$ -	\$ (1,760)	\$ (607)	\$ 38,730	\$ (3,142)	\$ (24,912)	\$ (1,992)	\$ (11,944)	\$ (335,807)	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(217,365)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	64,665
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,360
(60,750)	7,066	(47,785)	(311)	(14,081)	4,621	35,387	8,976	(3,267)	(55,247)	195,735	(235,880)	(236,559)	84,720	(10,003)	129,760	18,474	(6,001)	-	(1,760)	(607)	38,730	(3,142)	(24,912)	(1,992)	(11,944)	(290,467)	
\$ (60,750)	\$ 7,066	\$ (47,785)	\$ (311)	\$ (14,081)	\$ 4,621	\$ 35,387	\$ 8,976	\$ (3,267)	\$ (55,247)	\$ 195,735	\$ (235,880)	\$ (236,559)	\$ 84,720	\$ (10,003)	\$ 129,760	\$ 18,474	\$ (6,001)	\$ -	\$ (1,760)	\$ (607)	\$ 38,730	\$ (3,142)	\$ (24,912)	\$ (1,992)	\$ (11,944)	\$ (335,807)	

CITY OF BOONE
Schedule of Indebtedness
Year Ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Bond anticipation project note	February 2008	4.50 %	\$ 500,000
Essential corporate purpose	March 2008	2.65 - 4.00 %	4,425,000
Total			
General obligation notes:			
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
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 auditor's report.

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ -	\$ 500,000	\$ 500,000	\$ -	\$ 4,250	\$ -
-	4,425,000	-	4,425,000	-	-
\$ -	\$ 4,925,000	\$ 500,000	\$ 4,425,000	\$ 4,250	\$ -
\$ 1,260,000	\$ -	\$ 230,000	\$ 1,030,000	\$ 46,620	\$ -
1,330,000	-	205,000	1,125,000	46,680	-
1,935,000	-	190,000	1,745,000	65,290	-
1,015,000	-	200,000	815,000	29,915	-
205,000	-	30,000	175,000	7,290	-
5,305,000	-	495,000	4,810,000	211,586	-
\$ 11,050,000	\$ -	\$ 1,350,000	\$ 9,700,000	\$ 407,381	\$ -
\$ 330,000	\$ -	\$ 160,000	\$ 170,000	\$ 20,050	\$ -
\$ 5,370,000	\$ -	\$ 385,000	\$ 4,985,000	\$ 247,020	\$ -
\$ 3,688,000	\$ -	\$ 395,000	\$ 3,293,000	\$ 110,640	\$ -
462,000	-	45,000	417,000	13,860	-
20,006	-	20,006	-	333	-
58,209	20,330	-	78,539	-	-
170,000	-	-	170,000	-	-
\$ 4,398,215	\$ 20,330	\$ 460,006	\$ 3,958,539	\$ 124,833	\$ -

CITY OF BOONE
Bond and Note Maturities
June 30, 2008

Year Ending June 30,	General Obligation Bonds		General Obligation Notes							
	Essential Corporate Purpose		Capital Loan Note		Capital Loan Note		Capital Loan Note			
	Issued March 26, 2008		Issued July 1, 2002		Issued January 1, 2003		Issued October 1, 2003			
	Interest		Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
2009		-	3.70%	240,000	3.15%	210,000	3.30%	195,000		
2010	2.65%	430,000	3.70%	250,000	3.50%	215,000	3.30%	200,000		
2011	2.80%	445,000	3.70%	265,000	3.60%	225,000	3.30%	205,000		
2012	3.00%	460,000	3.70%	275,000	3.80%	235,000	3.30%	215,000		
2013	3.20%	475,000		-	3.90%	240,000	3.30%	220,000		
2014	3.40%	490,000		-		-	3.40%	230,000		
2015	3.60%	505,000		-		-	3.50%	235,000		
2016	3.75%	520,000		-		-	3.60%	245,000		
2017	3.85%	540,000		-		-		-		
2018	4.00%	560,000		-		-		-		
Total		<u>\$ 4,425,000</u>		<u>\$ 1,030,000</u>		<u>\$ 1,125,000</u>		<u>\$ 1,745,000</u>		

Year Ending June 30,	Urban Renewal Tax Increment Financing Bonds		Revenue Bonds		Revenue Notes			
	Revenue Bonds		Water		Sewer Capital Loan Note		Sewer Capital Loan Note	
	Issued April 1, 1999		Issued Aug 1, 1998		Issued Mar 19, 1993		Issued May 20, 1996	
	Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2009	6.10%	170,000	4.60%	405,000	4.37%	412,000	4.54%	47,000
2010		-	4.60%	425,000	4.37%	430,000	4.54%	48,000
2011		-	4.60%	445,000	4.37%	449,000	4.54%	50,000
2012		-	4.60%	465,000	4.37%	469,000	4.54%	51,000
2013		-	4.60%	480,000	4.37%	489,000	4.54%	53,000
2014		-	4.60%	505,000	4.37%	511,000	4.54%	54,000
2015		-	4.60%	525,000	4.37%	533,000	4.54%	56,000
2016		-	4.60%	550,000		-	4.54%	58,000
2017		-	4.60%	575,000		-		-
2018		-	4.60%	610,000		-		-
Total		<u>\$ 170,000</u>		<u>\$ 4,985,000</u>		<u>\$ 3,293,000</u>		<u>\$ 417,000</u>

