

CITY OF BOONE

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

JUNE 30, 2011

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CITY OF BOONE

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John L.Slight	Mayor	Jan. 2016
Shari Gillespie	Mayor Pro tem	Jan. 2016
Steven Ray	Council Member	Jan. 2016
Kevin Hicks	Council Member	Jan. 2016
Gary Nystrom	Council Member	Jan. 2014
Nick Mallas	Council Member	Jan. 2014
Fenner Stevenson	Council Member	Jan. 2014
Greg Pıklapp	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, 2011, 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, 2011, 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 29, 2012 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 seven 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 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Houston & Seeman, P.C.

Houston & Seeman, P.C.
Boone, Iowa

March 29, 2012

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, 2011. 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 less than 1%, or approximately \$33 thousand, from fiscal year 2010.
- The City's governmental activities disbursements increased 2%, or approximately \$369 thousand from fiscal year 2010.
- The City's governmental activities cash balance at June 30, 2011 increased 30%, or approximately \$1 million from June 30, 2010.

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 \$890 thousand from a year ago, from \$2.9 million to \$3.8 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,	
	2011	2010
Receipts and transfers:		
Program receipts:		
Charges for services and sales	\$ 768	818
Operating grants, contributions and restricted interest	1,414	1,269
Capital grants, contributions and restricted interest	2,367	1,722
General receipts:		
Property tax	6,050	5,737
Local option sales tax	980	934
Hotel/motel tax	118	108
Franchise taxes	138	140
Unrestricted investment earnings	59	53
Bond proceeds	5,924	6,959
Other general receipts	1,247	997
Transfers, net	453	748
Total receipts and transfers	<u>19,518</u>	<u>19,485</u>
Disbursements:		
Public safety	3,372	3,286
Public works	1,933	1,566
Health and social services	48	48
Culture and recreation	1,270	1,354
Community and economic development	314	927
General government	819	763
Debt service	4,487	2,341
Capital projects	6,385	7,974
Total disbursements	<u>18,628</u>	<u>18,259</u>
Change in cash basis net assets	890	1,226
Cash basis net assets beginning of year	<u>2,913</u>	<u>1,687</u>
Cash basis net assets end of year	<u>\$ 3,803</u>	<u>2,913</u>

The City’s total receipts for governmental activities increased by less than 1%. The total cost of all programs and services increased by approximately 2%.

The cost of all governmental activities this year was \$18,627,701 compared to \$18,259,266 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 \$14,079,464 because some of the cost was paid by those who directly benefited from the programs (\$767,725) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,780,512). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2011 from approximately \$3,809,000 to approximately \$4,548,000, principally due to an increase in capital grants, contributions and restricted interest, related to the capital projects undertaken during the year. The City paid for the remaining public benefit portion of governmental activities with approximately \$7,286,000 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,	
	2011	2010
Receipts and transfers:		
Program receipts:		
Charges for services and sales:		
Water	\$ 2,288	2,244
Sewer	3,131	2,819
Storm water	197	197
General receipts:		
Unrestricted investment earnings	58	74
Bond proceeds	3,106	3,743
Transfers, net	(453)	(748)
Total receipts	<u>8,327</u>	<u>8,329</u>
Disbursements:		
Water	5,335	6,581
Sewer	2,807	2,588
Storm water	37	1
Total disbursements and transfers	<u>8,179</u>	<u>9,170</u>
Change in cash basis net assts	148	(841)
Cash basis net assets beginning of year	<u>3,093</u>	<u>3,934</u>
Cash basis net assets end of year	<u>\$ 3,241</u>	<u>3,093</u>

Total business type activities receipts for the fiscal year decreased less than 1% compared to last year. The cash balance increased by approximately \$148 thousand from the prior year. Total disbursements for the fiscal year decreased 10% to a total of \$8.2 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 \$836,000, an increase of \$446,000 from the prior year.
- The Road Use Tax Fund cash balance decreased by \$144,000 to \$389,000 during the year.
- The Group Insurance Fund increased by \$508,000 during the fiscal year. The fund has a balance of \$340,000.
- The Employee Benefit Fund cash balance decreased by \$416,000 to \$377,000 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 \$980,000 during this year, a 5% increase over the previous year. The proceeds of the tax are designated 5% for human services, 20% for property tax relief, and 75% for capital projects.
- The Tax Increment Financing Fund was established in a prior fiscal year to account for the financing of capital improvements within the established TIF district, which contributes to urban and economic development. At the end of the year, the fund had a balance of \$87,000.
- 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 \$483,000.
- 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 \$160,000 during the year with a balance of \$413,000 at the end of the year.
- The City has a Cemetery Perpetual Care Fund which is a permanent fund. The cash in this fund increased by \$3,000 during the year with a balance at the end of the year of \$435,000.

Individual Major Business Type Fund

- The cash balance of the Sewer Fund increased by approximately \$325,000 to \$1,226,000, due primarily to the ongoing projects.
- The Water Fund decreased by approximately \$246,000 to \$1,735,000, 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 April 18, 2011, to increase revenues and increase expenditures in certain City departments.

DEBT ADMINISTRATION

Outstanding Debt at Year-End (Expressed in Thousands)		
	2011	2010
General obligation bonds	\$ 3,550	3,995
General obligation notes	10,105	9,850
Revenue bonds and notes	17,323	15,937
	<u>\$ 30,978</u>	<u>29,782</u>

At year-end, the City had approximately \$30,979,000 in bonds and other long-term debt compared to approximately \$29,782,000 last year as shown above.

Debt increased as a result of issuing revenue capital loan notes of \$9,779,000 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 debt of \$13,655,000 is below the City’s \$30,000,000 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 2012 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$21.5 million, a decrease of 14% over the final 2011 budget. Budgeted disbursements are expected to increase by approximately 39%.

