

CITY OF BOONE

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

JUNE 30, 2009

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CITY OF BOONE

Officials

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

PETERSON & HOUSTON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Boone, IA 50036-2871

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boone, Iowa, as of and for the year ended June 30, 2009, 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, 2009, 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 March 10, 2010 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 five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Peterson & Houston, P.C.
Boone, Iowa

March 10, 2010

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, 2009. 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 13%, or approximately \$2.103 million, from fiscal year 2008.
- The City's governmental activities disbursements increased 4%, or approximately \$580,000 from fiscal year 2008.
- The City's governmental activities cash balance at June 30, 2009 decreased 48%, or approximately \$1.547 million from June 30, 2008.

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.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has three kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities decreased \$1.547 million from a year ago, from \$3.234 million to \$1.687 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,	
	2009	2008
Receipts and transfers:		
Program receipts:		
Charges for services and sales	\$ 781	717
Operating grants, contributions and restricted interest	1,284	1,371
Capital grants, contributions and restricted interest	589	1,546
General receipts:		
Property tax	5,654	5,565
Local option sales tax	1,004	976
Hotel/motel tax	132	130
Franchise taxes	174	159
Unrestricted investment earnings	104	107
Bond proceeds	3,878	4,921
Other general receipts	411	440
Transfers, net	354	330
Total receipts and transfers	<u>14,365</u>	<u>16,262</u>
Disbursements:		
Public safety	3,051	3,466
Public works	1,550	1,686
Health and social services	60	81
Culture and recreation	1,337	1,389
Community and economic development	248	428
General government	747	648
Debt service	2,125	2,444
Capital projects	6,794	5,190
Total disbursements	<u>15,912</u>	<u>15,332</u>
Change in cash basis net assets	(1,547)	930
Cash basis net assets beginning of year	<u>3,234</u>	<u>2,304</u>
Cash basis net assets end of year	<u>\$ 1,687</u>	<u>3,234</u>

The City’s total receipts for governmental activities decreased by 13% (\$2.103 million). 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 increased by approximately \$580 thousand or 4%, which was due in part to savings in the employee benefits fund.

The cost of all governmental activities this year was \$15,912,336 compared to \$15,332,068 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 \$11,711,554 because some of the cost was paid by those who directly benefited from the programs (\$781,399) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,873,078). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2009 from approximately \$3,634,000 to approximately \$2,654,000, principally due to a decrease in capital grants, contributions and restricted interest, related to the capital projects undertaken during the prior year. The City paid for the remaining public benefit portion of governmental activities with approximately \$6,964,000 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,	
	2009	2008
Receipts and transfers:		
Program receipts:		
Charges for services and sales:		
Water	\$ 2,197	2,133
Sewer	2,068	1,876
Storm water	197	199
General receipts:		
Unrestricted investment earnings	152	133
Bond proceeds	1,508	-
Transfers, net	(354)	(330)
Total receipts	<u>5,768</u>	<u>4,011</u>
Disbursements:		
Water	2,342	3,049
Sewer	1,956	1,876
Storm water	39	11
Total disbursements and transfers	<u>4,337</u>	<u>4,936</u>
Change in cash basis net assts	1,431	(925)
Cash basis net assets beginning of year	<u>2,503</u>	<u>3,428</u>
Cash basis net assets end of year	<u>\$ 3,934</u>	<u>2,503</u>

Total business type activities receipts for the fiscal year were \$5.768 million compared to \$4.011 million last year. The cash balance increased by approximately \$1.431 million from the prior year. Total disbursements for the fiscal year decreased 12% to a total of \$4.337 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 \$284,000, an increase of \$242,000 from the prior year.
- The Road Use Tax Fund cash balance increased by \$85,000 to \$452,000 during the year.
- The Group Insurance Fund increased by \$1.258 million during the fiscal year. The fund has a balance of \$51,000.
- The Employee Benefit Fund cash balance increased by \$330,000 to \$479,000 during the year.
- The Local Option Tax Fund was established in 1990 to collect a 1% local option sales and service tax. The City collected \$1,044,000 during this year, a 3% increase over the previous year. The proceeds of the tax are designated 5% for human services, 20% for property tax relief, and 75% for capital projects.
- The Tax Increment Financing Fund was established in a prior fiscal year to account for the financing of capital improvements within the established TIF district, which contributes to urban and economic development. At the end of the year, the fund had a balance of \$489,000.
- The Fire and the Police Retirement Funds were surplus funds from the previous Fire and Police Municipal Retirement System. The funds are used to assist with the City's portion of the fire and police retirement plan. At the end of the year the Fire and Police Retirement Funds had balances of \$22,000 and \$17,000, 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 \$504,000.
- The General Obligation Bonds/Notes Debt Service Fund is used to pay the principal and interest of the City's general obligation debt. The cash in this fund increased by \$329,000 during the year with a balance of \$199,000 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 \$2,000 during the year with a balance at the end of the year of \$427,000.

Individual Major Business Type Fund

- The cash balance of the Sewer Fund decreased by approximately \$24,000 to \$934,000, due primarily to the ongoing projects.
- The Water Fund increased by approximately \$1.456 million to \$2,817,000, due primarily to the sale of bonds to support the ongoing projects.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 18, 2009, to increase revenues and increase expenditures in certain City departments.

DEBT ADMINISTRATION

Outstanding Debt at Year-End (Expressed in Thousands)		
	2009	2008
General obligation bonds	\$ 4,425	4,425
General obligation notes	11,295	9,700
Urban renewal tax increment financing revenue bonds	-	170
Revenue bonds and notes	10,821	8,944
	<u>\$ 26,541</u>	<u>23,239</u>

At year-end, the City had approximately \$26,541,000 in bonds and other long-term debt compared to approximately \$23,239,000 last year as shown above.

