

**CITY OF BOONE**

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

**JUNE 30, 2012**

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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	September 30, 2012
Jim Robbins	Attorney	Indefinite

**HOUSTON & SEEMAN, P.C.**  
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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, 2012, 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, 2012, 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 18, 2013 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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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 nine years ended June 30, 2012 (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. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Boone's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 11 and 30 through 31 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Houston & Seeman, P.C.*

Houston & Seeman, P.C.  
Boone, Iowa

March 18, 2013

## 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, 2012. 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 22%, or approximately \$4.2 million, from fiscal year 2011.
- The City's governmental activities disbursements decreased 32%, or approximately \$5.9 million from fiscal year 2011.
- The City's governmental activities cash balance at June 30, 2012 increased 68%, or approximately \$2.5 million from June 30, 2011.

### **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.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the City.

### **Basis of Accounting**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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 \$2.6 million from a year ago, from \$3.8 million to \$6.4 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,	
	2012	2011
Receipts and transfers:		
Program receipts:		
Charges for services and sales	\$ 916	768
Operating grants, contributions and restricted interest	1,299	1,414
Capital grants, contributions and restricted interest	1,327	2,367
General receipts:		
Property tax	6,344	6,050
Local option sales tax	1,024	980
Hotel/motel tax	120	118
Franchise taxes	131	138
Unrestricted investment earnings	70	59
Bond proceeds	2,477	5,924
Other general receipts	574	1,247
Transfers, net	1,003	453
Total receipts and transfers	<u>15,285</u>	<u>19,518</u>
Disbursements:		
Public safety	3,336	3,372
Public works	2,035	1,933
Health and social services	47	48
Culture and recreation	1,374	1,270
Community and economic development	308	314
General government	864	819
Debt service	2,313	4,487
Capital projects	2,438	6,385
Total disbursements	<u>12,715</u>	<u>18,628</u>
Change in cash basis net assets	2,570	890
Cash basis net assets beginning of year	<u>3,803</u>	<u>2,913</u>
Cash basis net assets end of year	<u>\$ 6,373</u>	<u>3,803</u>

The City’s total receipts for governmental activities decreased by approximately 22%. The total cost of all programs and services decreased by approximately 32%.

The cost of all governmental activities this year was \$12,715,901 compared to \$18,627,701 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 \$10,740,053 because some of the cost was paid by those who directly benefited from the programs (\$915,889) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,626,795). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2012 from approximately \$4,548,000 to approximately \$3,543,000, principally due to a decrease 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 \$7,620,000 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,	
	2012	2011
Receipts and transfers:		
Program receipts:		
Charges for services and sales:		
Water	\$ 2,249	2,288
Sewer	3,150	3,131
Storm water	197	197
General receipts:		
Unrestricted investment earnings	34	58
Bond proceeds	4,743	3,106
Transfers, net	(1,003)	(453)
Total receipts	<u>9,370</u>	<u>8,327</u>
Disbursements:		
Water	2,097	5,335
Sewer	7,471	2,807
Storm water	11	37
Total disbursements and transfers	<u>9,579</u>	<u>8,179</u>
Change in cash basis net assts	(209)	148
Cash basis net assets beginning of year	<u>3,241</u>	<u>3,093</u>
Cash basis net assets end of year	<u>\$ 3,032</u>	<u>3,241</u>

Total business type activities receipts for the fiscal year increased 13% compared to last year. The cash balance decreased by approximately \$209 thousand from the prior year. Total disbursements for the fiscal year increased 17% to a total of \$9.6 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 \$1,111,000, an increase of \$275,000 from the prior year.
- The Road Use Tax Fund cash balance increased by \$146,000 to \$535,000 during the year.
- The Group Insurance Fund increased by \$188,000 during the fiscal year. The fund has a balance of \$528,000.
- The Employee Benefit Fund cash balance increased by \$165,000 to \$542,000 during the year.
- The Local Option Tax Fund was established in 1990 to collect a 1% local option sales and service tax. The City collected \$1,024,000 during this year, a 4% 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 \$795,000.
- 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 \$393,000.
- The General Obligation Bonds/Notes Debt Service Fund is used to pay the principal and interest of the City's general obligation debt. The cash in this fund decreased by \$76,000 during the year with a balance of \$337,000 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 \$439,000.

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

- The cash balance of the Sewer Fund decreased by approximately \$370,000 to \$856,000, due primarily to the ongoing projects.
- The Water Fund increased by approximately \$68,000 to \$1,802,000.

### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 21, 2012, to increase revenues and increase expenditures in certain City departments.

**DEBT ADMINISTRATION**

Outstanding Debt at Year-End (Expressed in Thousands)		
	2012	2011
General obligation bonds	\$ 3,090	3,550
General obligation notes	8,690	10,105
Revenue bonds and notes	18,302	17,323
	<u>\$ 30,082</u>	<u>30,978</u>

At year-end, the City had approximately \$30,082,000 in bonds and other long-term debt compared to approximately \$30,978,000 last year as shown above.

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 \$11,780,000 is below the City’s \$35,000,000 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 2013 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$20 million, an increase of 11% from the final 2012 budget. Budgeted disbursements are \$21 million, a decrease of 17% from the final 2012 budget.

If these estimates are realized, the City’s budgeted cash balance is expected to decrease by approximately \$900 thousand by the close of 2013.

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

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

## **Basic Financial Statements**

**CITY OF BOONE**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the year ended June 30, 2012**

	Disbursements	Program Receipts		
		Charges for Service and Sales	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 3,335,753	\$ 491,843	\$ 38,639	\$ -
Public works	2,035,306	97,650	1,200,910	-
Health and social services	46,750	-	-	-
Culture and recreation	1,374,025	210,082	59,704	-
Community and economic development	307,922	2,058	-	-
General government	864,395	114,256	-	-
Debt service	2,313,355	-	-	-
Capital projects	2,438,395	-	-	1,327,542
Total governmental activities	12,715,901	915,889	1,299,253	1,327,542
Business-type activities:				
Water	2,096,613	2,249,137	-	-
Sewer	7,471,039	3,150,135	-	-
Storm Water	11,415	196,554	-	-
Total business-type activities	9,579,067	5,595,826	-	-
Total	\$ 22,294,968	\$ 6,511,715	\$ 1,299,253	\$ 1,327,542
<b>General receipts:</b>				
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				
<b>Cash Basis Net Assets</b>				
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
\$ (2,805,271)	\$ -	\$ (2,805,271)
(736,746)	-	(736,746)
(46,750)	-	(46,750)
(1,104,239)	-	(1,104,239)
(305,864)	-	(305,864)
(750,139)	-	(750,139)
(2,313,355)	-	(2,313,355)
(1,110,853)	-	(1,110,853)
(9,173,217)	-	(9,173,217)
-	152,524	152,524
-	(4,320,904)	(4,320,904)
-	185,139	185,139
-	(3,983,241)	(3,983,241)
(9,173,217)	(3,983,241)	(13,156,458)
4,512,393	-	4,512,393
1,449,319	-	1,449,319
301,654	-	301,654
81,407	-	81,407
1,023,884	-	1,023,884
119,701	-	119,701
131,371	-	131,371
69,903	33,898	103,801
2,476,622	4,743,165	7,219,787
573,799	-	573,799
1,002,631	(1,002,631)	-
11,742,684	3,774,432	15,517,116
2,569,467	(208,809)	2,360,658
3,803,682	3,241,545	7,045,227
\$ 6,373,149	\$ 3,032,736	\$ 9,405,885
\$ 439,013	\$ -	\$ 439,013
535,123	-	535,123
794,602	-	794,602
336,607	1,264,412	1,601,019
1,498,884	-	1,498,884
2,299,614	218,350	2,517,964
908,319	1,549,974	2,458,293
\$ 6,373,149	\$ 3,032,736	\$ 9,405,885

