

CITY OF BOONE

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

JUNE 30, 2010

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CITY OF BOONE

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John L.Slight	Mayor	Jan. 2012
Shari Gillespie	Mayor Pro tem	Jan. 2012
Steven Ray	Council Member	Jan. 2012
Kevin Hicks	Council Member	Jan. 2012
Gary Nystrom	Council Member	Jan. 2014
Nick Mallas	Council Member	Jan. 2014
Fenner Stevenson	Council Member	Jan. 2014
Greg Piklapp	Council Member	Jan. 2014
Luke Nelson	City Administrator	Indefinite
Ondrea Elmquist	Treasurer/Finance Officer	Indefinite
Alan Schroeder	Attorney	Indefinite

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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, 2010, 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 as of June 30, 2010, 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 18, 2011 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 the internal control over financial reporting or on 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.



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Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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 six years ended June 30, 2010 (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.

Houston & Seeman, P.C.

Houston & Seeman, P.C.
Boone, Iowa

February 18, 2011

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's governmental activities receipts increased 36%, or approximately \$5.1 million, from fiscal year 2009.
- The City's governmental activities disbursements increased 15%, or approximately \$2.3 million from fiscal year 2009.
- The City's governmental activities cash balance at June 30, 2010 increased 73%, or approximately \$1.2 million from June 30, 2009.

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

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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.
- Business Type Activities include the waterworks 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 \$1.2 million from a year ago, from \$1.7 million to \$2.9 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,	
	2010	2009
Receipts and transfers:		
Program receipts:		
Charges for services and sales	\$ 818	781
Operating grants, contributions and restricted interest	1,269	1,284
Capital grants, contributions and restricted interest	1,722	589
General receipts:		
Property tax	5,737	5,654
Local option sales tax	934	1,004
Hotel/motel tax	108	132
Franchise taxes	140	174
Unrestricted investment earnings	53	104
Bond proceeds	6,959	3,878
Other general receipts	997	411
Transfers, net	748	354
Total receipts and transfers	<u>19,485</u>	<u>14,365</u>
Disbursements:		
Public safety	3,286	3,051
Public works	1,566	1,550
Health and social services	48	60
Culture and recreation	1,354	1,337
Community and economic development	927	248
General government	763	747
Debt service	2,341	2,125
Capital projects	7,974	6,794
Total disbursements	<u>18,259</u>	<u>15,912</u>
Change in cash basis net assets	1,226	(1,547)
Cash basis net assets beginning of year	<u>1,687</u>	<u>3,234</u>
Cash basis net assets end of year	<u>\$ 2,913</u>	<u>1,687</u>

The City's total receipts for governmental activities increased by 36% (\$5.1 million). The significant increase in receipts was primarily the result of more debt being issued in the current year as compared to the prior year. The total cost of all programs and services increased by approximately \$2.3 million or 15%, which was due in part to savings in the employee benefits fund.

The cost of all governmental activities this year was \$18,259,266 compared to \$15,912,336 last year. However, as shown in the statement of activities and changes in cash balance on pages 13-14, the amount that our taxpayers ultimately financed for these activities was only \$15,676,012 because some of the cost was paid by those who directly benefited from the programs (\$818,371) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,990,940). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2010 from approximately \$2,654,000 to approximately \$3,809,000, principally due to an increase 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 \$6,919,000 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,	
	2010	2009
Receipts and transfers:		
Program receipts:		
Charges for services and sales:		
Water	\$ 2,244	2,197
Sewer	2,819	2,068
Storm water	197	197
General receipts:		
Unrestricted investment earnings	74	152
Bond proceeds	3,743	1,508
Transfers, net	(748)	(354)
Total receipts	<u>8,329</u>	<u>5,768</u>
Disbursements:		
Water	6,581	2,342
Sewer	2,588	1,956
Storm water	1	39
Total disbursements and transfers	<u>9,170</u>	<u>4,337</u>
Change in cash basis net assts	(841)	1,431
Cash basis net assets beginning of year	<u>3,934</u>	<u>2,503</u>
Cash basis net assets end of year	<u>\$ 3,093</u>	<u>3,934</u>

Total business type activities receipts for the fiscal year were \$8.3 million compared to \$5.8 million last year. The cash balance decreased by approximately \$841 thousand from the prior year. Total disbursements for the fiscal year increased 110% to a total of \$9.2 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 \$389,000, an increase of \$106,000 from the prior year.
- The Road Use Tax Fund cash balance increased by \$81,000 to \$532,000 during the year.
- The Group Insurance Fund decreased by \$219,000 during the fiscal year. The fund has a deficit balance of \$168,000.
- The Employee Benefit Fund cash balance increased by \$314,000 to \$793,000 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 \$934,000 during this year, a 7% decrease over the previous year. The proceeds of the tax are designated 5% for human services, 20% for property tax relief, and 75% for capital projects.
- The Tax Increment Financing Fund was established in a prior fiscal year to account for the financing of capital improvements within the established TIF district, which contributes to urban and economic development. At the end of the year, the fund had a balance of \$547,000.
- 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 \$498,000.
- 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 \$53,000 during the year with a balance of \$252,000 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 \$5,000 during the year with a balance at the end of the year of \$433,000.

Individual Major Business Type Fund

- The cash balance of the Sewer Fund decreased by approximately \$33,000 to \$901,000, due primarily to the ongoing projects.
- The Water Fund decreased by approximately \$837,000 to \$1,981,000, due primarily to the refinancing of bonds and 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 26, 2010, to increase revenues and increase expenditures in certain City departments.

DEBT ADMINISTRATION

Outstanding Debt at Year-End (Expressed in Thousands)		
	2010	2009
General obligation bonds	\$ 3,995	4,425
General obligation notes	9,850	11,295
Revenue bonds and notes	15,937	10,821
	<u>\$ 29,782</u>	<u>26,541</u>

At year-end, the City had approximately \$29,782,000 in bonds and other long-term debt compared to approximately \$26,541,000 last year as shown above.