Debt increased as a result of issuing general obligation capital loan anticipation note of \$3,000,000 and sewer revenue capital loan notes of \$2,746,000 which were 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 \$15,720,000 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 2010 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$34.5 million, an increase of 48% over the final 2009 budget. Budgeted disbursements are expected to increase by approximately 47%.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$144,000 by the close of 2010.

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, 2009

	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	\$ 3,050,748	\$ 332,304	\$ 23,698	\$ -
Public works	1,550,405	96,536	1,065,438	-
Health and social services	59,593	-	8,705	-
Culture and recreation	1,337,114	199,005	186,528	-
Community and economic development	247,954	2,224	-	-
General government	747,359	151,330	-	-
Debt service	2,124,799	-	-	-
Capital projects	6,794,364	-	-	588,709
Total governmental activities	15,912,336	781,399	1,284,369	588,709
Business-type activities:				
Water	2,341,591	2,197,016	-	-
Sewer	1,955,634	2,067,942	-	-
Storm Water	39,491	197,506	-	-
Total business-type activities	4,336,716	4,462,464	-	-
Total	\$ 20,249,052	\$ 5,243,863	\$ 1,284,369	\$ 588,709
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				
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
\$ (2,694,746)	\$ -	\$ (2,694,746)
(388,431)	-	(388,431)
(50,888)	-	(50,888)
(951,581)	-	(951,581)
(245,730)	-	(245,730)
(596,029)	-	(596,029)
(2,124,799)	-	(2,124,799)
(6,205,655)	-	(6,205,655)
(13,257,859)	-	(13,257,859)
-	(144,575)	(144,575)
-	112,308	112,308
-	158,015	158,015
-	125,748	125,748
(13,257,859)	125,748	(13,132,111)
4,524,853	-	4,524,853
921,749	-	921,749
109,100	-	109,100
98,777	-	98,777
1,004,222	-	1,004,222
132,326	-	132,326
174,048	-	174,048
103,557	151,795	255,352
3,878,305	1,507,845	5,386,150
410,881	-	410,881
353,736	(353,736)	-
11,711,554	1,305,904	13,017,458
(1,546,305)	1,431,652	(114,653)
3,233,695	2,502,783	5,736,478
\$ 1,687,390	\$ 3,934,435	\$ 5,621,825
\$ 451,767	\$ -	\$ 451,767
489,022	-	489,022
(227,580)	1,471,193	1,243,613
2,333,587	160,218	2,493,805
(1,359,406)	2,303,024	943,618
\$ 1,687,390	\$ 3,934,435	\$ 5,621,825

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2009

	Special Revenue						
	General	Road Use Tax	Group Insurance	Employee Benefit	Local Option Sales Tax	Tax Increment Financing	Police Retirement
Receipts:							
Property tax	\$ 2,473,035	\$ -	\$ 1,241,815	\$ 689,897	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	921,749	-
Other city tax	48,267	-	-	-	1,004,222	-	-
Licenses and permits	249,394	-	-	-	-	-	-
Use of money and property	138,731	-	-	-	-	-	29,879
Intergovernmental	187,950	1,062,262	-	-	-	-	-
Charges for services	207,607	-	-	-	-	-	-
Special assessments	2,329	-	-	-	-	-	-
Miscellaneous	151,676	-	33,866	-	-	78,466	-
Total receipts	<u>3,458,989</u>	<u>1,062,262</u>	<u>1,275,681</u>	<u>689,897</u>	<u>1,004,222</u>	<u>1,000,215</u>	<u>29,879</u>
Disbursements:							
Operating:							
Public safety	2,019,321	-	510,528	361,721	59,728	-	-
Public works	101,366	951,391	208,368	129,323	53,001	-	-
Health and social services	-	-	-	-	47,250	-	-
Culture and recreation	851,197	25,345	118,990	92,653	125,357	-	-
Community and economic development	25,540	-	-	3,342	3,500	127,572	-
General government	322,106	-	178,825	16,795	40,458	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total disbursements	<u>3,319,530</u>	<u>976,736</u>	<u>1,016,711</u>	<u>603,834</u>	<u>329,294</u>	<u>127,572</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>139,459</u>	<u>85,526</u>	<u>258,970</u>	<u>86,063</u>	<u>674,928</u>	<u>872,643</u>	<u>29,879</u>
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Operating transfers in	104,357	-	998,723	244,880	7,000	-	-
Operating transfers out	(1,989)	-	-	-	(547,083)	(828,074)	(688,090)
Total other financing sources (uses)	<u>102,368</u>	<u>-</u>	<u>998,723</u>	<u>244,880</u>	<u>(540,083)</u>	<u>(828,074)</u>	<u>(688,090)</u>
Net change in cash balances	241,827	85,526	1,257,693	330,943	134,845	44,569	(658,211)
Cash balances beginning of year	41,805	366,241	(1,206,497)	147,982	655,810	444,453	680,103
Cash balances end of year	<u>\$ 283,632</u>	<u>\$ 451,767</u>	<u>\$ 51,196</u>	<u>\$ 478,925</u>	<u>\$ 790,655</u>	<u>\$ 489,022</u>	<u>\$ 21,892</u>
Cash Basis Fund Balances							
Reserved:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:							
General funds	283,632	-	-	-	-	-	-
Special revenue funds	-	451,767	51,196	478,925	790,655	489,022	21,892
Capital projects funds	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-
Total cash basis fund balances	<u>\$ 283,632</u>	<u>\$ 451,767</u>	<u>\$ 51,196</u>	<u>\$ 478,925</u>	<u>\$ 790,655</u>	<u>\$ 489,022</u>	<u>\$ 21,892</u>

See notes to financial statements.