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2012**

	Special Revenue						Mary Garvey
	General	Road Use Tax	Group Insurance	Employee Benefit	Local Option Sales Tax	Tax Increment Financing	
<b>Receipts:</b>							
Property tax	\$ 2,563,542	\$ -	\$ 1,081,678	\$ 745,985	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	1,449,319	-
Other city tax	79,547	-	-	-	1,023,884	-	-
Licenses and permits	240,914	-	-	-	-	-	-
Use of money and property	200,755	-	34,996	-	-	-	2,498
Intergovernmental	214,167	1,200,910	-	-	-	-	-
Charges for services	173,829	-	-	-	-	-	-
Special assessments	1,232	-	-	-	-	-	-
Miscellaneous	148,534	-	27,004	125,465	-	61,655	4,000
<b>Total receipts</b>	<b>3,622,520</b>	<b>1,200,910</b>	<b>1,143,678</b>	<b>871,450</b>	<b>1,023,884</b>	<b>1,510,974</b>	<b>6,498</b>
<b>Disbursements:</b>							
<b>Operating:</b>							
Public safety	2,214,248	-	413,689	503,951	118,594	-	30,017
Public works	105,796	1,029,822	169,326	127,028	26,907	-	-
Health and social services	-	-	-	-	46,750	-	-
Culture and recreation	932,268	24,890	130,786	117,714	51,869	-	66,668
Community and economic development	96,187	-	-	1,403	-	137,832	-
General government	346,800	-	241,593	142,776	48,135	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>3,695,299</b>	<b>1,054,712</b>	<b>955,394</b>	<b>892,872</b>	<b>292,255</b>	<b>137,832</b>	<b>96,685</b>
Excess (deficiency) of receipts over (under) disbursements	(72,779)	146,198	188,284	(21,422)	731,629	1,373,142	(90,187)
<b>Other financing sources (uses):</b>							
Bond proceeds	-	-	-	-	-	-	-
Operating transfers in	356,878	-	-	186,667	-	-	-
Operating transfers out	(9,139)	-	-	-	(638,306)	(665,808)	-
<b>Total other financing sources (uses)</b>	<b>347,739</b>	<b>-</b>	<b>-</b>	<b>186,667</b>	<b>(638,306)</b>	<b>(665,808)</b>	<b>-</b>
Net change in cash balances	274,960	146,198	188,284	165,245	93,323	707,334	(90,187)
Cash balances beginning of year	835,904	388,925	339,901	376,792	568,213	87,268	482,834
Cash balances end of year	\$ 1,110,864	\$ 535,123	\$ 528,185	\$ 542,037	\$ 661,536	\$ 794,602	\$ 392,647
<b>Cash Basis Fund Balances</b>							
Nonspendable - Cemetary perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted for:</b>							
Urban renewal purposes	-	-	-	-	-	794,602	-
Debt service	-	-	-	-	-	-	-
Streets	-	535,123	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Other purposes	-	-	528,185	542,037	661,536	-	392,647
Unassigned	1,110,864	-	-	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 1,110,864</b>	<b>\$ 535,123</b>	<b>\$ 528,185</b>	<b>\$ 542,037</b>	<b>\$ 661,536</b>	<b>\$ 794,602</b>	<b>\$ 392,647</b>

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	Cemetery Perpetual Care	Nonmajor Governmental Funds	
\$ 301,654	\$ -	\$ -	\$ -	\$ -	\$ 121,188	\$ 4,814,047
-	-	-	-	-	-	1,449,319
-	-	-	-	-	119,701	1,223,132
-	-	-	-	-	-	240,914
-	-	-	-	-	89,065	327,314
-	-	291,000	-	-	1,274,106	2,980,183
-	-	-	-	-	67,556	241,385
-	80,175	-	-	-	-	81,407
-	-	14,816	-	3,535	63,405	448,414
301,654	80,175	305,816	-	3,535	1,735,021	11,806,115
-	-	-	-	-	55,254	3,335,753
-	-	-	-	-	576,427	2,035,306
-	-	-	-	-	-	46,750
-	-	-	-	-	49,830	1,374,025
-	-	-	-	-	72,500	307,922
-	-	-	-	-	85,091	864,395
2,313,355	-	-	-	-	-	2,313,355
-	-	1,390,057	-	-	1,048,338	2,438,395
2,313,355	-	1,390,057	-	-	1,887,440	12,715,901
(2,011,701)	80,175	(1,084,241)	-	3,535	(152,419)	(909,786)
-	-	2,308,436	-	-	168,186	2,476,622
1,935,676	-	104,000	-	-	140,487	2,723,708
-	(297,886)	-	-	-	(109,938)	(1,721,077)
1,935,676	(297,886)	2,412,436	-	-	198,735	3,479,253
(76,025)	(217,711)	1,328,195	-	3,535	46,316	2,569,467
412,632	(825,966)	(717,750)	692,787	435,478	726,664	3,803,682
\$ 336,607	\$ (1,043,677)	\$ 610,445	\$ 692,787	\$ 439,013	\$ 772,980	\$ 6,373,149
\$ -	\$ -	\$ -	\$ -	\$ 439,013	\$ -	\$ 439,013
-	-	-	-	-	-	794,602
336,607	-	-	-	-	-	336,607
-	-	-	-	-	-	535,123
-	-	-	692,787	-	806,097	1,498,884
-	-	-	-	-	175,209	2,299,614
-	(1,043,677)	610,445	-	-	(208,326)	469,306
\$ 336,607	\$ (1,043,677)	\$ 610,445	\$ 692,787	\$ 439,013	\$ 772,980	\$ 6,373,149