If these estimates are realized, the City’s budgeted cash balance is expected to decrease by approximately \$1.9 million 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, 2011

	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	\$ 3,372,436	\$ 363,748	\$ 29,913	\$ -
Public works	1,932,693	101,119	1,161,384	-
Health and social services	47,720	-	-	-
Culture and recreation	1,269,505	186,880	222,703	-
Community and economic development	314,230	2,168	-	-
General government	818,646	113,810	-	-
Debt service	4,487,019	-	-	-
Capital projects	6,385,452	-	-	2,366,512
Total governmental activities	18,627,701	767,725	1,414,000	2,366,512
Business-type activities:				
Water	5,335,458	2,287,945	-	-
Sewer	2,806,909	3,131,155	-	-
Storm Water	36,681	197,039	-	-
Total business-type activities	8,179,048	5,616,139	-	-
Total	\$ 26,806,749	\$ 6,383,864	\$ 1,414,000	\$ 2,366,512
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				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts		
Governmental Activities	Business-Type Activities	Total
\$ (2,978,775)	\$ -	\$ (2,978,775)
(670,190)	-	(670,190)
(47,720)	-	(47,720)
(859,922)	-	(859,922)
(312,062)	-	(312,062)
(704,836)	-	(704,836)
(4,487,019)	-	(4,487,019)
(4,018,940)	-	(4,018,940)
(14,079,464)	-	(14,079,464)
-	(3,047,513)	(3,047,513)
-	324,246	324,246
-	160,358	160,358
-	(2,562,909)	(2,562,909)
(14,079,464)	(2,562,909)	(16,642,373)
4,509,968	-	4,509,968
959,599	-	959,599
493,844	-	493,844
86,134	-	86,134
979,979	-	979,979
118,336	-	118,336
137,706	-	137,706
59,010	58,290	117,300
5,923,703	3,106,430	9,030,133
1,247,863	-	1,247,863
453,557	(453,557)	-
14,969,699	2,711,163	17,680,862
890,235	148,254	1,038,489
2,913,447	3,093,291	6,006,738
\$ 3,803,682	\$ 3,241,545	\$ 7,045,227
\$ 435,478	\$ -	\$ 435,478
388,925	-	388,925
87,268	-	87,268
412,632	1,264,412	1,677,044
1,787,935	-	1,787,935
2,218,174	200,139	2,418,313
(1,091,252)	1,776,994	685,742
\$ 3,803,682	\$ 3,241,545	\$ 7,045,227

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2011

	Special Revenue						
	General	Road Use Tax	Group Insurance	Employee Benefit	Local Option Sales Tax	Tax Increment Financing	Mary Garvey
Receipts:							
Property tax	\$ 2,675,289	\$ -	\$ 1,117,359	\$ 532,163	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	959,599	-
Other city tax	43,562	-	-	-	979,979	-	-
Licenses and permits	203,938	-	-	-	-	-	-
Use of money and property	196,000	-	34,412	-	-	-	29
Intergovernmental	206,749	1,161,384	-	-	-	-	-
Charges for services	119,173	-	-	-	-	-	-
Special assessments	844	-	-	-	-	-	-
Miscellaneous	250,562	-	29,575	-	578	64,817	-
Total receipts	<u>3,696,117</u>	<u>1,161,384</u>	<u>1,181,346</u>	<u>532,163</u>	<u>980,557</u>	<u>1,024,416</u>	<u>29</u>
Disbursements:							
Operating:							
Public safety	2,156,386	-	475,390	428,161	231,315	-	5,700
Public works	124,517	1,281,673	196,507	121,949	977	-	-
Health and social services	-	-	-	-	47,720	-	-
Culture and recreation	878,109	23,700	138,473	101,141	69,154	-	-
Community and economic development	91,271	-	-	1,945	2,440	148,707	-
General government	347,435	-	270,230	22,913	65,604	-	9,812
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total disbursements	<u>3,597,718</u>	<u>1,305,373</u>	<u>1,080,600</u>	<u>676,109</u>	<u>417,210</u>	<u>148,707</u>	<u>15,512</u>
Excess (deficiency) of receipts over (under) disbursements	<u>98,399</u>	<u>(143,989)</u>	<u>100,746</u>	<u>(143,946)</u>	<u>563,347</u>	<u>875,709</u>	<u>(15,483)</u>
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	-
Operating transfers in	356,878	-	407,177	366,667	-	-	-
Operating transfers out	(9,139)	-	-	(639,153)	(986,803)	(1,335,636)	-
Total other financing sources (uses)	<u>347,739</u>	<u>-</u>	<u>407,177</u>	<u>(272,486)</u>	<u>(986,803)</u>	<u>(1,335,636)</u>	<u>-</u>
Net change in cash balances	446,138	(143,989)	507,923	(416,432)	(423,456)	(459,927)	(15,483)
Cash balances beginning of year	389,766	532,914	(168,022)	793,224	991,669	547,195	498,317
Cash balances end of year	<u>\$ 835,904</u>	<u>\$ 388,925</u>	<u>\$ 339,901</u>	<u>\$ 376,792</u>	<u>\$ 568,213</u>	<u>\$ 87,268</u>	<u>\$ 482,834</u>
Cash Basis Fund Balances							
Nonspendable - Cemetary perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Urban renewal purposes	-	-	-	-	-	87,268	-
Debt service	-	-	-	-	-	-	-
Streets	-	388,925	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Other purposes	-	-	339,901	376,792	568,213	-	482,834
Unassigned	835,904	-	-	-	-	-	-
Total cash basis fund balances	<u>\$ 835,904</u>	<u>\$ 388,925</u>	<u>\$ 339,901</u>	<u>\$ 376,792</u>	<u>\$ 568,213</u>	<u>\$ -</u>	<u>\$ 482,834</u>

See notes to financial statements.