Fire Retirement	Mary Garvey	Debt Service		Capital Projects			Permanent	Other	Total
		General Obligation Bonds/Notes	Special Assessment Bonds	Sanitary Sewer	WW Plant Sludge Press	R.L. Fisher Industrial Park	Cemetery Perpetual Care	Nonmajor Governmental Funds	
\$ -	\$ -	\$ 109,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,106	\$ 4,633,953
-	-	-	-	-	-	-	-	-	921,749
-	-	-	-	-	-	-	-	132,326	1,184,815
-	-	-	-	-	-	-	-	-	249,394
19,920	8,821	-	-	-	-	-	-	91,478	288,829
-	-	-	-	-	-	-	-	708,304	1,958,516
-	-	-	-	-	-	-	-	67,923	275,530
-	-	-	90,000	-	-	-	-	6,448	98,777
-	5,000	62,961	-	709	-	-	2,060	187,689	522,427
19,920	13,821	172,061	90,000	709	-	-	2,060	1,314,274	10,133,990
-	-	-	-	-	-	-	-	99,450	3,050,748
-	-	-	-	-	-	-	-	106,956	1,550,405
-	-	-	-	-	-	-	-	12,343	59,593
-	-	-	-	-	-	-	-	123,572	1,337,114
-	1,000	-	-	-	-	-	-	87,000	247,954
-	4,463	-	-	-	-	-	-	184,712	747,359
-	-	2,124,799	-	-	-	-	-	-	2,124,799
-	-	-	-	3,570,158	1,915,529	165,907	-	1,142,770	6,794,364
-	5,463	2,124,799	-	3,570,158	1,915,529	165,907	-	1,756,803	15,912,336
19,920	8,358	(1,952,738)	90,000	(3,569,449)	(1,915,529)	(165,907)	2,060	(442,529)	(5,778,346)
-	-	-	-	844,744	1,551,006	-	-	1,482,555	3,878,305
-	-	2,282,019	-	-	-	-	-	64,577	3,701,556
(364,633)	(14,000)	-	(299,594)	(500,000)	-	-	-	(104,357)	(3,347,820)
(364,633)	(14,000)	2,282,019	(299,594)	344,744	1,551,006	-	-	1,442,775	4,232,041
(344,713)	(5,642)	329,281	(209,594)	(3,224,705)	(364,523)	(165,907)	2,060	1,000,246	(1,546,305)
361,976	509,228	(129,902)	(217,365)	581,297	714,509	1,120,000	425,267	(1,261,212)	3,233,695
\$ 17,263	\$ 503,586	\$ 199,379	\$ (426,959)	\$ (2,643,408)	\$ 349,986	\$ 954,093	\$ 427,327	\$ (260,966)	\$ 1,687,390
\$ -	\$ -	\$ 199,379	\$ (426,959)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (227,580)
-	-	-	-	-	-	-	-	(6,106)	277,526
17,263	503,586	-	-	-	-	-	-	42,743	2,847,049
-	-	-	-	(2,643,408)	349,986	954,093	-	(297,603)	(1,636,932)
-	-	-	-	-	-	-	427,327	-	427,327
\$ 17,263	\$ 503,586	\$ 199,379	\$ (426,959)	\$ (2,643,408)	\$ 349,986	\$ 954,093	\$ 427,327	\$ (260,966)	\$ 1,687,390

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2009

Exhibit C

	Enterprise Funds			
	Water	Sewer	Non-Major Storm Water	Total
Operating receipts:				
Use of money and property	\$ 92,978	\$ 58,817	\$ -	\$ 151,795
Charges for services	2,197,016	2,067,942	197,506	4,462,464
Total operating receipts	<u>2,289,994</u>	<u>2,126,759</u>	<u>197,506</u>	<u>4,614,259</u>
Operating disbursements:				
Business-type activities	1,695,433	1,360,506	39,491	3,095,430
Total operating disbursements	<u>1,695,433</u>	<u>1,360,506</u>	<u>39,491</u>	<u>3,095,430</u>
Excess of operating receipts over operating disbursements	594,561	766,253	158,015	1,518,829
Non-operating disbursements:				
Debt service	(646,158)	(595,128)	-	(1,241,286)
Excess of receipts over disbursements	(51,597)	171,125	158,015	277,543
Other financing sources (uses):				
Bond proceeds	1,507,845	-	-	1,507,845
Operating transfers out	-	(195,000)	(158,736)	(353,736)
Net change in cash balances	1,456,248	(23,875)	(721)	1,431,652
Cash balances beginning of year	<u>1,361,039</u>	<u>958,112</u>	<u>183,632</u>	<u>2,502,783</u>
Cash balances end of year	<u>\$ 2,817,287</u>	<u>\$ 934,237</u>	<u>\$ 182,911</u>	<u>\$ 3,934,435</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ 831,981	\$ 639,212	\$ -	\$ 1,471,193
Customer deposits	160,218	-	-	160,218
Unreserved	<u>1,825,088</u>	<u>295,025</u>	<u>182,911</u>	<u>2,303,024</u>
Total cash basis fund balances	<u>\$ 2,817,287</u>	<u>\$ 934,237</u>	<u>\$ 182,911</u>	<u>\$ 3,934,435</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, 2009