Debt increased as a result of issuing revenue capital loan notes of \$10,785,000 during the year which were for refinancing water revenue bonds and 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 \$13,845,000 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 2011 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$24.0 million, a decrease of 35% over the final 2010 budget. Budgeted disbursements are expected to increase by approximately 39%.

If these estimates are realized, the City’s budgeted cash balance is expected to increase by approximately \$424,000 by the close of 2011.

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, 2010

	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	\$ 3,286,010	\$ 336,868	\$ 47,518	\$ -
Public works	1,566,456	131,722	1,131,709	-
Health and social services	47,650	-	-	-
Culture and recreation	1,354,152	217,653	89,376	-
Community and economic development	926,840	2,800	-	-
General government	763,222	129,328	-	-
Debt service	2,340,887	-	-	-
Capital projects	7,974,049	-	-	1,722,337
Total governmental activities	18,259,266	818,371	1,268,603	1,722,337
Business-type activities:				
Water	6,581,079	2,243,964	-	-
Sewer	2,587,597	2,818,870	-	-
Storm Water	1,083	197,262	-	-
Total business-type activities	9,169,759	5,260,096	-	-
Total	\$ 27,429,025	\$ 6,078,467	\$ 1,268,603	\$ 1,722,337
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
\$ (2,901,624)	\$ -	\$ (2,901,624)
(303,025)	-	(303,025)
(47,650)	-	(47,650)
(1,047,123)	-	(1,047,123)
(924,040)	-	(924,040)
(633,894)	-	(633,894)
(2,340,887)	-	(2,340,887)
(6,251,712)	-	(6,251,712)
(14,449,955)	-	(14,449,955)
-	(4,337,115)	(4,337,115)
-	231,273	231,273
-	196,179	196,179
-	(3,909,663)	(3,909,663)
(14,449,955)	(3,909,663)	(18,359,618)
4,504,355	-	4,504,355
847,236	-	847,236
290,603	-	290,603
94,365	-	94,365
934,432	-	934,432
107,614	-	107,614
140,420	-	140,420
52,947	73,370	126,317
6,958,621	3,743,381	10,702,002
997,187	-	997,187
748,232	(748,232)	-
15,676,012	3,068,519	18,744,531
1,226,057	(841,144)	384,913
1,687,390	3,934,435	5,621,825
\$ 2,913,447	\$ 3,093,291	\$ 6,006,738
\$ 532,914	\$ -	\$ 532,914
547,195	-	547,195
(378,839)	1,471,193	1,092,354
2,590,508	160,218	2,750,726
(378,331)	1,461,880	1,083,549
\$ 2,913,447	\$ 3,093,291	\$ 6,006,738

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2010

	Special Revenue						
	General	Road Use Tax	Group Insurance	Employee Benefit	Local Option Sales Tax	Tax Increment Financing	Mary Garvey
Receipts:							
Property tax	\$ 2,552,462	\$ -	\$ 901,323	\$ 875,934	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	847,236	-
Other city tax	87,001	-	-	-	934,432	-	-
Licenses and permits	222,811	-	-	-	-	-	-
Use of money and property	107,273	-	42,649	-	-	-	1,222
Intergovernmental	202,129	1,131,709	-	-	-	600,000	-
Charges for services	222,378	-	-	-	-	-	-
Special assessments	806	-	-	-	-	-	-
Miscellaneous	105,827	-	22,439	29,626	-	64,313	-
Total receipts	<u>3,500,687</u>	<u>1,131,709</u>	<u>966,411</u>	<u>905,560</u>	<u>934,432</u>	<u>1,511,549</u>	<u>1,222</u>
Disbursements:							
Operating:							
Public safety	2,110,951	-	571,491	343,752	108,970	-	700
Public works	93,561	1,024,507	222,728	130,850	-	-	-
Health and social services	-	-	-	-	47,650	-	-
Culture and recreation	867,599	26,055	165,396	94,778	110,479	-	66
Community and economic development	37,923	-	-	3,481	-	798,021	-
General government	348,412	-	226,014	18,400	77,533	-	5,725
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total disbursements	<u>3,458,446</u>	<u>1,050,562</u>	<u>1,185,629</u>	<u>591,261</u>	<u>344,632</u>	<u>798,021</u>	<u>6,491</u>
Excess (deficiency) of receipts over (under) disbursements	<u>42,241</u>	<u>81,147</u>	<u>(219,218)</u>	<u>314,299</u>	<u>589,800</u>	<u>713,528</u>	<u>(5,269)</u>
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Operating transfers in	63,893	-	-	-	-	-	-
Operating transfers out	-	-	-	-	(388,786)	(655,355)	-
Total other financing sources (uses)	<u>63,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(388,786)</u>	<u>(655,355)</u>	<u>-</u>
Net change in cash balances	106,134	81,147	(219,218)	314,299	201,014	58,173	(5,269)
Cash balances beginning 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>503,586</u>
Cash balances end of year	<u>\$ 389,766</u>	<u>\$ 532,914</u>	<u>\$ (168,022)</u>	<u>\$ 793,224</u>	<u>\$ 991,669</u>	<u>\$ 547,195</u>	<u>\$ 498,317</u>
Cash Basis Fund Balances							
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:							
General funds	389,766	-	-	-	-	-	-
Special revenue funds	-	532,914	(168,022)	793,224	991,669	547,195	498,317
Capital projects funds	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-
Total cash basis fund balances	<u>\$ 389,766</u>	<u>\$ 532,914</u>	<u>\$ (168,022)</u>	<u>\$ 793,224</u>	<u>\$ 991,669</u>	<u>\$ 547,195</u>	<u>\$ 498,317</u>

See notes to financial statements.