Exhibit B

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	
\$ 493,844	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,157	\$ 5,003,812
-	-	-	-	-	-	-	959,599
-	-	-	-	-	-	118,336	1,141,877
-	-	-	-	-	-	-	203,938
-	-	-	-	-	-	88,188	318,629
-	-	-	-	104,318	-	3,085,101	4,557,552
-	-	-	-	-	-	66,859	186,032
-	85,290	-	-	-	-	-	86,134
-	-	2,500	-	19,591	2,833	312,647	683,103
493,844	85,290	2,500	-	123,909	2,833	3,856,288	13,140,676
-	-	-	-	-	-	75,484	3,372,436
-	-	-	-	-	-	207,070	1,932,693
-	-	-	-	-	-	-	47,720
-	-	-	-	-	-	58,928	1,269,505
-	-	-	-	-	-	69,867	314,230
-	-	-	-	-	-	102,652	818,646
4,486,458	561	-	-	-	-	-	4,487,019
-	-	3,251,412	-	-	-	3,134,040	6,385,452
4,486,458	561	3,251,412	-	-	-	3,648,041	18,627,701
(3,992,614)	84,729	(3,248,912)	-	123,909	2,833	208,247	(5,487,025)
2,217,126	-	3,126,154	-	-	-	580,423	5,923,703
1,935,676	18,474	104,000	-	-	-	1,126,496	4,315,368
-	(297,886)	-	-	(433,975)	-	(159,219)	(3,861,811)
4,152,802	(279,412)	3,230,154	-	(433,975)	-	1,547,700	6,377,260
160,188	(194,683)	(18,758)	-	(310,066)	2,833	1,755,947	890,235
252,444	(631,283)	(698,992)	692,787	720,299	432,645	(1,439,516)	2,913,447
\$ 412,632	\$ (825,966)	\$ (717,750)	\$ 692,787	\$ 410,233	\$ 435,478	\$ 316,431	\$ 3,803,682
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 435,478	\$ -	\$ 435,478
-	-	-	-	-	-	-	87,268
412,632	-	-	-	-	-	-	412,632
-	-	-	-	-	-	-	388,925
-	-	-	692,787	410,233	-	684,915	1,787,935
-	-	-	-	-	-	450,434	2,218,174
-	(825,966)	(717,750)	-	-	-	(818,918)	(1,526,730)
\$ 412,632	\$ (825,966)	\$ (717,750)	\$ 692,787	\$ 410,233	\$ -	\$ 316,431	\$ 3,280,936

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2011

Exhibit C

	Enterprise Funds			
	Water	Sewer	Non-Major Storm Water	Total
Operating receipts:				
Use of money and property	\$ 26,490	\$ 31,800	\$ -	\$ 58,290
Charges for services	2,287,945	3,131,155	197,039	5,616,139
Total operating receipts	<u>2,314,435</u>	<u>3,162,955</u>	<u>197,039</u>	<u>5,674,429</u>
Operating disbursements:				
Business-type activities	1,746,167	1,270,362	36,681	3,053,210
Total operating disbursements	<u>1,746,167</u>	<u>1,270,362</u>	<u>36,681</u>	<u>3,053,210</u>
Excess of operating receipts over operating disbursements	568,268	1,892,593	160,358	2,621,219
Non-operating disbursements:				
Debt service	(3,589,291)	(1,536,547)	-	(5,125,838)
Excess of receipts over disbursements	(3,021,023)	356,046	160,358	(2,504,619)
Other financing sources (uses):				
Bond proceeds	3,106,430	-	-	3,106,430
Operating transfers in	-	669,828	-	669,828
Operating transfers out	(331,298)	(700,875)	(91,212)	(1,123,385)
Net change in cash balances	(245,891)	324,999	69,146	148,254
Cash balances beginning of year	<u>1,980,723</u>	<u>901,324</u>	<u>211,244</u>	<u>3,093,291</u>
Cash balances end of year	<u>\$ 1,734,832</u>	<u>\$ 1,226,323</u>	<u>\$ 280,390</u>	<u>\$ 3,241,545</u>
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 578,000	\$ 686,412	\$ -	\$ 1,264,412
Customer deposits	200,139	-	-	200,139
Unrestricted	<u>956,693</u>	<u>539,911</u>	<u>280,390</u>	<u>1,776,994</u>
Total cash basis fund balances	<u>\$ 1,734,832</u>	<u>\$ 1,226,323</u>	<u>\$ 280,390</u>	<u>\$ 3,241,545</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, 2011

Exhibit D

	Private Purpose Trusts					
	Johnny Appleseed	Miles of Lights	Swim Team	Fireworks	Downtown Beautification	Character Counts
Receipts:						
Miscellaneous	\$ 6,817	\$ 5,230	\$ 6,474	\$ 6,948	\$ 2,465	\$ 1,650
Total receipts	6,817	5,230	6,474	6,948	2,465	1,650
Disbursements:						
Culture and recreation	12,023	-	5,753	-	-	-
Community and economic development	-	2,334	-	7,133	-	1,612
Total disbursements	12,023	2,334	5,753	7,133	-	1,612
Excess (deficiency) of receipts over (under) disbursements	(5,206)	2,896	721	(185)	2,465	38
Cash balances beginning of year	6,561	2,594	6,039	(1,511)	(2,441)	743
Cash balances end of year	\$ 1,355	\$ 5,490	\$ 6,760	\$ (1,696)	\$ 24	\$ 781
Cash Basis Fund Balances						
Restricted for:						
Private purpose trust funds	\$ 1,355	\$ 5,490	\$ 6,760	\$ (1,696)	\$ 24	\$ 781
Total cash basis fund balances	\$ 1,355	\$ 5,490	\$ 6,760	\$ (1,696)	\$ 24	\$ 781

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, 2011, disbursements exceeded the amounts budgeted in the Public Works, General Government and Business-type Activities funds and disbursements exceeded the amounts budgeted in the Capital Projects 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, 2011, 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, 2011, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government and Agencies Securities	\$ 234,673	\$ 265,223
Certificates of Deposit	2,687,000	2,687,000
Money Market Accounts	<u>222,082</u>	<u>222,082</u>
	<u>\$3,143,755</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 \$73,600 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 <u>June 30,</u>	General Obligation Bonds		General Obligation Notes	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2012	\$ 460,000	\$ 126,530	\$ 1,415,000
2013	475,000	112,730	1,370,000	268,713
2014	490,000	97,530	1,115,000	234,813
2015	505,000	80,870	1,150,000	201,895
2016	520,000	62,690	1,145,000	167,687
2017	540,000	43,190	215,000	130,868
2018	560,000	22,400	220,000	126,245
2019	-	-	225,000	120,965
2020	-	-	235,000	115,115
2021	-	-	245,000	108,300
2022	-	-	255,000	100,828
2023	-	-	265,000	92,666
2024	-	-	280,000	83,922
2025	-	-	290,000	74,542
2026	-	-	300,000	64,538
2027	-	-	320,000	53,738
2028	-	-	335,000	41,898
2029	-	-	355,000	29,000
2030	-	-	370,000	14,800
Total	<u>\$ 3,550,000</u>	<u>\$ 545,940</u>	<u>\$ 10,105,000</u>	<u>\$ 2,340,733</u>