Exhibit D

	Private Purpose Trusts					
	Johnny Appleseed	Miles of Lights	Swim Team	Fireworks	Downtown Beautification	Character Counts
Receipts:						
Miscellaneous	\$ 15,230	\$ 4,543	\$ 6,341	\$ 4,821	\$ 75	\$ 750
Total receipts	15,230	4,543	6,341	4,821	75	750
Disbursements:						
Culture and recreation	15,579	-	6,480	-	-	-
Community and economic development	-	475	-	6,000	-	600
Total disbursements	15,579	475	6,480	6,000	-	600
Excess (deficiency) of receipts over (under) disbursements	(349)	4,068	(139)	(1,179)	75	150
Cash balances beginning of year	5,514	(1,233)	7,637	2,315	(2,791)	256
Cash balances end of year	\$ 5,165	\$ 2,835	\$ 7,498	\$ 1,136	\$ (2,716)	\$ 406
Cash Basis Fund Balances						
Reserved:						
Private purpose trust funds	\$ 5,165	\$ 2,835	\$ 7,498	\$ 1,136	\$ (2,716)	\$ 406
Total cash basis fund balances	\$ 5,165	\$ 2,835	\$ 7,498	\$ 1,136	\$ (2,716)	\$ 406

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, 2009, 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, 2009, 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, 2009, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government and Agencies Securities	\$ 432,258	\$ 455,827
Certificates of Deposit	2,997,530	2,997,530
Money Market Accounts	<u>48,717</u>	<u>48,717</u>
	<u>\$3,478,505</u>	<u>\$3,502,074</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$74,223 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		Water Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2010	\$ 430,000	150,385	\$ 1,445,000	\$ 422,657	\$ 425,000	\$ 210,680
2011	445,000	138,990	4,500,000	338,335	445,000	191,130
2012	460,000	126,530	1,390,000	205,880	465,000	170,660
2013	475,000	112,730	1,150,000	153,545	480,000	149,270
2014	490,000	97,530	915,000	109,688	505,000	127,190
2015	505,000	80,870	955,000	74,424	525,000	103,960
2016	520,000	62,690	940,000	37,315	550,000	79,810
2017	540,000	43,190	-	-	575,000	54,510
2018	560,000	22,400	-	-	610,000	28,060
Total	<u>\$ 4,425,000</u>	<u>\$ 835,315</u>	<u>\$ 11,295,000</u>	<u>\$ 1,341,844</u>	<u>\$ 4,580,000</u>	<u>\$ 1,115,270</u>

Year Ending	Sewer Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest
June 30,				
2010	\$ 1,084,539	\$ 179,771	\$ 3,384,539	\$ 963,493
2011	653,370	154,691	6,043,370	823,146
2012	620,000	135,090	2,935,000	638,160
2013	646,000	116,490	2,751,000	532,035
2014	672,000	97,110	2,582,000	431,518
2015	699,000	76,950	2,684,000	336,204
2016	172,000	55,980	2,182,000	235,795
2017	118,000	50,820	1,233,000	148,520
2018	121,000	47,280	1,291,000	97,740
2019	125,000	43,650	125,000	43,650
2020	130,000	39,900	130,000	39,900
2021	134,000	36,000	134,000	36,000
2022	138,000	31,980	138,000	31,980
2023	143,000	27,840	143,000	27,840
2024	147,000	23,550	147,000	23,550
2025	152,000	19,140	152,000	19,140
2026	157,000	14,580	157,000	14,580
2027	162,000	9,870	162,000	9,870
2028	167,000	5,010	167,000	5,010
Total	<u>\$ 6,240,909</u>	<u>\$ 1,165,702</u>	<u>\$ 26,540,909</u>	<u>\$ 3,458,131</u>

CITY OF BOONE
Notes to Financial Statements

Note 3 – Bonds and Notes Payable (continued)

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 \$5,695,270. For the current year, principal and interest paid and total customer net receipts were \$634,310 and \$817,559, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$18,177,800 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 2028. 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 \$7,406,611. For the current year, principal and interest paid and total customer net receipts were \$587,211 and \$897,154, 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.

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.

CITY OF BOONE
Notes to Financial Statements

Note 4 – Pension and Retirement Benefits (continued)

Iowa Public Employees Retirement System (continued)

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008, and 2007 were \$130,035, \$130,456, and \$120,684, 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, 2009, 2008 and 2007 were \$267,247, \$354,260, and \$423,672, respectively, which met the required contribution rate for each year.

Note 5 – Other Postemployment Benefits (OPEB)

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2009.

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 63 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$592 for single coverage and \$1,479 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009, the City contributed \$1,058,723.

CITY OF BOONE
Notes to Financial Statements

Note 6 – 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, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 265,000
Sick leave	<u>1,669,000</u>
Total	<u>\$1,934,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

Note 7 – Related Party Transactions

The City had business transactions between the City and City officials, totaling \$22,585 during the year ended June 30, 2009.