Debt Service		Capital Projects					Permanent	Other		
General	Special				R.L. Fisher		Cemetery	Nonmajor		
Obligation	Assessment	Sanitary	Story Street	WW Plant	Industrial	09 Street	Perpetual	Governmental	Total	
Bonds/Notes	Bonds	Sewer	& Mamie	Sludge Press	Park	Improvements	Care	Funds		
\$ 290,603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,636	\$ 4,794,958	
-	-	-	-	-	-	-	-	-	847,236	
-	-	-	-	-	-	-	-	107,614	1,129,047	
-	-	-	-	-	-	-	-	-	222,811	
-	-	-	-	-	-	-	-	122,536	273,680	
-	-	-	657,149	-	473,798	-	-	557,905	3,622,690	
-	-	-	-	-	-	-	-	67,320	289,698	
-	93,559	-	-	-	-	-	-	-	94,365	
58,717	-	6,920	-	-	-	-	5,318	210,825	503,985	
349,320	93,559	6,920	657,149	-	473,798	-	5,318	1,240,836	11,778,470	
-	-	-	-	-	-	-	-	150,146	3,286,010	
-	-	-	-	-	-	-	-	94,810	1,566,456	
-	-	-	-	-	-	-	-	-	47,650	
-	-	-	-	-	-	-	-	89,779	1,354,152	
-	-	-	-	-	-	-	-	87,415	926,840	
-	-	-	-	-	-	-	-	87,138	763,222	
2,340,887	-	-	-	-	-	-	-	-	2,340,887	
-	-	4,404,350	1,297,540	159,241	707,592	418,754	-	986,572	7,974,049	
2,340,887	-	4,404,350	1,297,540	159,241	707,592	418,754	-	1,495,860	18,259,266	
(1,991,567)	93,559	(4,397,430)	(640,391)	(159,241)	(233,794)	(418,754)	5,318	(255,024)	(6,480,796)	
-	-	6,341,846	-	502,042	-	-	-	114,733	6,958,621	
2,044,632	-	-	-	-	-	-	-	45,624	2,154,149	
-	(297,883)	-	-	-	-	-	-	(63,893)	(1,405,917)	
2,044,632	(297,883)	6,341,846	-	502,042	-	-	-	96,464	7,706,853	
53,065	(204,324)	1,944,416	(640,391)	342,801	(233,794)	(418,754)	5,318	(158,560)	1,226,057	
199,379	(426,959)	(2,643,408)	244,170	349,986	954,093	(13,555)	427,327	(452,426)	1,687,390	
\$ 252,444	\$ (631,283)	\$ (698,992)	\$ (396,221)	\$ 692,787	\$ 720,299	\$ (432,309)	\$ 432,645	\$ (610,986)	\$ 2,913,447	
\$ 252,444	\$ (631,283)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (378,839)	
-	-	-	-	-	-	-	-	(20,665)	369,101	
-	-	-	-	-	-	-	-	42,675	3,237,972	
-	-	(698,992)	(396,221)	692,787	720,299	(432,309)	-	(632,996)	(747,432)	
-	-	-	-	-	-	-	432,645	-	432,645	
\$ 252,444	\$ (631,283)	\$ (698,992)	\$ (396,221)	\$ 692,787	\$ 720,299	\$ (432,309)	\$ 432,645	\$ (610,986)	\$ 2,913,447	

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2010

Exhibit C

	Enterprise Funds			
	Water	Sewer	Non-Major Storm Water	Total
Operating receipts:				
Use of money and property	\$ 47,363	\$ 26,007	\$ -	\$ 73,370
Charges for services	2,243,964	2,818,870	197,262	5,260,096
Total operating receipts	<u>2,291,327</u>	<u>2,844,877</u>	<u>197,262</u>	<u>5,333,466</u>
Operating disbursements:				
Business-type activities	1,658,512	1,408,055	1,083	3,067,650
Total operating disbursements	<u>1,658,512</u>	<u>1,408,055</u>	<u>1,083</u>	<u>3,067,650</u>
Excess of operating receipts over operating disbursements	632,815	1,436,822	196,179	2,265,816
Non-operating disbursements:				
Debt service	(4,922,567)	(1,179,542)	-	(6,102,109)
Excess of receipts over disbursements	(4,289,752)	257,280	196,179	(3,836,293)
Other financing sources (uses):				
Bond proceeds	3,743,381	-	-	3,743,381
Operating transfers out	(290,193)	(290,193)	(167,846)	(748,232)
Net change in cash balances	(836,564)	(32,913)	28,333	(841,144)
Cash balances beginning of year	2,817,287	934,237	182,911	3,934,435
Cash balances end of year	<u>\$ 1,980,723</u>	<u>\$ 901,324</u>	<u>\$ 211,244</u>	<u>\$ 3,093,291</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ 831,981	\$ 639,212	\$ -	\$ 1,471,193
Customer deposits	160,218	-	-	160,218
Unreserved	988,524	262,112	211,244	1,461,880
Total cash basis fund balances	<u>\$ 1,980,723</u>	<u>\$ 901,324</u>	<u>\$ 211,244</u>	<u>\$ 3,093,291</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, 2010