See accompanying independent auditor's report

CITY OF BOONE
Bond and Note Maturities
June 30, 2008

Schedule 3

General Obligation Notes

Year Ending June 30,	Capital Loan Note Issued March 1, 2005		Capital Loan Note Issued October 1, 2005		Capital Loan Note Issued July 1, 2006		Total G.O. Notes
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
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
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
Total		<u>\$ 815,000</u>		<u>\$ 175,000</u>		<u>\$ 4,810,000</u>	<u>\$ 9,700,000</u>

Revenue Notes

Year Ending June 30,	Sewer Capital Loan Note Issued November 2, 2006		Sewer Capital Loan Note Issued November 2, 2006		Total Revenue Notes
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2009	-	-	-	-	459,000
2010	0.00%	78,539	0.00%	170,000	726,539
2011	-	-	-	-	499,000
2012	-	-	-	-	520,000
2013	-	-	-	-	542,000
2014	-	-	-	-	565,000
2015	-	-	-	-	589,000
2016	-	-	-	-	58,000
2017	-	-	-	-	-
2018	-	-	-	-	-
Total		<u>\$ 78,539</u>		<u>\$ 170,000</u>	<u>\$ 3,958,539</u>

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

Schedule 4

For the Last Five Years

	2008	2007	2006	2005	2004
Receipts:					
Property and other City tax	\$ 5,685,989	\$ 5,600,571	\$ 4,859,353	\$ 4,774,948	\$ 4,822,424
Tax increment financing collections	887,670	890,451	1,200,875	1,190,644	784,772
Licenses and permits	240,869	293,117	242,983	259,406	167,825
Use of money and property	235,978	321,822	252,203	211,846	171,036
Intergovernmental	2,915,939	1,516,208	2,467,732	1,949,177	2,203,323
Charges for services	255,709	245,241	244,172	251,684	339,631
Special assessments	191,568	116,018	146,013	134,388	124,133
Miscellaneous	597,066	966,018	717,627	1,310,694	973,563
Total	11,010,788	9,949,446	10,130,958	10,082,787	9,586,707
Disbursements:					
Public safety	3,466,532	3,356,173	3,538,220	3,101,989	3,155,998
Public works	1,685,534	1,769,727	1,518,385	1,388,806	1,541,326
Health and social services	80,958	84,462	77,010	70,782	36,500
Culture and recreation	1,388,564	1,395,283	1,360,339	1,382,628	1,336,061
Community and economic development	427,704	487,911	275,411	125,592	140,738
General government	648,328	677,312	800,212	619,701	587,278
Debt service	2,444,413	4,051,421	2,232,387	3,383,044	2,084,019
Capital projects	5,190,035	4,215,297	3,220,196	1,674,348	3,627,330
Total	\$ 15,332,068	\$ 16,037,586	\$ 13,022,160	\$ 11,746,890	\$ 12,509,250

See accompanying independent auditor's report.

CITY OF BOONE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Schedule 5

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Direct:			
U.S. Department of Transportation			
Federal Aviation Administration:			
Airport Improvement Program			
Runway Rehab Project - Design	20.106	3-19-0009-08	\$ 28,690
Runway Rehab Project - Construction	20.106	3-19-0009-09	1,221,513
Taxiway Project	20.106	3-19-0009-10	23,666
			<u>1,273,869</u>
U.S Department of Homeland Security			
Assistance to Firefighters Grant	97.044	EMW-2007-FO-05666	<u>19,011</u>
Total direct			<u>1,292,880</u>
Indirect			
U.S. Department of Housing and Urban Development			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	04-HSG-071	125,378
Community Development Block Grants/State's Program	14.228	06-ED-006	2,250
			<u>127,628</u>
U.S Department of Justice			
Governor's Office of Drug Control Policy:			
Edward Byrne Justice Assistance Grant	16.579	05JAG-E37	<u>39,096</u>
Environmental Protection Agency			
Iowa Finance Authority:			
Capitalization Grant for Clean Water State Revolving Funds	66.468	PDCW0606	<u>16,942</u>
U.S Department of Homeland Security			
Iowa Homeland Security & Emergency Management			
Repetitive Flood Claims	97.092		<u>30,601</u>
Total indirect			<u>214,267</u>
Total			<u>\$ 1,507,147</u>

Basis of Presentation

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

See accompanying independent auditor's report.

PETERSON & HOUSTON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

724 Story Street, Suite 601

Boone, IA 50036-2871

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

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

Independent Auditor's Report 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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated February 3, 2009. 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. Accordingly, we do not express an 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 II-A-08 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, 2008 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.

The City of Boone's responses to findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Boone's responses and accordingly, we express no opinion on them.