Note 8 – 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 \$2,361,000 is outstanding at June 30, 2009. 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 9 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund:	General:	
General	Hotel/Motel Tax	\$ 27,000
	Special Revenue:	
	Emergency	77,357
Recreation	General:	
	General	1,989
Hotel/Motel Tax	Special Revenue:	
	Mary Garvey	<u>7,000</u>
		\$ <u>113,346</u>
Special Revenue:	Special Revenue:	
Group Insurance	Police Retirement	\$ 654,090
	Fire Retirement	344,633
Employee Benefit	Local Option Tax	190,880
	Police Retirement	34,000
	Fire Retirement	20,000
Local Option Tax	Mary Garvey	<u>7,000</u>
		\$ <u>1,250,603</u>

CITY OF BOONE
Notes to Financial Statements

Note 9 – Interfund Transfers (continued)

Debt Service:	Special Revenue:		
General Obligation	Local Option Sales Tax	\$	356,203
Bonds/Notes	Tax Increment Financing		772,486
	Debt Service:		
	Special Assessment Bonds		299,594
	Capital Project:		
	Sanitary Sewer		500,000
	Enterprise:		
	Sewer		195,000
	Storm Water Utility		158,736
		\$	<u>2,282,019</u>
Capital Project:	Special Revenue:		
Housing Project	Tax Increment Financing	\$	44,672
06 Paving Projects	Tax Increment Financing		10,916
		\$	<u>55,588</u>
Total		\$	<u>3,701,556</u>

Note 10 – Risk Management

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

Note 11 – Deficit Balances

At June 30, 2009 the City had deficit balances in the following accounts:

General Fund:		
Insurance Reserve	\$	(53,418)
Special Revenue:		
Unfunded Liability		(229,992)
Emergency		(48,413)
Debt Service:		
Special Assessment Bonds		(426,959)
Capital Projects:		
Airport Expansion		(111,142)
Street/FRC Projects		(72,221)
Westwood Addition 3		(96,304)
Demolition Projects		(43,304)
South Story		(52,810)
Railroad Crossing		(480)
INI Sanitary Sewer		(60,750)
Train Whistle		(12,183)
Housing Project		(2,302)
Railroad Project		(311)
Industrial Park		(14,081)
South Marshall Realignment		(3,267)
Industrial Park Lift Station		(55,247)

CITY OF BOONE
Notes to Financial Statements

Note 11 – Deficit Balances (continued)

06 Paving Projects	(224,964)
City Hall Remodeling	(236,559)
Sanitary Sewer	(2,643,408)
Park/Pool Projects	(10,003)
Runway Pavement Rehab	(45,855)
West Park Extension Study	(6,001)
Technochem Utilities	(1,760)
Lindhahl Salvage Yard	(607)
11 th Street Alley	(28,980)
Taxiway Project	(95,739)
Grade Separation	(18,747)
Fine Screen Addition	(7,497)
Honey Creek Improvements	(48,075)
09 Street Improvements	(13,555)
Lift Station	(45,270)
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.

Note 12 – 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, 2009 are as follows:

Year Ending June 30,	Agri-Pac	Composite Technologies	Proliant	Downtown Athletic Club	Westwood Estates	SunAm II	Total
2010	\$ 12,038	\$ 58,615	\$ 10,918	\$ 1,750	\$ 14,052	\$ 26,972	\$ 124,345
2011	12,038	-	10,918	-	14,052	25,810	62,818
2012	12,038	-	10,918	-	14,052	24,648	61,656
2013	12,038	-	-	-	14,052	23,486	49,576
2014	-	-	-	-	14,052	22,324	36,376
2015	-	-	-	-	14,052	21,162	35,214
Total principal & interest	48,152	58,615	32,754	1,750	84,312	144,402	369,985
Less interest	3,406	1,708	1,871	-	12,988	24,402	44,375
Total principal	<u>\$ 44,746</u>	<u>\$ 56,907</u>	<u>\$ 30,883</u>	<u>\$ 1,750</u>	<u>\$ 71,324</u>	<u>\$ 120,000</u>	<u>\$ 325,610</u>

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.

CITY OF BOONE
Notes to Financial Statements

Note 13 – Pending Litigation

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

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, 2009, the City rebated \$81,240 of incremental tax to the developers.

Note 15 – Subsequent Events

In July 2009, the City awarded contracts for the Eastgate Drive Project in the amount of \$748,666 and a contract for the Linwood Cemetery Recreational Trail Paving Project for \$137,548.

In August 2009, the City awarded a contract for the 2009 Sanitary Sewer Improvements Phase IIIA in the amount of \$4,449,750.

In October 2009, the City authorized the issuance of \$5,142,000 Sewer Capital Loan Notes to finance improvements to the Sanitary Sewer Systems.

In January 2010, the City authorized the issuance of \$1,016,000 Sewer Capital Loan Notes and \$250,000 Water Capital Loan Notes to finance improvements to the Sanitary Sewer and Water Systems.

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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 4,633,953	\$ -	\$ 4,633,953
Tax increment financing collections	921,749	-	921,749
Other city tax	1,184,815	-	1,184,815
Licenses and permits	249,394	-	249,394
Use of money and property	288,829	151,795	440,624
Intergovernmental	1,958,516	-	1,958,516
Charges for services	275,530	4,462,464	4,737,994
Special assessments	98,777	-	98,777
Miscellaneous	522,427	-	522,427
Total receipts	<u>10,133,990</u>	<u>4,614,259</u>	<u>14,748,249</u>
Disbursements:			
Public safety	3,050,748	-	3,050,748
Public works	1,550,405	-	1,550,405
Health and social services	59,593	-	59,593
Culture and recreation	1,337,114	-	1,337,114
Community and economic development	247,954	-	247,954
General government	747,359	-	747,359
Debt service	2,124,799	-	2,124,799
Capital projects	6,794,364	-	6,794,364
Business-type activities	-	4,336,716	4,336,716
Total disbursements	<u>15,912,336</u>	<u>4,336,716</u>	<u>20,249,052</u>
Excess (deficiency) of receipts over disbursements	(5,778,346)	277,543	(5,500,803)
Other financing sources, net	4,232,041	1,154,109	5,386,150
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,546,305)	1,431,652	(114,653)
Balances beginning of year	<u>3,233,695</u>	<u>2,502,783</u>	<u>5,736,478</u>
Balances end of year	<u>\$ 1,687,390</u>	<u>\$ 3,934,435</u>	<u>\$ 5,621,825</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 4,489,680	\$ 4,489,680	\$ 144,273
1,093,678	1,104,595	(182,846)
1,268,373	1,268,373	(83,558)
250,700	233,200	16,194
200,778	205,278	235,346
1,696,498	2,168,206	(209,690)
5,331,250	5,331,750	(593,756)
306,468	114,468	(15,691)
239,259	335,295	187,132
<u>14,876,684</u>	<u>15,250,845</u>	<u>(502,596)</u>
3,247,356	3,362,247	311,499
1,567,440	1,631,978	81,573
88,720	88,720	29,127
1,375,690	1,487,179	150,065
408,554	408,554	160,600
694,344	786,751	39,392
2,141,450	2,143,850	19,051
8,018,000	11,169,492	4,375,128
4,357,273	4,789,473	452,757
<u>21,898,827</u>	<u>25,868,244</u>	<u>5,619,192</u>
(7,022,143)	(10,617,399)	5,116,596
<u>7,606,000</u>	<u>10,583,624</u>	<u>(5,197,474)</u>
583,857	(33,775)	(80,878)
<u>5,336,583</u>	<u>5,736,478</u>	<u>-</u>
<u>\$ 5,920,440</u>	<u>\$ 5,702,703</u>	<u>\$ (80,878)</u>