Exhibit D

	Private Purpose Trusts					
	Johnny Appleseed	Miles of Lights	Swim Team	Fireworks	Downtown Beautification	Character Counts
Receipts:						
Miscellaneous	\$ 7,965	\$ 3,061	\$ 5,946	\$ 3,353	\$ 275	\$ 4,875
Total receipts	<u>7,965</u>	<u>3,061</u>	<u>5,946</u>	<u>3,353</u>	<u>275</u>	<u>4,875</u>
Disbursements:						
Culture and recreation	6,569	-	7,405	-	-	-
Community and economic development	-	3,302	-	6,000	-	4,538
Total disbursements	<u>6,569</u>	<u>3,302</u>	<u>7,405</u>	<u>6,000</u>	<u>-</u>	<u>4,538</u>
Excess (deficiency) of receipts over (under) disbursements	1,396	(241)	(1,459)	(2,647)	275	337
Cash balances beginning of year	<u>5,165</u>	<u>2,835</u>	<u>7,498</u>	<u>1,136</u>	<u>(2,716)</u>	<u>406</u>
Cash balances end of year	<u>\$ 6,561</u>	<u>\$ 2,594</u>	<u>\$ 6,039</u>	<u>\$ (1,511)</u>	<u>\$ (2,441)</u>	<u>\$ 743</u>
Cash Basis Fund Balances						
Reserved:						
Private purpose trust funds	<u>\$ 6,561</u>	<u>\$ 2,594</u>	<u>\$ 6,039</u>	<u>\$ (1,511)</u>	<u>\$ (2,441)</u>	<u>\$ 743</u>
Total cash basis fund balances	<u>\$ 6,561</u>	<u>\$ 2,594</u>	<u>\$ 6,039</u>	<u>\$ (1,511)</u>	<u>\$ (2,441)</u>	<u>\$ 743</u>

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.

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.

CITY OF BOONE
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 categories. 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.

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

CITY OF BOONE
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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, 2010, disbursements exceeded the amounts budgeted in the Debt Service fund and disbursements exceeded the amounts budgeted in the Community and Economic Development fund before the budget was amended.

CITY OF BOONE
Notes to Financial Statements

Note 2 – Cash and Pooled Investments

The City’s deposits in banks at June 30, 2010, 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.

At June 30, 2010, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government and Agencies Securities	\$ 244,946	\$ 279,411
Certificates of Deposit	2,848,145	2,848,145
Money Market Accounts	<u>60,414</u>	<u>60,414</u>
	<u>\$3,153,505</u>	<u>\$3,187,970</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$73,597 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

CITY OF BOONE
Notes to Financial Statements

Note 3 – Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes and revenue notes are as follows:

Year Ending	General Obligation Bonds		General Obligation Notes	
	Principal	Interest	Principal	Interest
June 30,				
2011	\$ 445,000	\$ 138,990	\$ 4,500,000	\$ 338,335
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>\$ 3,995,000</u>	<u>\$ 684,930</u>	<u>\$ 9,850,000</u>	<u>\$ 919,187</u>

Year Ending	Sewer Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest
June 30,				
2011	\$ 1,451,140	\$ 493,250	\$ 6,396,140	\$ 970,575
2012	1,857,164	449,000	3,707,164	781,410
2013	1,536,000	408,150	3,161,000	674,425
2014	1,544,662	366,070	2,949,662	573,288
2015	1,434,000	322,428	2,894,000	477,722
2016	927,000	280,470	2,387,000	380,475
2017	899,000	252,660	1,439,000	295,850
2018	1,317,000	224,565	1,877,000	246,965
2019	477,000	180,780	477,000	180,780
2020	494,000	166,470	494,000	166,470
2021	510,000	151,650	510,000	151,650
2022	526,000	136,350	526,000	136,350
2023	543,000	120,570	543,000	120,570
2024	560,000	104,280	560,000	104,280
2025	579,000	87,480	579,000	87,480
2026	598,000	70,110	598,000	70,110
2027	521,585	52,170	521,585	52,170
2028	162,000	5,010	162,000	5,010
Total	<u>\$ 15,936,551</u>	<u>\$ 3,871,463</u>	<u>\$ 29,781,551</u>	<u>\$ 5,475,580</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 \$3,965,000 in water revenue capital loan notes. Proceeds from the bonds provided refinancing of the water revenue bonds issued in August 1998 for the construction of water treatment plant and for improvements to the water system. 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 \$4,336,849.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$24,390,605 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 \$15,471,165. For the current year, principal and interest paid and total customer net receipts were \$836,000 and \$302,587, respectively.

The resolutions providing for the issuance of the water revenue capital loan notes and sewer revenue capital loan notes include the following provisions:

- a. The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the enterprise funds for the purpose of making the note principal and interest payments when due.
- c. Additional monthly transfers to separate water and sewer revenue accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for making the annual principal and interest payments whenever there is insufficient money in the debt service account.
- d. All funds remaining in the sewer rental account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue improvement account until a minimum of \$100,000 is accumulated. Additional monthly transfers to a separate water revenue improvement account will be made until a minimum of \$300,000 is accumulated. These accounts are restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other accounts might be unable to make.

Note 4 – Pension and Retirement Benefits

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009, and 2008 were \$137,912, \$130,035, and \$130,456, respectively, equal to the required contributions for each year.

CITY OF BOONE
Notes to Financial Statements

Note 4 – Pension and Retirement Benefits (continued)

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, West Des Moines, IA 50263.

Plan members are required to contribute 9.40% 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, 2010, 2009, and 2008 were \$234,295, \$267,247, and \$354,260, respectively, which met the required contribution rate for each year.

Note 5 – Other Postemployment Benefits (OPEB)

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 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

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, 2010, the City contributed \$1,169,679.

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 payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 248,000
Sick leave	<u>1,496,000</u>
Total	<u>\$1,744,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

Note 7 – Related Party Transactions

The City had business transactions between the City and City officials, totaling \$23,202 during the year ended June 30, 2010.

CITY OF BOONE
Notes to Financial Statements

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 \$2,303,000 is outstanding at June 30, 2010. 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, 2010, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund:	General:	
General	Hotel/Motel Tax	\$ 28,346
	Special Revenue:	
	Emergency	<u>35,547</u>
		\$ <u>63,893</u>
Debt Service:	Special Revenue:	
General Obligation	Local Option Sales Tax	\$ 343,162
Bonds/Notes	Tax Increment Financing	655,355
	Debt Service:	
	Special Assessment Bonds	297,883
	Enterprise:	
	Water	290,193
	Sewer	290,193
	Storm Water Utility	<u>167,846</u>
		\$ <u>2,044,632</u>
Capital Project:	Special Revenue:	
Apron Reconstruction	Local Option Sales Tax	\$ 32,723
Honey Creek Improvements	Local Option Sales Tax	<u>12,901</u>
		\$ <u>45,624</u>
Total		\$ <u>2,154,149</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.