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

February 3, 2009

PETERSON & HOUSTON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

724 Story Street, Suite 601

Boone, IA 50036-2871

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

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

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

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Boone, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. The City of Boone's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Boone's management. Our responsibility is to express an opinion on the City of Boone's compliance based on our audit.

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

In our opinion, the City of Boone complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Boone is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Boone's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Boone's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

Peterson & Houston, P.C.
Boone, Iowa

February 3, 2009

CITY OF BOONE
Schedule of Findings and Questioned Costs

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.106 – Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Boone did not qualify as a low-risk auditee.

CITY OF BOONE
Schedule of Findings and Questioned Costs

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

II-A-08 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

II-B-08 Preparation of Financial Statements – As is the case with similar governmental entities, the City has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with the cash basis of accounting is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Recommendation – The City should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements, and determine if it is in the best interest of the City to continue to outsource this task to its external auditors.

Response – The City has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements and determined that it is in the best interest of the City to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were required to be reported.

CITY OF BOONE
Schedule of Findings and Questioned Costs

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were required to be reported.

SIGNIFICANT DEFICIENCIES:

No matters were required to be reported.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the community and economic development, general government, and capital project 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.

IV-B-08 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.

IV-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-08 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>
RMT, Owned by Michelle Thompson, Spouse of Rodney Thompson, Employee	Cleaning City Hall	\$15,860
Darci Newcomb, Employee	Swimming Lessons	1,600
Kevin Beaman, Employee	Services	1,000

The transaction with Beaman does not appear to represent a conflict of interest since it is less than \$1,500 during the fiscal year. The transaction with RMT does not appear to represent a conflict of interest since it was entered into through competitive bidding.

CITY OF BOONE
Schedule of Findings and Questioned Costs

- IV-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the code of Iowa and the City’s investment policy were noted.
- IV-H-08 Revenue Notes and Bonds – No instances of non-compliance with the requirements of the water and sewer revenue bond resolutions were noted.
- IV-I-08 Annual Financial Report – The Annual Financial Report was not submitted by the deadline of December 1, 2007.

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 and Questioned Costs

IV-J-08 Financial Condition – At June 30, 2008 the City had deficit balances in the following accounts:

General Fund:	
Recreation	\$ (1,989)
Hotel/Motel Tax	(9,890)
Family Resource	(5,885)
Special Revenue:	
Group Insurance	(1,206,497)
Unfunded Liability	(208,325)
Emergency	(51,739)
Debt Service:	
General Obligation Bonds/Notes	(129,902)
Special Assessment Bonds	(217,365)
Capital Projects:	
Airport Expansion	(111,142)
Street/FRC Projects	(72,221)
Westwood Addition 3	(96,304)
Demolition Projects	(37,826)
South Story	(52,810)
Railroad Crossing	(480)
INI Sanitary Sewer	(60,750)
Housing Project	(47,785)
Railroad Project	(311)
Industrial Park	(14,081)
South Marshall Realignment	(3,267)
Industrial Park Lift Station	(55,247)
06 Paving Projects	(235,880)
City Hall Remodeling	(236,559)
West Boone Water Tower/Main	(1,185,925)
Park/Pool Projects	(10,003)
Runway Pavement Rehab	(191,927)
West Park Extension Study	(6,001)
Technochem Utilities	(1,760)
Lindahl Salvage Yard	(607)
11 th Street Alley	(3,142)
Taxiway Project	(24,912)
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 and Questioned Costs

The following insurance policies were in force at June 30, 2008:

EMC Insurance Companies	General Liability: Each Occurrence	\$1,000,000
EMC Insurance Companies	Automobile Liability: Each Accident automobile physical damage: comprehensive and collision	\$1,000,000 per occurrence
EMC Insurance Companies	Commercial Umbrella: Covers General, Auto, Official, Property and Workers Compensation Each Occurrence	\$5,000,000
EMC Insurance Companies	Official Liability: Each claim	\$1,000,000
EMC Insurance Companies	Property Coverage: Actual cash value, replacement cost or an agreed amount	\$41,241,531
EMC Insurance Companies	Workers Compensation and Employer's Liability bodily injury by accident: each accident bodily injury by disease: Limit Bodily injury by disease: each employee	\$ 500,000 \$ 500,000 \$ 500,000
Hartford Steam Boiler Inspection	Boiler and Machinery: Unlimited per accident	per occurrence
State Surety	Public officials/employees Blanket bond	\$100,000
Old Republic Insurance Company	Airport comprehensive general liability: Each occurrence and aggregate:	\$3,000,000

CITY OF BOONE
Schedule of Findings and Questioned Costs

Statistical Information

Description	Amount
Customers served at June 30, 2008	5,060
Sewer rates in effect at June 30, 2008:	
Residential users:	
First 100 cubic feet (cf)	\$10.90/100 cf
Next 100 cubic feet	\$5.18/100 cf
All over 200 cubic feet	\$2.59/100 cf
Industrial Users* and customers outside City Limits:	
First 100 cubic feet	\$12.11/100 cf
Next 100 cubic feet	\$5.76/100 cf
All over 200 cf	\$2.88/100 cf

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