CITY OF BOONE

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 \$3,969,417 and increased budgeted revenues by \$374,161. This budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

Capital Projects

City Hall Elevator	2005 Street Improvements	Snedden Drive Grade Separation	South Marshall Realignment	Industrial Park Lift Station	Police Department	2006 Paving Projects	City Hall Remodeling	West Boone Water Tower/Main	Fire Trucks	Park/Pool Projects	Roadway Maintenance	Story Street & Mamie	Middle School Sidewalks	Runway Pavement Rehab	West Park Extension Study	Proliant Expansion	Technochem Utilities	Lindahl Salvage Yard	2007 Sidewalk Program	11th Street Alley	Taxiway Project	Grade Separation	Fine Screen Addition	Honey Creek Improvements	09 Street Improvements	Lift Station	Miscellaneous Projects	Project Fund	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	120,106
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	132,326
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91,478
-	-	-	-	-	-	-	-	-	-	-	-	-	-	177,531	-	750	-	-	-	-	-	338,492	-	-	34,964	-	-	-	-	708,304
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67,923
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,448
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	187,689
-	-	-	-	-	-	-	-	-	-	-	-	-	-	177,531	-	750	-	-	-	-	-	338,492	-	-	34,964	-	-	-	-	1,314,274
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	99,450
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	106,956
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,343
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	123,572
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	184,712
-	-	-	-	-	-	-	-	296,630	-	-	5,186	138,894	-	31,459	-	-	-	-	-	-	25,838	409,319	18,747	7,497	83,039	13,555	45,270	-	-	1,142,770
-	-	-	-	-	-	-	-	296,630	-	-	5,186	138,894	-	31,459	-	-	-	-	-	-	25,838	409,319	18,747	7,497	83,039	13,555	45,270	-	-	1,756,803
-	-	-	-	-	-	-	-	(296,630)	-	-	(5,186)	(138,894)	-	146,072	-	750	-	-	-	-	(25,838)	(70,827)	(18,747)	(7,497)	(48,075)	(13,555)	(45,270)	-	-	(442,529)
-	-	-	-	-	-	-	-	1,482,555	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,482,555
-	-	-	-	-	-	10,916	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	64,577
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(104,357)
-	-	-	-	-	-	10,916	-	1,482,555	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,442,775
-	-	-	-	-	-	10,916	-	1,185,925	-	-	(5,186)	(138,894)	-	146,072	-	750	-	-	-	-	(25,838)	(70,827)	(18,747)	(7,497)	(48,075)	(13,555)	(45,270)	-	-	1,000,246
4,621	35,387	8,976	(3,267)	(55,247)	195,735	(235,880)	(236,559)	(1,185,925)	84,720	(10,003)	129,760	383,064	18,474	(191,927)	(6,001)	-	(1,760)	(607)	38,730	(3,142)	(24,912)	-	-	-	-	-	(1,992)	(11,944)	(1,261,212)	
\$ 4,621	\$ 35,387	\$ 8,976	\$ (3,267)	\$ (55,247)	\$ 195,735	\$ (224,964)	\$ (236,559)	\$ -	\$ 84,720	\$ (10,003)	\$ 124,574	\$ 244,170	\$ 18,474	\$ (45,855)	\$ (6,001)	\$ 750	\$ (1,760)	\$ (607)	\$ 38,730	\$ (28,980)	\$ (95,739)	\$ (18,747)	\$ (7,497)	\$ (48,075)	\$ (13,555)	\$ (45,270)	\$ (1,992)	\$ (11,944)	\$ (260,966)	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,106)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,743
4,621	35,387	8,976	(3,267)	(55,247)	195,735	(224,964)	(236,559)	-	84,720	(10,003)	124,574	244,170	18,474	(45,855)	(6,001)	750	(1,760)	(607)	38,730	(28,980)	(95,739)	(18,747)	(7,497)	(48,075)	(13,555)	(45,270)	(1,992)	(11,944)	(297,603)	
\$ 4,621	\$ 35,387	\$ 8,976	\$ (3,267)	\$ (55,247)	\$ 195,735	\$ (224,964)	\$ (236,559)	\$ -	\$ 84,720	\$ (10,003)	\$ 124,574	\$ 244,170	\$ 18,474	\$ (45,855)	\$ (6,001)	\$ 750	\$ (1,760)	\$ (607)	\$ 38,730	\$ (28,980)	\$ (95,739)	\$ (18,747)	\$ (7,497)	\$ (48,075)	\$ (13,555)	\$ (45,270)	\$ (1,992)	\$ (11,944)	\$ (260,966)	