CITY OF BOONE
Notes to Financial Statements

Note 11 – Deficit Balances

At June 30, 2010 the City had deficit balances in the following accounts:

General Fund:	
Family Resource	\$(4,078)
Insurance Reserve	(53,418)
Special Revenue:	
Group Insurance	(168,022)
Unfunded Liability	(271,131)
Debt Service:	
Special Assessment Bonds	(631,283)
Capital Projects:	
Sanitary Sewer	(698,992)
Story Street & Mamie	(396,221)
09 Street Improvements	(432,309)
Demolition Projects	(47,310)
Housing Project	(2,595)
West Boone Water Tower/Main	(67,335)
Runway Pavement Rehab	(53,157)
Taxiway Project	(13,555)
Grade Separation	(116,662)
Apron Reconstruction	(169,054)
Lift Station	(87,106)
JAG Grant	(408)
Safe Routes to School	(12,682)
FRC Drainage Project	(38,935)
Miscellaneous Projects	(222,179)

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, Proliant, 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, 2010 are as follows:

CITY OF BOONE
Notes to Financial Statements

Note 12 – Economic Development Loan Agreements (continued)

Year Ending June 30,	Agri-Pac	Composite Technologies	Proliant	Downtown Athletic Club	Westwood Estates	SunAm II	Total
2011	\$ 12,038	\$ 58,615	\$ 10,918	\$ 1,750	\$ 14,052	\$ 25,810	\$ 123,183
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	36,114	58,615	21,836	1,750	70,260	117,430	306,005
Less interest	2,063	1,708	945	-	9,422	17,430	31,568
Total principal	<u>\$ 34,051</u>	<u>\$ 56,907</u>	<u>\$ 20,891</u>	<u>\$ 1,750</u>	<u>\$ 60,838</u>	<u>\$ 100,000</u>	<u>\$ 274,437</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. There are three years remaining on the commitment.

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, 2010, the City rebated \$177,984 of incremental tax to the developers.

Required Supplementary Information

CITY OF BOONE
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 4,794,958	\$ -	\$ 4,794,958
Tax increment financing collections	847,236	-	847,236
Other city tax	1,129,047	-	1,129,047
Licenses and permits	222,811	-	222,811
Use of money and property	273,680	73,370	347,050
Intergovernmental	3,622,690	-	3,622,690
Charges for services	289,698	5,260,096	5,549,794
Special assessments	94,365	-	94,365
Miscellaneous	503,985	-	503,985
Total receipts	<u>11,778,470</u>	<u>5,333,466</u>	<u>17,111,936</u>
Disbursements:			
Public safety	3,286,010	-	3,286,010
Public works	1,566,456	-	1,566,456
Health and social services	47,650	-	47,650
Culture and recreation	1,354,152	-	1,354,152
Community and economic development	926,840	-	926,840
General government	763,222	-	763,222
Debt service	2,340,887	-	2,340,887
Capital projects	7,974,049	-	7,974,049
Business-type activities	-	9,169,759	9,169,759
Total disbursements	<u>18,259,266</u>	<u>9,169,759</u>	<u>27,429,025</u>
Excess (deficiency) of receipts over disbursements	(6,480,796)	(3,836,293)	(10,317,089)
Other financing sources, net	<u>7,706,853</u>	<u>2,995,149</u>	<u>10,702,002</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,226,057	(841,144)	384,913
Balances beginning of year	<u>1,687,390</u>	<u>3,934,435</u>	<u>5,621,825</u>
Balances end of year	<u>\$ 2,913,447</u>	<u>\$ 3,093,291</u>	<u>\$ 6,006,738</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 4,762,814	\$ 4,762,814	\$ 32,144
798,978	1,398,978	(551,742)
1,242,035	1,242,035	(112,988)
250,700	250,700	(27,889)
126,646	170,146	176,904
3,014,178	4,634,178	(1,011,488)
6,658,879	6,923,879	(1,374,085)
128,015	128,015	(33,650)
231,615	274,615	229,370
<u>17,213,860</u>	<u>19,785,360</u>	<u>(2,673,424)</u>
3,553,955	3,638,244	352,234
1,648,865	1,667,346	100,890
87,720	87,720	40,070
1,338,146	1,451,434	97,282
453,545	931,428	4,588
779,765	867,579	104,357
2,168,199	2,168,199	(172,688)
10,996,400	10,996,400	3,022,351
13,373,489	14,637,889	5,468,130
<u>34,400,084</u>	<u>36,446,239</u>	<u>9,017,214</u>
(17,186,224)	(16,660,879)	6,343,790
<u>17,330,540</u>	<u>18,390,540</u>	<u>(7,688,538)</u>
144,316	1,729,661	(1,344,748)
<u>6,563,271</u>	<u>12,187,974</u>	<u>(6,566,149)</u>
<u>\$ 6,707,587</u>	<u>\$ 13,917,635</u>	<u>\$ (7,910,897)</u>

CITY OF BOONE

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 \$2,046,155 and increased budgeted revenues by \$2,571,500. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the Debt Service fund and disbursements exceeded the amounts budgeted in the Community and Economic Development fund before the budget was amended.