Year Ending <u>June 30,</u>	Revenue Capital Loan Notes		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2012	\$ 1,901,864	\$ 530,048	\$ 3,776,864
2013	1,581,000	488,586	3,426,000	870,029
2014	1,638,000	445,153	3,243,000	777,496
2015	1,695,000	398,709	3,350,000	681,474
2016	1,197,000	348,918	2,862,000	579,295
2017	1,177,000	313,006	1,932,000	487,064
2018	1,603,000	276,568	2,383,000	425,213
2019	773,000	224,201	998,000	345,166
2020	799,000	201,008	1,034,000	316,123
2021	826,000	177,036	1,071,000	285,336
2022	721,394	152,251	976,394	253,079
2023	606,000	130,604	871,000	223,270
2024	619,730	112,419	899,730	196,341
2025	639,000	93,822	929,000	168,364
2026	660,000	74,647	960,000	139,185
2027	675,155	54,842	995,155	108,580
2028	177,000	6,503	512,000	48,401
2029	15,000	1,038	370,000	30,038
2030	16,000	583	386,000	15,383
2031	3,000	98	3,000	98
Total	<u>\$ 17,323,143</u>	<u>\$ 4,030,040</u>	<u>\$ 30,978,143</u>	<u>\$ 6,916,713</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 \$3,483,430 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 2031. 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 \$3,972,764. For the current year, principal and interest paid and total customer net receipts were \$498,898 and \$568,268, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$13,840,713 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 \$17,172,829. For the current year, principal and interest paid and total customer net receipts were \$1,473,009 and \$1,892,593, 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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010, and 2009 were \$149,656, \$137,912, and \$130,035, 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, Suite 201, West Des Moines, IA 50266.

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, 2011, 2010, and 2009 were \$256,705, \$234,295, and \$267,247, 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 65 active and 5 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 \$531 for single coverage and \$1,277 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$1,080,600.

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, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 246,000
Sick leave	<u>1,486,000</u>
Total	<u>\$1,732,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

Note 7 – Related Party Transactions

The City had business transactions between the City and City officials, totaling \$59,330 during the year ended June 30, 2011.

CITY OF BOONE
Notes to Financial Statements

Note 8 – Industrial Development Revenue Bonds

The City has issued a total of \$3,885,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which approximately \$2,997,000 is outstanding at June 30, 2011. 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, 2011, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund:	General Fund:	
General	Hotel/Motel Tax	\$ 15,000
	Family Resource	5,320
	Special Revenue:	
	Emergency	81,270
	Enterprise:	
	Sewer	<u>255,288</u>
		\$ <u>356,878</u>
	General Fund:	
Family Resource	General	\$ <u>9,140</u>
	Enterprise:	
Insurance Reserve	Water	\$ <u>53,418</u>
Special Revenue:	Special Revenue:	
Group Insurance	Police Retirement	\$ 21,892
	Fire Retirement	17,263
	Employee Benefits	<u>368,022</u>
		\$ <u>407,177</u>
Employee Benefit	Local Option Sales Tax	\$ <u>366,667</u>
Unfunded Liability	Employee Benefit	\$ <u>271,131</u>
Debt Service:	Special Revenue:	
General Obligation	Local Option Sales Tax	\$ 368,639
Bonds/Notes	Tax Increment Financing	665,808
	Debt Service:	
	Special Assessment Bonds	297,886
	Enterprise:	
	Water	116,544
	Sewer	445,587
	Storm Water Utility	<u>41,212</u>
		\$ <u>1,935,676</u>
	Capital Project:	
Special Assessment Bonds	Miscellaneous Projects	\$ <u>18,474</u>
Capital Project:	Special Revenue:	
Sanitary Sewer	Local Option Sales Tax	\$ 54,000
	Enterprise:	
	Storm Water Utility	<u>50,000</u>
		\$ <u>104,000</u>

CITY OF BOONE
Notes to Financial Statements

Note 9 – Interfund Transfers (continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Project:	
Story Street & Mamie	RL Fisher Industrial Park	\$ <u>433,975</u>
	Special Revenue:	
Apron Reconstruction	Local Option Sales Tax	\$ <u>29,000</u>
	Enterprise:	
Low Head Dam	Water	\$ <u>94,000</u>
	Special Revenue:	
Miscellaneous Projects	Local Option Sales Tax	\$ 168,497
	Enterprise:	
	Water	<u>67,335</u>
		\$ <u>235,832</u>
Enterprise:	Special Revenue:	
Sewer	Tax Increment Financing	\$ <u>669,828</u>
Total		\$ <u>4,985,196</u>

Note 10 – Deficit Balances

At June 30, 2011 the City had deficit balances in the following accounts:

General Fund:	
Tennis	\$ (118)
Family Resource	(15,916)
Debt Service:	
Special Assessment Bonds	(825,966)
Capital Projects:	
Sanitary Sewer	(717,750)
Housing Project	(31,577)
Runway Pavement Rehab	(46,990)
Taxiway Project	(51,872)
Grade Separation	(198,952)
Apron Reconstruction	(57,008)
Neighborhood Stabilization	(144,129)
09 Street Improvements	(77,364)
JAG Grant	(240)
Safe Routes to School	(44,355)
FRC Drainage Project	(5,547)
RUT Equipment	(168,340)
Miscellaneous Projects	(45,400)

Most of the deficit balances were the result of capital projects where the costs were incurred prior to the availability of funds. The funding is forthcoming and will eliminate the deficits. The general fund, special revenue fund, and debt service fund deficits will be addressed on an ongoing basis.