CITY OF BOONE
Schedule of Indebtedness
Year Ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential corporate purpose	March 2008	2.65 - 4.00 %	\$ 4,425,000
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
Capital loan anticipation note	December 2008	2.60 - 2.60	3,000,000
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	November 2006	0.00	148,800
Sewer revenue capital loan notes	November 2006	0.00	170,000
Sewer revenue capital loan notes	December 2008	3.00	2,425,000
Sewer revenue capital loan notes	June 2009	3.00	7,283,000
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
\$ 4,425,000	\$ -	\$ -	\$ 4,425,000	\$ 175,449	\$ -
\$ 1,030,000	\$ -	\$ 240,000	\$ 790,000	\$ 38,110	\$ -
1,125,000	-	210,000	915,000	40,530	-
1,745,000	-	195,000	1,550,000	59,020	-
815,000	-	205,000	610,000	24,715	-
175,000	-	35,000	140,000	6,300	-
4,810,000	-	520,000	4,290,000	192,405	-
-	3,000,000	-	3,000,000	-	-
\$ 9,700,000	\$ 3,000,000	\$ 1,405,000	\$ 11,295,000	\$ 361,080	\$ -
\$ 170,000	\$ -	\$ 170,000	\$ -	\$ 10,370	\$ -
\$ 4,985,000	\$ -	\$ 405,000	\$ 4,580,000	\$ 229,310	\$ -
\$ 3,293,000	\$ -	\$ 412,000	\$ 2,881,000	\$ 98,790	\$ -
417,000	-	47,000	370,000	12,510	-
78,539	-	-	78,539	-	-
170,000	-	-	170,000	-	-
-	2,425,000	5,000	2,420,000	11,911	-
-	321,370	-	321,370	-	-
\$ 3,958,539	\$ 2,746,370	\$ 464,000	\$ 6,240,909	\$ 123,211	\$ -

CITY OF BOONE
Bond and Note Maturities
June 30, 2009

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	Rates	Amount	
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>\$ 790,000</u>		<u>\$ 915,000</u>		<u>\$ 1,550,000</u>			

Year Ending June 30,	Revenue Bonds			Revenue Notes							
	Water			Sewer Capital Loan Note		Sewer Capital Loan Note		Sewer Capital Loan Note			
	Issued Aug 1, 1998			Issued Mar 19, 1993		Issued May 20, 1996		Issued November 2, 2006			
	Interest			Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2010	4.60%	\$ 425,000	3.00%	\$ 430,000	3.00%	\$ 48,000	0.00%	\$ 78,539			
2011	4.60%	445,000	3.00%	449,000	3.00%	50,000		-			
2012	4.60%	465,000	3.00%	469,000	3.00%	51,000		-			
2013	4.60%	480,000	3.00%	489,000	3.00%	53,000		-			
2014	4.60%	505,000	3.00%	511,000	3.00%	54,000		-			
2015	4.60%	525,000	3.00%	533,000	3.00%	56,000		-			
2016	4.60%	550,000		-	3.00%	58,000		-			
2017	4.60%	575,000		-		-		-			
2018	4.60%	610,000		-		-		-			
2019		-		-		-		-			
2020		-		-		-		-			
2021		-		-		-		-			
2022		-		-		-		-			
2023		-		-		-		-			
2024		-		-		-		-			
2025		-		-		-		-			
2026		-		-		-		-			
2027		-		-		-		-			
2028		-		-		-		-			
Total		<u>\$ 4,580,000</u>		<u>\$ 2,881,000</u>		<u>\$ 370,000</u>		<u>\$ 78,539</u>			

See accompanying independent auditor's report

CITY OF BOONE
Bond and Note Maturities
June 30, 2009

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		Capital Loan Anticipation Note Issued December 30, 2008		Total G.O. Notes
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
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	2.60%	3,000,000	4,500,000
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		\$ 610,000		\$ 140,000		\$ 4,290,000		\$ 3,000,000	\$ 11,295,000

Revenue Notes

Year Ending June 30,	Sewer Capital Loan Note Issued November 2, 2006		Sewer Capital Loan Note Issued December 1, 2008		Sewer Capital Loan Note Issued May 18, 2009		Total Revenue Notes
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2010	0.00%	\$ 170,000	3.00%	\$ 94,000	3.00%	\$ 264,000	\$ 1,084,539
2011		-	3.00%	97,000	3.00%	57,370	653,370
2012		-	3.00%	100,000		-	620,000
2013		-	3.00%	104,000		-	646,000
2014		-	3.00%	107,000		-	672,000
2015		-	3.00%	110,000		-	699,000
2016		-	3.00%	114,000		-	172,000
2017		-	3.00%	118,000		-	118,000
2018		-	3.00%	121,000		-	121,000
2019		-	3.00%	125,000		-	125,000
2020		-	3.00%	130,000		-	130,000
2021		-	3.00%	134,000		-	134,000
2022		-	3.00%	138,000		-	138,000
2023		-	3.00%	143,000		-	143,000
2024		-	3.00%	147,000		-	147,000
2025		-	3.00%	152,000		-	152,000
2026		-	3.00%	157,000		-	157,000
2027		-	3.00%	162,000		-	162,000
2028		-	3.00%	167,000		-	167,000
Total		\$ 170,000		\$ 2,420,000		\$ 321,370	\$ 6,240,909