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2012**

**Exhibit C**

	Enterprise Funds			
	Water	Sewer	Non-Major Storm Water	Total
Operating receipts:				
Use of money and property	\$ 21,466	\$ 12,432	\$ -	\$ 33,898
Charges for services	2,249,137	3,150,135	196,554	5,595,826
Total operating receipts	<u>2,270,603</u>	<u>3,162,567</u>	<u>196,554</u>	<u>5,629,724</u>
Operating disbursements:				
Business-type activities	1,586,034	1,263,950	11,415	2,861,399
Total operating disbursements	<u>1,586,034</u>	<u>1,263,950</u>	<u>11,415</u>	<u>2,861,399</u>
Excess of operating receipts over operating disbursements	684,569	1,898,617	185,139	2,768,325
Non-operating disbursements:				
Debt service	(510,579)	(6,207,089)	-	(6,717,668)
Excess of receipts over disbursements	173,990	(4,308,472)	185,139	(3,949,343)
Other financing sources (uses):				
Bond proceeds	104,165	4,639,000	-	4,743,165
Operating transfers out	(210,544)	(700,875)	(91,212)	(1,002,631)
Net change in cash balances	67,611	(370,347)	93,927	(208,809)
Cash balances beginning of year	1,734,832	1,226,323	280,390	3,241,545
Cash balances end of year	<u>\$ 1,802,443</u>	<u>\$ 855,976</u>	<u>\$ 374,317</u>	<u>\$ 3,032,736</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ 578,000	\$ 686,412	\$ -	\$ 1,264,412
Customer deposits	218,350	-	-	218,350
Unrestricted	<u>1,006,093</u>	<u>169,564</u>	<u>374,317</u>	<u>1,549,974</u>
Total cash basis fund balances	<u>\$ 1,802,443</u>	<u>\$ 855,976</u>	<u>\$ 374,317</u>	<u>\$ 3,032,736</u>

See notes to financial statements.

CITY OF BOONE

Exhibit D

Statement of Cash Receipts, Disbursements and Changes in Cash Balances

Fiduciary Funds

As of and for the year ended June 30, 2012

	Private Purpose Trusts					
	Johnny Appleseed	Miles of Lights	Swim Team	Fireworks	Downtown Beautification	Character Counts
Receipts:						
Miscellaneous	\$ 4,520	\$ 8,295	\$ 5,577	\$ 4,923	\$ -	\$ 4,500
Total receipts	4,520	8,295	5,577	4,923	-	4,500
Disbursements:						
Culture and recreation	3,902	-	10,005	-	-	-
Community and economic development	-	13,554	-	6,000	-	3,730
Total disbursements	3,902	13,554	10,005	6,000	-	3,730
Excess (deficiency) of receipts over (under) disbursements	618	(5,259)	(4,428)	(1,077)	-	770
Cash balances beginning of year	1,355	5,490	6,760	(1,696)	24	781
Cash balances end of year	\$ 1,973	\$ 231	\$ 2,332	\$ (2,773)	\$ 24	\$ 1,551
<b>Cash Basis Fund Balances</b>						
Restricted for:						
Private purpose trust funds	\$ 1,973	\$ 231	\$ 2,332	\$ (2,773)	\$ 24	\$ 1,551
Total cash basis fund balances	\$ 1,973	\$ 231	\$ 2,332	\$ (2,773)	\$ 24	\$ 1,551

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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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.

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

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

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the Public Works and Debt Service funds and disbursements exceeded the amounts budgeted in the Health and Social Services and Business-Type Activities funds before the budget was amended.