Other Supplementary Information

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2010

	General					Special Revenue			
	Hotel/Motel			Family	Insurance	FEMA	Unfunded		Police
	Tax	Landfill	Tennis	Resource Center	Reserve	Funding	Liability	Emergency	Trust
Receipts:									
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,676	\$ 83,960	\$ -
Other city tax	107,614	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	82,536	-	-	-	-	-
Intergovernmental	-	-	-	-	-	14,012	-	-	-
Charges for services	-	63,155	4,165	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	2,800	-	28,839
Total receipts	107,614	63,155	4,165	82,536	-	14,012	93,476	83,960	28,839
Disbursements:									
Governmental activities:									
Public safety	-	-	-	-	-	-	119,502	-	26,312
Public works	-	64,015	-	-	-	30,795	-	-	-
Health and social services	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	5,115	-	-	-	15,113	-	-
Community and economic development	87,415	-	-	-	-	-	-	-	-
General government	-	-	-	87,138	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Total disbursements	87,415	64,015	5,115	87,138	-	30,795	134,615	-	26,312
Excess (deficiency) of receipts over (under) disbursements	20,199	(860)	(950)	(4,602)	-	(16,783)	(41,139)	83,960	2,527
Other financing sources (uses):									
Bond proceeds	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	(28,346)	-	-	-	-	-	-	(35,547)	-
Total other financing sources (uses)	(28,346)	-	-	-	-	-	-	(35,547)	-
Net change in cash balances	(8,147)	(860)	(950)	(4,602)	-	(16,783)	(41,139)	48,413	2,527
Cash balances beginning of year	15,436	30,110	1,242	524	(53,418)	67,949	(229,992)	(48,413)	69,030
Cash balances end of year	\$ 7,289	\$ 29,250	\$ 292	\$ (4,078)	\$ (53,418)	\$ 51,166	\$ (271,131)	\$ -	\$ 71,557
Cash Basis Fund Balances									
Unreserved:									
General funds	7,289	29,250	292	(4,078)	(53,418)	-	-	-	-
Special revenue funds	-	-	-	-	-	51,166	(271,131)	-	71,557
Capital projects funds	-	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 7,289	\$ 29,250	\$ 292	\$ (4,078)	\$ (53,418)	\$ 51,166	\$ (271,131)	\$ -	\$ 71,557

See accompanying independent auditor's report.

Capital Projects																							
Fire Trust	Library Trust	Park Trust	Police Trust	Fire Trust	Demolition Projects	Housing Project	West Boone Tower/Main	Runway Pavement Rehab	Proliant Expansion	Taxiway Project	Grade Separation	Fine Screen Addition	Apron Reconstruction I	Neighborhood Stabilization	Honey Creek Improvements	Lift Station	JAG Grant	Safe Routes to School	I-Jobs Grant	Low Head Dam	FRC Drainage Project	Miscellaneous Projects	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,636
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,614
-	-	-	-	-	-	-	-	-	-	-	-	-	40,000	-	-	-	-	-	-	-	-	-	122,536
-	-	-	-	-	-	4,800	-	-	-	-	193,387	-	-	38,729	65,408	-	20,049	-	55,920	165,600	-	-	557,905
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67,320
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,821	9,402	28,419	-	-	-	-	-	-	-	-	-	-	-	65,009	-	70,000	-	2,535	-	-	-	-	210,825
3,821	9,402	28,419	-	-	-	4,800	-	-	-	-	193,387	-	40,000	103,738	65,408	70,000	20,049	2,535	55,920	165,600	-	-	1,240,836
4,332	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,146
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	94,810
-	27,419	42,132	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	89,779
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,415
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,138
-	-	-	-	-	4,006	5,093	67,335	7,302	750	21,557	291,302	107,236	241,777	48,513	4,433	111,836	20,457	15,217	-	823	38,935	-	986,572
4,332	27,419	42,132	-	-	4,006	5,093	67,335	7,302	750	21,557	291,302	107,236	241,777	48,513	4,433	111,836	20,457	15,217	-	823	38,935	-	1,495,860
(511)	(18,017)	(13,713)	-	-	(4,006)	(293)	(67,335)	(7,302)	(750)	(21,557)	(97,915)	(107,236)	(201,777)	55,225	60,975	(41,836)	(408)	(12,682)	55,920	164,777	(38,935)	-	(255,024)
-	-	-	-	-	-	-	-	-	-	-	-	114,733	-	-	-	-	-	-	-	-	-	-	114,733
-	-	-	-	-	-	-	-	-	-	-	-	-	32,723	-	12,901	-	-	-	-	-	-	-	45,624
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(63,893)
-	-	-	-	-	-	-	-	-	-	-	-	114,733	32,723	-	12,901	-	-	-	-	-	-	-	96,464
(511)	(18,017)	(13,713)	-	-	(4,006)	(293)	(67,335)	(7,302)	(750)	(21,557)	(97,915)	7,497	(169,054)	55,225	73,876	(41,836)	(408)	(12,682)	55,920	164,777	(38,935)	-	(158,560)
19,059	127,010	38,100	21,892	17,263	(43,304)	(2,302)	-	(45,855)	750	(95,739)	(18,747)	(7,497)	-	-	(48,075)	(45,270)	-	-	-	-	-	(222,179)	(452,426)
\$ 18,548	\$ 108,993	\$ 24,387	\$ 21,892	\$ 17,263	\$ (47,310)	\$ (2,595)	\$ (67,335)	\$ (53,157)	\$ -	\$ (117,296)	\$ (116,662)	\$ -	\$ (169,054)	\$ 55,225	\$ 25,801	\$ (87,106)	\$ (408)	\$ (12,682)	\$ 55,920	\$ 164,777	\$ (38,935)	\$ (222,179)	\$ (610,986)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,665)
18,548	108,993	24,387	21,892	17,263	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,675
-	-	-	-	-	(47,310)	(2,595)	(67,335)	(53,157)	-	(117,296)	(116,662)	-	(169,054)	55,225	25,801	(87,106)	(408)	(12,682)	55,920	164,777	(38,935)	(222,179)	(632,996)
\$ 18,548	\$ 108,993	\$ 24,387	\$ 21,892	\$ 17,263	\$ (47,310)	\$ (2,595)	\$ (67,335)	\$ (53,157)	\$ -	\$ (117,296)	\$ (116,662)	\$ -	\$ (169,054)	\$ 55,225	\$ 25,801	\$ (87,106)	\$ (408)	\$ (12,682)	\$ 55,920	\$ 164,777	\$ (38,935)	\$ (222,179)	\$ (610,986)