CITY OF BOONE
Notes to Financial Statements

Note 11 – 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 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, 2011 are as follows:

Year Ending June 30,	Agri-Pac	Composite Technologies	Proliant	Westwood Estates	SunAm II	Total
2012	\$ 12,038	\$ 58,615	\$ 10,918	\$ 14,052	\$ 24,648	\$ 120,271
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	24,076	58,615	10,918	56,208	91,620	241,437
Less interest	1,042	1,708	318	6,380	11,620	21,068
Total principal	<u>\$ 23,034</u>	<u>\$ 56,907</u>	<u>\$ 10,600</u>	<u>\$ 49,828</u>	<u>\$ 80,000</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 two 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, 2011, the City rebated \$148,707 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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 5,003,812	\$ -	\$ 5,003,812
Tax increment financing collections	959,599	-	959,599
Other city tax	1,141,877	-	1,141,877
Licenses and permits	203,938	-	203,938
Use of money and property	318,629	58,290	376,919
Intergovernmental	4,557,552	-	4,557,552
Charges for services	186,032	5,616,139	5,802,171
Special assessments	86,134	-	86,134
Miscellaneous	683,103	-	683,103
Total receipts	<u>13,140,676</u>	<u>5,674,429</u>	<u>18,815,105</u>
Disbursements:			
Public safety	3,372,436	-	3,372,436
Public works	1,932,693	-	1,932,693
Health and social services	47,720	-	47,720
Culture and recreation	1,269,505	-	1,269,505
Community and economic development	314,230	-	314,230
General government	818,646	-	818,646
Debt service	4,487,019	-	4,487,019
Capital projects	6,385,452	-	6,385,452
Business-type activities	-	8,179,048	8,179,048
Total disbursements	<u>18,627,701</u>	<u>8,179,048</u>	<u>26,806,749</u>
Excess (deficiency) of receipts over disbursements	(5,487,025)	(2,504,619)	(7,991,644)
Other financing sources, net	<u>6,377,260</u>	<u>2,652,873</u>	<u>9,030,133</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	890,235	148,254	1,038,489
Balances beginning of year	<u>2,913,447</u>	<u>3,093,291</u>	<u>6,006,738</u>
Balances end of year	<u>\$ 3,803,682</u>	<u>\$ 3,241,545</u>	<u>\$ 7,045,227</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 4,859,084	\$ 4,859,084	\$ 144,728
992,385	992,385	(32,786)
1,206,416	1,206,416	(64,539)
202,700	202,700	1,238
154,193	154,193	222,726
3,763,833	4,998,065	(440,513)
6,906,929	6,919,379	(1,117,208)
84,500	84,500	1,634
226,615	449,175	233,928
<u>18,396,655</u>	<u>19,865,897</u>	<u>(1,050,792)</u>
3,372,927	3,578,362	205,926
1,570,996	1,916,389	(16,304)
47,720	47,720	-
1,303,812	1,364,124	94,619
407,109	490,109	175,879
806,282	1,232,650	414,004
2,347,325	2,347,325	(2,139,694)
5,412,413	6,962,313	576,861
5,764,285	7,304,635	(874,413)
<u>21,032,869</u>	<u>25,243,627</u>	<u>(1,563,122)</u>
(2,636,214)	(5,377,730)	(2,613,914)
<u>3,060,000</u>	<u>4,960,000</u>	<u>4,070,133</u>
423,786	(417,730)	1,456,219
<u>5,616,504</u>	<u>11,623,242</u>	<u>(5,616,504)</u>
<u>\$ 6,040,290</u>	<u>\$ 11,205,512</u>	<u>\$ (4,160,285)</u>

CITY OF BOONE

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$4,210,758 and increased budgeted revenues by \$1,469,242. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the Public Works, General Government and Business-type Activities funds and disbursements exceeded the amounts budgeted in the Capital Projects 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, 2011

	General							Special Revenue							
	Recreation	Hotel/Motel Tax	Landfill	Tennis	Family Resource	Insurance Reserve	FEMA Funding	Unfunded Liability	Emergency	Police Trust	Fire Trust	Library Trust	Park Trust	Police Trust	Fire Trust
Receipts:															
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,600	\$ 86,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax	-	118,336	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	86,994	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	153,464	-	-	-	-	-	-	-	-
Charges for services	-	-	62,865	3,994	-	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	32	-	-	-	-	-	-	-	-	13,361	5,827	156,752	15,555	-	-
Total receipts	32	118,336	62,865	3,994	86,994	-	153,464	98,600	86,557	13,361	5,827	156,752	15,555	-	-
Disbursements:															
Governmental activities:															
Public safety	-	-	-	-	-	-	-	47,901	-	17,053	10,530	-	-	-	-
Public works	-	-	64,015	-	-	-	143,055	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	4,404	-	-	-	14,013	-	-	-	30,407	10,104	-	-
Community and economic development	-	69,867	-	-	-	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	102,652	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	69,867	64,015	4,404	102,652	-	143,055	61,914	-	17,053	10,530	30,407	10,104	-	-
Excess (deficiency) of receipts over (under) disbursements	32	48,469	(1,150)	(410)	(15,658)	-	10,409	36,686	86,557	(3,692)	(4,703)	126,345	5,451	-	-
Other financing sources (uses):															
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	9,140	53,418	-	271,131	-	-	-	-	-	-	-
Operating transfers out	-	(15,000)	-	-	(5,320)	-	-	-	(81,270)	-	-	-	-	(21,892)	(17,263)
Total other financing sources (uses)	-	(15,000)	-	-	3,820	53,418	-	271,131	(81,270)	-	-	-	-	(21,892)	(17,263)
Net change in cash balances	32	33,469	(1,150)	(410)	(11,838)	53,418	10,409	307,817	5,287	(3,692)	(4,703)	126,345	5,451	(21,892)	(17,263)
Cash balances beginning of year	-	7,289	29,250	292	(4,078)	(53,418)	51,166	(271,131)	-	71,557	18,548	108,993	24,387	21,892	17,263
Cash balances end of year	\$ 32	\$ 40,758	\$ 28,100	\$ (118)	\$ (15,916)	\$ -	\$ 61,575	\$ 36,686	\$ 5,287	\$ 67,865	\$ 13,845	\$ 235,338	\$ 29,838	\$ -	\$ -
Cash Basis Fund Balances															
Restricted for:															
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	61,575	36,686	5,287	67,865	13,845	235,338	29,838	-	-
Unassigned	32	40,758	28,100	(118)	(15,916)	-	-	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 32	\$ 40,758	\$ 28,100	\$ (118)	\$ (15,916)	\$ -	\$ 61,575	\$ 36,686	\$ 5,287	\$ 67,865	\$ 13,845	\$ 235,338	\$ 29,838	\$ -	\$ -

See accompanying independent auditor's report.