**Note 2 – Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2012, 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, 2012, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government and Agencies Securities	\$ 377,433	\$ 398,535
Certificates of Deposit	2,833,081	2,833,801
Money Market Accounts	<u>33,242</u>	<u>33,242</u>
	<u>\$3,243,081</u>	<u>\$3,264,858</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$73,609 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>
	2013	475,000	112,730	1,370,000
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>\$ 3,090,000</u>	<u>\$ 419,410</u>	<u>\$ 8,690,000</u>	<u>\$ 2,030,533</u>

Year Ending <u>June 30,</u>	Revenue Capital Loan Notes		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2013	1,639,595	531,253	3,484,595
2014	1,673,000	493,666	3,278,000	826,009
2015	1,724,000	447,074	3,379,000	729,839
2016	1,285,000	408,339	2,950,000	638,716
2017	1,324,000	372,446	2,079,000	546,504
2018	1,755,000	334,286	2,535,000	482,931
2019	925,000	280,132	1,150,000	401,097
2020	954,000	255,181	1,189,000	370,296
2021	979,000	229,306	1,224,000	337,606
2022	921,000	143,790	1,176,000	244,618
2023	737,000	180,563	1,002,000	273,229
2024	761,000	158,778	1,041,000	242,700
2025	786,000	136,273	1,076,000	210,815
2026	811,000	114,428	1,111,000	178,966
2027	837,000	89,073	1,157,000	142,811
2028	456,034	64,318	791,034	106,216
2029	355,000	20,993	710,000	49,993
2030	360,000	10,728	730,000	25,528
2031	16,000	163	16,000	163
2032	3,000	98	3,000	98
Total	<u>\$ 18,301,629</u>	<u>\$ 4,270,888</u>	<u>\$ 30,081,629</u>	<u>\$ 6,720,831</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 \$4,015,000 in water revenue capital loan notes. Proceeds from the bonds provided refinancing of the water revenue bonds issued in August 1998 for the construction of water treatment plant and for improvements to the water system. The notes are payable solely from water customer net receipts and are payable through 2032. 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 \$3,603,931. For the current year, principal and interest paid and total customer net receipts were \$509,392 and \$684,569, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$13,441,000 in sewer revenue capital loan 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 2031. 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 \$19,027,976. For the current year, principal and interest paid and total customer net receipts were \$6,031,370 and \$1,898,617, including the refinancing of 3 sewer revenue capital loan notes, 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.

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

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011, and 2010 were \$131,566, \$149,656, and \$137,912, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, 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, 2012, 2011, and 2010 were \$304,701, \$256,705, and \$234,295, 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 64 active and 3 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 \$570 for single coverage and \$1,375 for family coverage for traditional health insurance and \$474 for single coverage and \$1,141 for family coverage for the health savings account insurance option. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$955,394.

**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, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 260,000
Sick leave	<u>1,589,000</u>
Total	<u>\$1,849,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

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

**Note 7 – Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$25,262 during the year ended June 30, 2012.

**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 \$2,859,000 is outstanding at June 30, 2012. 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, 2012, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund: General	General Fund: Hotel/Motel Tax Family Resource Special Revenue: Emergency Enterprise: Sewer	\$ 15,000 5,320  81,270  <u>255,288</u> \$ <u>356,878</u>
Family Resource	General Fund: General	\$ <u>9,139</u>
Special Revenue: Employee Benefit	Special Revenue: Local Option Sales Tax	\$ <u>186,667</u>
Fire Trust	Police Trust	\$ <u>8,348</u>
Debt Service: General Obligation Bonds/Notes	Special Revenue: Local Option Sales Tax Tax Increment Financing Debt Service: Special Assessment Bonds Enterprise: Water Sewer Storm Water Utility	\$ 368,639 665,808  297,886  116,544 445,587 <u>41,212</u> \$ <u>1,935,676</u>
Capital Project: Sanitary Sewer	Special Revenue: Local Option Sales Tax Enterprise: Storm Water Utility	\$ 54,000  <u>50,000</u> \$ <u>104,000</u>
Apron Reconstruction	Special Revenue: Local Option Sales Tax	\$ <u>29,000</u>
Low Head Dam	Enterprise: Water	\$ <u>94,000</u>
Total		\$ <u>2,723,708</u>

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

**Note 10 – Deficit Balances**

At June 30, 2012 the City had deficit balances in the following accounts:

General Fund:	
Family Resource	\$ (8,404)
Special Revenue:	
FEMA Funding	(214,279)
Debt Service:	
Special Assessment Bonds	(1,043,677)
Capital Projects:	
Housing Project	(66,362)
Taxiway Project	(22,789)
Grade Separation	(124,060)
Apron Reconstruction	(56,639)
Neighborhood Stabilization	(128,759)
09 Street Improvements	(47,355)
JAG Grant	(240)
Safe Routes to School	(19,510)
RUT Equipment	(223,741)
S. Marshall Reconstruction	(4,980)
Miscellaneous Projects	(32,522)