CITY OF BOONE
Schedule of Indebtedness
Year Ended June 30, 2010

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			
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	December 2008	3.00	2,425,000
Sewer revenue capital loan notes	May 2009	0.00	575,605
Sewer revenue capital loan notes	June 2009	3.00	7,283,000
Sewer revenue capital loan notes	October 2009	3.00	5,142,000
Sewer revenue capital loan notes	February 2010	3.00	814,000
Water revenue capital loan notes	February 2010	3.00	130,000
Water revenue capital loan notes	February 2010	3.00	70,000
Water revenue capital loan notes	May 2010	2.00 - 3.50	\$ 3,765,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 4,425,000	\$ -	\$ 430,000	\$ 3,995,000	\$ 150,385	\$ -
\$ 790,000	\$ -	\$ 250,000	\$ 540,000	\$ 29,230	\$ -
915,000	-	215,000	700,000	33,915	-
1,550,000	-	200,000	1,350,000	52,585	-
610,000	-	205,000	405,000	18,975	-
140,000	-	35,000	105,000	5,110	-
4,290,000	-	540,000	3,750,000	172,125	-
3,000,000	-	-	3,000,000	110,717	-
\$ 11,295,000	\$ -	\$ 1,445,000	\$ 9,850,000	\$ 422,657	\$ -
\$ 4,580,000	\$ -	\$ 4,580,000	\$ -	\$ 210,680	\$ -
\$ 2,881,000	\$ -	\$ 430,000	\$ 2,451,000	\$ 86,430	\$ -
370,000	-	48,000	322,000	11,100	-
2,415,000	-	94,000	2,321,000	72,450	-
-	362,164	-	362,164	-	-
321,370	5,911,215	264,000	5,968,585	125,896	-
-	736,662	-	736,662	6,636	-
-	8,140	-	8,140	75	-
-	1,300	-	1,300	-	-
-	700	-	700	-	-
-	3,765,000	-	3,765,000	-	-
\$ 5,987,370	\$ 10,785,181	\$ 836,000	\$ 15,936,551	\$ 302,587	\$ -

CITY OF BOONE
Bond and Note Maturities
June 30, 2010

Year Ending June 30,	General Obligation Bonds		General Obligation Notes							
	Essential Corporate Purpose		Capital Loan Note		Capital Loan Note		Capital Loan Note		Capital Loan Note	
	Issued Mar 26, 2008		Issued July 1, 2002		Issued Jan 1, 2003		Issued Oct 1, 2003		Issued Mar 1, 2005	
	Interest		Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2011	2.80%	\$ 445,000	3.70%	\$ 265,000	3.60%	\$ 225,000	3.30%	\$ 205,000	3.05%	\$ 210,000
2012	3.00%	460,000	3.70%	275,000	3.80%	235,000	3.30%	215,000	3.20%	45,000
2013	3.20%	475,000	-	-	3.90%	240,000	3.30%	220,000	3.35%	45,000
2014	3.40%	490,000	-	-	-	-	3.40%	230,000	3.45%	50,000
2015	3.60%	505,000	-	-	-	-	3.50%	235,000	3.55%	55,000
2016	3.75%	520,000	-	-	-	-	3.60%	245,000	-	-
2017	3.85%	540,000	-	-	-	-	-	-	-	-
2018	4.00%	560,000	-	-	-	-	-	-	-	-
Total		<u>\$ 3,995,000</u>		<u>\$ 540,000</u>		<u>\$ 700,000</u>		<u>\$ 1,350,000</u>		<u>\$ 405,000</u>

Year Ending June 30,	Revenue Notes									
	Sewer Capital Loan Note		Sewer Capital Loan Note		Sewer Capital Loan Note		Sewer Capital Loan Note		Sewer Capital Loan Note	
	Issued Mar 19, 1993		Issued May 20, 1996		Issued Dec 1, 2008		Issued May 20, 2009		Issued June 24, 2009	
	Interest		Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2011	3.00%	\$ 449,000	3.00%	\$ 50,000	3.00%	\$ 97,000	-	\$ -	3.00%	\$ 273,000
2012	3.00%	469,000	3.00%	51,000	3.00%	100,000	0.00%	362,164	3.00%	282,000
2013	3.00%	489,000	3.00%	53,000	3.00%	104,000	-	-	3.00%	291,000
2014	3.00%	511,000	3.00%	54,000	3.00%	107,000	-	-	3.00%	300,000
2015	3.00%	533,000	3.00%	56,000	3.00%	110,000	-	-	3.00%	310,000
2016	-	-	3.00%	58,000	3.00%	114,000	-	-	3.00%	320,000
2017	-	-	-	-	3.00%	118,000	-	-	3.00%	331,000
2018	-	-	-	-	3.00%	121,000	-	-	3.00%	341,000
2019	-	-	-	-	3.00%	125,000	-	-	3.00%	352,000
2020	-	-	-	-	3.00%	130,000	-	-	3.00%	364,000
2021	-	-	-	-	3.00%	134,000	-	-	3.00%	376,000
2022	-	-	-	-	3.00%	138,000	-	-	3.00%	388,000
2023	-	-	-	-	3.00%	143,000	-	-	3.00%	400,000
2024	-	-	-	-	3.00%	147,000	-	-	3.00%	413,000
2025	-	-	-	-	3.00%	152,000	-	-	3.00%	427,000
2026	-	-	-	-	3.00%	157,000	-	-	3.00%	441,000
2027	-	-	-	-	3.00%	162,000	-	-	3.00%	359,585
2028	-	-	-	-	3.00%	162,000	-	-	-	-
Total		<u>\$ 2,451,000</u>		<u>\$ 322,000</u>		<u>\$ 2,321,000</u>		<u>\$ 362,164</u>		<u>\$ 5,968,585</u>