Capital Projects																				
Demolition Projects	Housing Project	Story Street & Mamie	Runway Pavement Rehab	Taxiway Project	Grade Separation	Apron Reconstruction I	Neighborhood Stabilization	09 Street Improvements	Lift Station	JAG Grant	Safe Routes to School	I-Jobs Grant	Low Head Dam	FRC Drainage Project	FRC Playground Resurfacing	RUT Equipment	SCADA Project	Miscellaneous Projects	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,157
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	118,336
-	-	-	-	-	-	1,194	-	-	-	-	-	-	-	-	-	-	-	-	-	88,188
-	106,533	16,850	-	65,424	57,884	629,271	583,009	422,056	748,348	16,422	217,800	68,040	-	-	-	-	-	-	-	3,085,101
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,859
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18,564	105	-	6,167	-	-	-	15,000	-	-	-	-	-	-	35,754	44,575	-	-	-	955	312,647
18,564	106,638	16,850	6,167	65,424	57,884	630,465	598,009	422,056	748,348	16,422	217,800	68,040	-	35,754	44,575	-	-	-	955	3,856,288
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,484
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	207,070
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,928
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,867
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,652
18,429	135,620	-	-	-	140,174	547,419	797,363	67,111	861,184	16,254	249,473	49,553	-	2,366	43,000	168,340	-	-	-	3,096,286
18,429	135,620	37,754	-	-	140,174	547,419	797,363	67,111	861,184	16,254	249,473	49,553	-	2,366	43,000	168,340	-	-	-	3,648,041
135	(28,982)	(20,904)	6,167	65,424	(82,290)	83,046	(199,354)	354,945	(112,836)	168	(31,673)	18,487	-	33,388	1,575	(168,340)	-	955	208,247	
100,000	-	-	-	-	-	-	-	-	268,723	-	-	-	-	-	-	-	211,700	-	-	580,423
-	-	433,975	-	-	-	29,000	-	-	-	-	-	-	94,000	-	-	-	-	235,832	-	1,126,496
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,474)	-	(159,219)
100,000	-	433,975	-	-	-	29,000	-	-	268,723	-	-	-	94,000	-	-	-	211,700	217,358	-	1,547,700
100,135	(28,982)	413,071	6,167	65,424	(82,290)	112,046	(199,354)	354,945	155,887	168	(31,673)	18,487	94,000	33,388	1,575	(168,340)	211,700	218,313	-	1,755,947
(47,310)	(2,595)	(396,221)	(53,157)	(117,296)	(116,662)	(169,054)	55,225	(432,309)	(87,106)	(408)	(12,682)	55,920	164,777	(38,935)	-	-	-	(263,713)	-	(1,439,516)
\$ 52,825	\$ (31,577)	\$ 16,850	\$ (46,990)	\$ (51,872)	\$ (198,952)	\$ (57,008)	\$ (144,129)	\$ (77,364)	\$ 68,781	\$ (240)	\$ (44,355)	\$ 74,407	\$ 258,777	\$ (5,547)	\$ 1,575	\$ (168,340)	\$ 211,700	\$ (45,400)	\$ 316,431	
52,825	-	16,850	-	-	-	-	-	-	68,781	-	-	74,407	258,777	-	1,575	-	211,700	-	-	684,915
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	450,434
-	(31,577)	-	(46,990)	(51,872)	(198,952)	(57,008)	(144,129)	(77,364)	-	(240)	(44,355)	-	-	(5,547)	-	(168,340)	-	(45,400)	-	(818,918)
\$ 52,825	\$ (31,577)	\$ 16,850	\$ (46,990)	\$ (51,872)	\$ (198,952)	\$ (57,008)	\$ (144,129)	\$ (77,364)	\$ 68,781	\$ (240)	\$ (44,355)	\$ 74,407	\$ 258,777	\$ (5,547)	\$ 1,575	\$ (168,340)	\$ 211,700	\$ (45,400)	\$ 316,431	

CITY OF BOONE
Schedule of Indebtedness
Year Ended June 30, 2011

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 note	May 2011	1.25 - 4.10	6,915,000
Capital loan anticipation note	December 2008	2.60 - 2.60	3,000,000
Total			
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
Sewer revenue capital loan notes	February 2010	0.00	202,000
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	February 2010	3.00	32,000
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
\$ 3,995,000	\$ -	\$ 445,000	\$ 3,550,000	\$ 138,990
\$ 540,000	\$ -	\$ 540,000	\$ -	\$ 19,980
700,000	-	700,000	-	26,390
1,350,000	-	1,350,000	-	45,985
405,000	-	405,000	-	13,030
105,000	-	105,000	-	3,885
3,750,000	-	560,000	3,190,000	151,065
-	6,915,000	-	6,915,000	-
3,000,000	-	3,000,000	-	78,000
\$ 9,850,000	\$ 6,915,000	\$ 6,660,000	\$ 10,105,000	\$ 338,335
\$ 2,451,000	\$ -	\$ 449,000	\$ 2,002,000	\$ 73,530
322,000	-	50,000	272,000	9,660
2,321,000	-	97,000	2,224,000	69,630
362,164	-	-	362,164	-
5,968,585	114,422	273,000	5,810,007	180,952
736,662	1,817,732	187,000	2,367,394	49,844
8,140	623,008	30,000	601,148	3,393
-	202,000	1,000	201,000	-
1,300	74,430	5,000	70,730	1,571
700	-	-	700	21
-	32,000	-	32,000	-
3,765,000	-	385,000	3,380,000	107,306
\$ 15,936,551	\$ 2,863,592	\$ 1,477,000	\$ 17,323,143	\$ 495,907