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

Schedule 4

For the Last Six Years

	2009	2008	2007	2006	2005	2004
Receipts:						
Property and other City tax	\$ 5,818,768	\$ 5,685,989	\$ 5,600,571	\$ 4,859,353	\$ 4,774,948	\$ 4,822,424
Tax increment financing collections	921,749	887,670	890,451	1,200,875	1,190,644	784,772
Licenses and permits	249,394	240,869	293,117	242,983	259,406	167,825
Use of money and property	288,829	235,978	321,822	252,203	211,846	171,036
Intergovernmental	1,958,516	2,915,939	1,516,208	2,467,732	1,949,177	2,203,323
Charges for services	275,530	255,709	245,241	244,172	251,684	339,631
Special assessments	98,777	191,568	116,018	146,013	134,388	124,133
Miscellaneous	522,427	597,066	966,018	717,627	1,310,694	973,563
Total	10,133,990	11,010,788	9,949,446	10,130,958	10,082,787	9,586,707
Disbursements:						
Public safety	3,050,748	3,466,532	3,356,173	3,538,220	3,101,989	3,155,998
Public works	1,550,405	1,685,534	1,769,727	1,518,385	1,388,806	1,541,326
Health and social services	59,593	80,958	84,462	77,010	70,782	36,500
Culture and recreation	1,337,114	1,388,564	1,395,283	1,360,339	1,382,628	1,336,061
Community and economic development	247,954	427,704	487,911	275,411	125,592	140,738
General government	747,359	648,328	677,312	800,212	619,701	587,278
Debt service	2,124,799	2,444,413	4,051,421	2,232,387	3,383,044	2,084,019
Capital projects	6,794,364	5,190,035	4,215,297	3,220,196	1,674,348	3,627,330
Total	\$ 15,912,336	\$ 15,332,068	\$ 16,037,586	\$ 13,022,160	\$ 11,746,890	\$ 12,509,250

See accompanying independent auditor's report.

PETERSON & HOUSTON, P.C.

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boone, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 10, 2010. 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 I-A-09 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 and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 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. 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

March 10, 2010

CITY OF BOONE
Schedule of Findings

Part I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

I-A-09 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

I-B-09 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.

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009, did not exceed the amount budgeted

II-B-09 Questionable Disbursements – We noted no disbursements we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF BOONE
Schedule of Findings

II-D-09 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	\$20,515
Darci Newcomb, Employee	Swimming Lessons	1,600
Big G's Log Cabin, Owned by Glen Thompson, Council Member	Citizen Police Academy Dinner	250
Kemmerer Electric, Owned by Harold Kemmerer, Employee	Supplies	220

The transactions with Thompson and Kemmerer do not appear to represent a conflict of interest since they were 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.

II-E-09 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.

II-F-09 Council Minutes – There was one change order for an airport capital project during the year that approval was not found in the Council or Airport Commission minutes.

Recommendation – All change orders should be approved by the governing body.

Response – We will note approval of all change orders in the minutes.

Conclusion – Response accepted.

II-G-09 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.

II-H-09 Revenue Notes and Bonds – No instances of non-compliance with the requirements of the water and sewer revenue bond resolutions were noted.

II-I-09 Annual Financial Report – The Annual Financial Report was not submitted by the deadline of December 1, 2009.

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

II-J-09 Financial Condition – At June 30, 2009 the City had deficit balances in the following accounts:

General Fund:	
Insurance Reserve	\$ (53,418)
Special Revenue:	
Unfunded Liability	(229,992)
Emergency	(48,413)
Debt Service:	
Special Assessment Bonds	(426,959)
Capital Projects:	
Airport Expansion	(111,142)
Street/FRC Projects	(72,221)
Westwood Addition 3	(96,304)
Demolition Projects	(43,304)
South Story	(52,810)
Railroad Crossing	(480)
INI Sanitary Sewer	(60,750)
Train Whistle	(12,183)
Housing Project	(2,302)
Railroad Project	(311)
Industrial Park	(14,081)
South Marshall Realignment	(3,267)
Industrial Park Lift Station	(55,247)
06 Paving Projects	(224,964)
City Hall Remodeling	(236,559)
Sanitary Sewer	(2,643,408)
Park/Pool Projects	(10,003)
Runway Pavement Rehab	(45,855)
West Park Extension Study	(6,001)
Technochem Utilities	(1,760)
Lindahl Salvage Yard	(607)
11 th Street Alley	(28,980)
Taxiway Project	(95,739)
Grade Separation	(18,747)
Fine Screen Addition	(7,497)
Honey Creek Improvements	(48,075)
09 Street Improvements	(13,555)
Lift Station	(45,270)
Miscellaneous	(1,992)
Project Fund	(11,944)

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

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

Conclusion – Response accepted.

CITY OF BOONE
Schedule of Findings

The following insurance policies were in force at June 30, 2009:

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	\$43,009,229
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

Statistical Information

Description	Amount
Customers served at June 30, 2009	5,028
Sewer rates in effect at June 30, 2009:	
Residential users:	
Inside City Limits:	
Flat service rate	\$3.00
Charge per 100 cubic feet (cf)	\$4.23/100 cf
Outside City Limits:	
Flat service rate	\$3.00
Charge per 100 cubic feet (cf)	\$4.70/100 cf
Industrial Users*:	
Inside City Limits:	
Flat service rate	\$300.00
Charge per 100 cubic feet (cf)	\$3.13/100 cf
Outside City Limits:	
Flat service rate	\$300.00
Charge per 100 cubic feet (cf)	\$3.47/100 cf

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