See accompanying independent auditor's report

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

Schedule 4

For the Last Seven Years

	2010	2009	2008	2007	2006	2005	2004
Receipts:							
Property and other City tax	\$ 5,924,005	\$ 5,818,768	\$ 5,685,989	\$ 5,600,571	\$ 4,859,353	\$ 4,774,948	\$ 4,822,424
Tax increment financing collections	847,236	921,749	887,670	890,451	1,200,875	1,190,644	784,772
Licenses and permits	222,811	249,394	240,869	293,117	242,983	259,406	167,825
Use of money and property	273,680	288,829	235,978	321,822	252,203	211,846	171,036
Intergovernmental	3,622,690	1,958,516	2,915,939	1,516,208	2,467,732	1,949,177	2,203,323
Charges for services	289,698	275,530	255,709	245,241	244,172	251,684	339,631
Special assessments	94,365	98,777	191,568	116,018	146,013	134,388	124,133
Miscellaneous	503,985	522,427	597,066	966,018	717,627	1,310,694	973,563
Total	11,778,470	10,133,990	11,010,788	9,949,446	10,130,958	10,082,787	9,586,707
Disbursements:							
Public safety	3,286,010	3,050,748	3,466,532	3,356,173	3,538,220	3,101,989	3,155,998
Public works	1,566,456	1,550,405	1,685,534	1,769,727	1,518,385	1,388,806	1,541,326
Health and social services	47,650	59,593	80,958	84,462	77,010	70,782	36,500
Culture and recreation	1,354,152	1,337,114	1,388,564	1,395,283	1,360,339	1,382,628	1,336,061
Community and economic development	926,840	247,954	427,704	487,911	275,411	125,592	140,738
General government	763,222	747,359	648,328	677,312	800,212	619,701	587,278
Debt service	2,340,887	2,124,799	2,444,413	4,051,421	2,232,387	3,383,044	2,084,019
Capital projects	7,974,049	6,794,364	5,190,035	4,215,297	3,220,196	1,674,348	3,627,330
Total	\$ 18,259,266	\$ 15,912,336	\$ 15,332,068	\$ 16,037,586	\$ 13,022,160	\$ 11,746,890	\$ 12,509,250

See accompanying independent auditor's report.

HOUSTON & SEEMAN, 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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated February 18, 2011. Our report expressed unqualified opinions 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Boone's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-10 and I-B-10 to be significant deficiencies.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Boone's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 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, and 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.

Houston & Seeman, P.C.

Houston & Seeman, P.C.
Boone, Iowa

February 18, 2011

CITY OF BOONE
Schedule of Findings

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

- I-A-10 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-10 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.

CITY OF BOONE
Schedule of Findings

Part II: Other Findings Related to Statutory Reporting:

II-A-10 Certified Budget – Disbursements during the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the Debt Service fund and disbursements exceeded the amounts budgeted in the Community and Economic Development fund before the budget was amended.

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.

II-B-10 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-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-10 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	\$21,200
Darci Newcomb, Employee	Swimming Lessons	1,600
Adams Safety & Education, Owned by Justin Adams, Employee	CPR Training Supplies	402
Pritchard Brothers Plumbing, Part-Owned by Gary Nystrom, City Council Member	Supplies & Repairs	1,477

The transactions with Adams and Nystrom 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-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

CITY OF BOONE
Schedule of Findings

II-F-10 Council Minutes – There were two instances where the Council went into closed session during the year without citing the applicable Code of Iowa Section in the minutes. Also, it was noted that the Airport Commission did not have minutes of the meetings prepared for each meeting during the year.

Recommendation – The Council minutes should cite the applicable section from the Code of Iowa for going into closed session. In addition, minutes should be prepared for all meetings of the Airport Commission.

Response – We will note the reason for going into closed session in the minutes. Also, minutes will be prepared for all Airport Commission meetings.

Conclusion – Response accepted.

II-G-10 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-10 Revenue Notes and Bonds – No instances of non-compliance with the requirements of the water and sewer revenue bond resolutions were noted.

II-I-10 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-10 Financial Condition – At June 30, 2010 the City had deficit balances in the following accounts:

General Fund:	
Family Resource	\$(4,078)
Insurance Reserve	(53,418)
Special Revenue:	
Group Insurance	(168,022)
Unfunded Liability	(271,131)
Debt Service:	
Special Assessment Bonds	(631,283)
Capital Projects:	
Sanitary Sewer	(698,992)
Story Street & Mamie	(396,221)
09 Street Improvements	(432,309)
Demolition Projects	(47,310)
Housing Project	(2,595)
West Boone Water Tower/Main	(67,335)
Runway Pavement Rehab	(53,157)
Taxiway Project	(13,555)
Grade Separation	(116,662)
Apron Reconstruction	(169,054)
Lift Station	(87,106)
JAG Grant	(408)
Safe Routes to School	(12,682)
FRC Drainage Project	(38,935)
Miscellaneous Projects	(222,179)

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, 2010:

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, 2010	5,020
Sewer rates in effect at June 30, 2010:	
Residential users:	
Inside City Limits:	
Flat service rate	\$3.00
Charge per 100 cubic feet (cf)	\$7.07/100 cf
Outside City Limits:	
Flat service rate	\$3.00
Charge per 100 cubic feet (cf)	\$7.85/100 cf
Industrial Users*:	
Inside City Limits:	
Flat service rate	\$300.00
Charge per 100 cubic feet (cf)	\$3.78/100 cf
Outside City Limits:	
Flat service rate	\$300.00
Charge per 100 cubic feet (cf)	\$4.20/100 cf

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