CITY OF BOONE
Bond and Note Maturities
June 30, 2011

Year Ending June 30,	General Obligation Bonds			General Obligation Notes				Total G.O. Notes
	Essential Corporate Purpose			Capital Loan Note		Capital Loan Note		
	Issued Mar 26, 2008			Issued July 1, 2006		Issued May 1, 2011		
	Interest Rates	Amount		Interest Rates	Amount	Interest Rates	Amount	
2012	3.00%	\$ 460,000	4.00%	\$ 585,000	1.25%	\$ 830,000	\$ 1,415,000	
2013	3.20%	475,000	4.00%	610,000	1.25%	760,000	1,370,000	
2014	3.40%	490,000	4.05%	635,000	1.50%	480,000	1,115,000	
2015	3.60%	505,000	4.05%	665,000	1.50%	485,000	1,150,000	
2016	3.75%	520,000	4.10%	695,000	1.85%	450,000	1,145,000	
2017	3.85%	540,000	-	-	2.15%	215,000	215,000	
2018	4.00%	560,000	-	-	2.40%	220,000	220,000	
2019	-	-	-	-	2.60%	225,000	225,000	
2020	-	-	-	-	2.90%	235,000	235,000	
2021	-	-	-	-	3.05%	245,000	245,000	
2022	-	-	-	-	3.20%	255,000	255,000	
2023	-	-	-	-	3.30%	265,000	265,000	
2024	-	-	-	-	3.35%	280,000	280,000	
2025	-	-	-	-	3.45%	290,000	290,000	
2026	-	-	-	-	3.60%	300,000	300,000	
2027	-	-	-	-	3.70%	320,000	320,000	
2028	-	-	-	-	3.85%	335,000	335,000	
2029	-	-	-	-	4.00%	355,000	355,000	
2030	-	-	-	-	4.00%	370,000	370,000	
Total		<u>\$ 3,550,000</u>		<u>\$ 3,190,000</u>		<u>\$ 6,915,000</u>	<u>\$ 10,105,000</u>	

Year Ending June 30,	Revenue Notes									
	Sewer Capital Loan Note		Sewer Capital Loan Note		Sewer Capital Loan Note		Sewer Capital Loan Note		Water Capital Loan Note	
	Issued June 24, 2009		Issued Oct 21, 2009		Issued Feb 17, 2010		Issued Feb 17, 2010		Issued Feb 17, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	3.00%	\$ 282,000	3.00%	\$ 193,000	3.00%	\$ 30,000	3.00%	\$ 8,000	3.00%	\$ 5,000
2013	3.00%	291,000	3.00%	199,000	3.00%	31,000	3.00%	8,000	3.00%	5,000
2014	3.00%	300,000	3.00%	205,000	3.00%	32,000	3.00%	8,000	3.00%	5,000
2015	3.00%	310,000	3.00%	212,000	3.00%	34,000	3.00%	9,000	3.00%	5,000
2016	3.00%	320,000	3.00%	219,000	3.00%	35,000	3.00%	9,000	3.00%	6,000
2017	3.00%	331,000	3.00%	226,000	3.00%	36,000	3.00%	9,000	3.00%	6,000
2018	3.00%	341,000	3.00%	233,000	3.00%	37,000	3.00%	9,000	3.00%	6,000
2019	3.00%	352,000	3.00%	241,000	3.00%	38,000	3.00%	10,000	3.00%	6,000
2020	3.00%	364,000	3.00%	249,000	3.00%	39,000	3.00%	10,000	3.00%	6,000
2021	3.00%	376,000	3.00%	257,000	3.00%	41,000	3.00%	10,000	3.00%	6,000
2022	3.00%	388,000	3.00%	133,394	3.00%	42,000	3.00%	11,000	3.00%	7,000
2023	3.00%	400,000	-	-	3.00%	43,000	3.00%	11,000	3.00%	7,000
2024	3.00%	413,000	-	-	3.00%	45,000	3.00%	12,000	3.00%	730
2025	3.00%	427,000	-	-	3.00%	46,000	3.00%	12,000	-	-
2026	3.00%	441,000	-	-	3.00%	48,000	3.00%	12,000	-	-
2027	3.00%	474,007	-	-	3.00%	24,148	3.00%	13,000	-	-
2028	-	-	-	-	-	-	3.00%	13,000	-	-
2029	-	-	-	-	-	-	3.00%	13,000	-	-
2030	-	-	-	-	-	-	3.00%	14,000	-	-
2031	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 5,810,007</u>		<u>\$ 2,367,394</u>		<u>\$ 601,148</u>		<u>\$ 201,000</u>		<u>\$ 70,730</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 Eight Years

	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:								
Property and other City tax	\$ 6,145,689	\$ 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	959,599	847,236	921,749	887,670	890,451	1,200,875	1,190,644	784,772
Licenses and permits	203,938	222,811	249,394	240,869	293,117	242,983	259,406	167,825
Use of money and property	318,629	273,680	288,829	235,978	321,822	252,203	211,846	171,036
Intergovernmental	4,557,552	3,622,690	1,958,516	2,915,939	1,516,208	2,467,732	1,949,177	2,203,323
Charges for services	186,032	289,698	275,530	255,709	245,241	244,172	251,684	339,631
Special assessments	86,134	94,365	98,777	191,568	116,018	146,013	134,388	124,133
Miscellaneous	683,103	503,985	522,427	597,066	966,018	717,627	1,310,694	973,563
Total	13,140,676	11,778,470	10,133,990	11,010,788	9,949,446	10,130,958	10,082,787	9,586,707
Disbursements:								
Public safety	3,372,436	3,286,010	3,050,748	3,466,532	3,356,173	3,538,220	3,101,989	3,155,998
Public works	1,932,693	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	47,720	47,650	59,593	80,958	84,462	77,010	70,782	36,500
Culture and recreation	1,269,505	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	314,230	926,840	247,954	427,704	487,911	275,411	125,592	140,738
General government	818,646	763,222	747,359	648,328	677,312	800,212	619,701	587,278
Debt service	4,487,019	2,340,887	2,124,799	2,444,413	4,051,421	2,232,387	3,383,044	2,084,019
Capital projects	6,385,452	7,974,049	6,794,364	5,190,035	4,215,297	3,220,196	1,674,348	3,627,330
Total	\$ 18,627,701	\$ 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.

CITY OF BOONE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Schedule 5

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Direct:			
U.S. Department of Transportation			
Federal Aviation Administration:			
Airport Improvement Program			
Rehabilitate Apron - Phase I			
	20.106	3-19-009-11	\$ 491,901
U.S Department of Justice			
JAG Grant			
	16.804		<u>16,254</u>
Total direct			<u>508,155</u>
Indirect			
U.S. Department of Housing and Urban Development			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program			
	14.228	08-NSP-002	135,620
U.S. Department of Transportation			
Federal Highway Administration			
Iowa Department of Transportation			
ARRA - Highway Planning and Construction			
	20.205	08-0750(627)-7S-08	465,546
Highway Planning and Construction			
	20.205		229,630
Environmental Protection Agency			
Iowa Finance Authority:			
ARRA - Clean Water State Revolving Funds			
	66.458		825,008
ARRA - Drinking Water State Revolving Funds			
	66.468		<u>32,000</u>
Total indirect			<u>1,687,804</u>
Total			<u><u>\$ 2,195,959</u></u>

Basis of Presentation

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

See accompanying independent auditor's report.

HOUSTON & SEEMAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boone, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 29, 2012. 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.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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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 or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Boone and other parties to whom the City of Boone may report, including federal awarding agencies and pass-through entities, 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

March 29, 2012

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Boone, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Boone's major federal programs for the year ended June 30, 2011. The City of Boone's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Boone's management. Our responsibility is to express an opinion on the City of Boone's compliance based on our audit.

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

In our opinion, the City of Boone complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City of Boone is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Boone's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Boone's internal control over compliance.



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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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.

Houston & Seeman, P.C.

Houston & Seeman, P.C.
Boone, Iowa

March 29, 2012

CITY OF BOONE
Schedule of Findings and Questioned Costs

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 20.205 – ARRA – Highway Planning and Construction.
 - CFDA Number 66.458 – ARRA – Capitalization Grants for Clean Water State Revolving Funds.
 - CFDA Number 66.468 – ARRA – Capitalization Grants for Drinking Water State Revolving Funds.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Boone did not qualify as a low-risk auditee.

CITY OF BOONE
Schedule of Findings and Questioned Costs

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

CITY OF BOONE
Schedule of Findings and Questioned Costs

Part IV: Other Findings Related to Statutory Reporting:

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the Public Works, General Government and Business-type Activities funds and disbursements exceeded the amounts budgeted in the Capital Projects 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.

IV-B-11 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.

IV-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-11 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	\$ 3,200
Darci Newcomb, Employee	Swimming Lessons	1,600
Pritchard Brothers Plumbing, Part-Owned by Gary Nystrom, City Council Member	Supplies & Repairs	27,140
Darwin Backout, Spouse of Marla Backout, Employee	Contract Maintenance Library	8,640
S & H Motor Company, Part-Owned by John Slight, Mayor	Vehicle Purchase	18,750

The transactions with RMT, Backout and S & H Motor Company do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(3)(e) of the Code of Iowa.

In accordance with Chapter 362.5(1) of the Code of Iowa, the transaction with Newcomb does not appear to represent a conflict of interest since it was lawful compensation for holding more than one city position which was not incompatible with another position or prohibited by law.

CITY OF BOONE
Schedule of Findings and Questioned Costs

IV-D-11 Business Transactions (continued)

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Pritchard Brothers Plumbing may represent a conflict of interest since the transactions exceeded \$1,500 during the fiscal year and not all transactions were entered into through competitive bidding.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City believes it is in the best interest of the City to continue using Pritchard Brothers Plumbing for pool repairs and Family Resource Center repairs. Pritchard Brothers Plumbing knows the history of these facilities and the equipment and has been doing the repairs prior to Mr. Nystom’s election to the City Council. As for all other business where the City has used Pritchard Brothers Plumbing, the City believes it has a fair system in place that rotates repairs between all local plumbing companies.

Conclusion – Response accepted.

IV-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-11 Council Minutes – It was noted that the Airport Commission did not have minutes of the meetings prepared for its meetings during the year.

Recommendation – Minutes should be prepared for all meetings of the Airport Commission.

Response – Minutes will be prepared for all Airport Commission meetings.

Conclusion – Response accepted.

IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the code of Iowa and the City’s investment policy were noted.

IV-H-11 Revenue Notes and Bonds – No instances of non-compliance with the requirements of the water and sewer revenue bond resolutions were noted.

IV-I-11 Payment of General Obligation Bonds – One interest payment was paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer to the Debt Service Fund for future funding contributions. Payment of the notes and interest should then be disbursed from the Debt Service Fund.

Response – The city will ensure resources are transferred to the Debt Service Fund before making payments on notes.

Conclusion – Response accepted.

CITY OF BOONE
Schedule of Findings and Questioned Costs

IV-J-11 Annual Financial Report – The Annual Financial Report was not submitted by the deadline of December 1, 2010.

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.

IV-K-11 Financial Condition – At June 30, 2011 the City had deficit balances in the following accounts:

General Fund:	
Tennis	\$ (118)
Family Resource	(15,916)
Debt Service:	
Special Assessment Bonds	(825,966)
Capital Projects:	
Sanitary Sewer	(717,750)
Housing Project	(31,577)
Runway Pavement Rehab	(46,990)
Taxiway Project	(51,872)
Grade Separation	(198,952)
Apron Reconstruction	(57,008)
Neighborhood Stabilization	(144,129)
09 Street Improvements	(77,364)
JAG Grant	(240)
Safe Routes to School	(44,355)
FRC Drainage Project	(5,547)
RUT Equipment	(168,340)
Miscellaneous Projects	(45,400)

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

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

Conclusion – Response accepted.

CITY OF BOONE
Schedule of Findings and Questioned Costs

The following insurance policies were in force at June 30, 2011:

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	\$10,000,000
EMC Insurance Companies	Official Liability: Each claim	\$1,000,000
EMC Insurance Companies	Property Coverage: Actual cash value, replacement cost or an agreed amount	\$49,987,449
EMC Insurance Companies	Workers Compensation and Employer's Liability bodily injury by accident: each accident	\$500,000
	bodily injury by disease: Limit	\$500,000
	Bodily injury by disease: each employee	\$500,000
Hartford Steam Boiler Inspection	Boiler and Machinery: Unlimited per accident	per occurrence
EMC Insurance Companies	Public officials/employees Blanket bond (theft)	\$100,000
Old Republic Insurance Company	Airport comprehensive general liability: Each occurrence and aggregate:	\$3,000,000
EMC Insurance Companies	Law enforcement liability	\$1,000,000

CITY OF BOONE
Schedule of Findings and Questioned Costs

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.