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

**Note 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.

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

**Note 12 – Economic Development Loan Agreements**

The City has entered into economic development loan agreements with Agri-Pac LLC, Westwood Estates, and SunAm Development LC. The amounts due and to be repaid to the City under the agreements in effect at June 30, 2012 are as follows:

Year Ending June 30,	Agri-Pac	Westwood Estates	SunAm II	Total
2013	\$ 12,038	\$ 14,052	\$ 23,486	\$ 108,191
2014	-	14,052	22,324	36,376
2015	-	14,052	21,162	35,214
Total principal & interest	12,038	42,156	66,972	179,781
Less interest	351	3,889	6,972	12,920
Total principal	<u>\$ 11,687</u>	<u>\$ 38,267</u>	<u>\$ 60,000</u>	<u>\$ 166,861</u>

The City committed \$100,000 to the Central Iowa Expo. The City will pay \$20,000 each year for five years under the agreement. The City funded this commitment with revenues from the Hotel/Motel Tax fund. This was the final year of 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, 2012, the City rebated \$135,543 of incremental tax to the developers.

## **Other 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**  
**Other Information**  
**Year ended June 30, 2012**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 4,814,047	\$ -	\$ 4,814,047
Tax increment financing collections	1,449,319	-	1,449,319
Other city tax	1,223,132	-	1,223,132
Licenses and permits	240,914	-	240,914
Use of money and property	327,314	33,898	361,212
Intergovernmental	2,980,183	-	2,980,183
Charges for services	241,385	5,595,826	5,837,211
Special assessments	81,407	-	81,407
Miscellaneous	448,414	-	448,414
Total receipts	11,806,115	5,629,724	17,435,839
Disbursements:			
Public safety	3,335,753	-	3,335,753
Public works	2,035,306	-	2,035,306
Health and social services	46,750	-	46,750
Culture and recreation	1,374,025	-	1,374,025
Community and economic development	307,922	-	307,922
General government	864,395	-	864,395
Debt service	2,313,355	-	2,313,355
Capital projects	2,438,395	-	2,438,395
Business-type activities	-	9,579,067	9,579,067
Total disbursements	12,715,901	9,579,067	22,294,968
Excess (deficiency) of receipts over disbursements	(909,786)	(3,949,343)	(4,859,129)
Other financing sources, net	3,479,253	3,740,534	7,219,787
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,569,467	(208,809)	2,360,658
Balances beginning of year	3,803,682	3,241,545	7,045,227
Balances end of year	\$ 6,373,149	\$ 3,032,736	\$ 9,405,885

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 4,742,409	\$ 4,742,409	\$ 71,638
1,567,164	1,567,164	(117,845)
1,186,586	1,186,586	36,546
196,400	211,400	29,514
163,290	184,090	177,122
3,273,485	4,123,785	(1,143,602)
6,152,150	6,152,150	(314,939)
89,000	89,000	(7,593)
144,850	144,850	303,564
<u>17,515,334</u>	<u>18,401,434</u>	<u>(965,595)</u>
3,607,440	3,682,457	346,704
1,641,975	1,694,575	(340,731)
46,667	46,750	-
1,460,723	1,501,223	127,198
414,088	461,472	153,550
843,358	1,343,358	478,963
2,182,410	2,182,410	(130,945)
4,281,958	4,616,348	2,177,953
5,517,599	10,156,599	577,532
<u>19,996,218</u>	<u>25,685,192</u>	<u>3,390,224</u>
(2,480,884)	(7,283,758)	2,424,629
<u>3,945,188</u>	<u>8,922,504</u>	<u>(1,702,717)</u>
1,464,304	1,638,746	721,912
<u>5,616,504</u>	<u>11,623,242</u>	<u>(4,578,015)</u>
<u>\$ 7,080,808</u>	<u>\$ 13,261,988</u>	<u>\$ (3,856,103)</u>

## **CITY OF BOONE**

### **Notes to Other Information – Budgetary Reporting**

**June 30, 2012**

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$5,688,974 and increased budgeted revenues by \$886,100. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the Public Works and Debt Service funds and disbursements exceeded the amounts budgeted in the Health and Social Services and Business-Type Activities funds before the budget was amended.

## **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, 2012**

	General						Special	
	Recreation	Hotel/Motel Tax	Landfill	Tennis	Family Resource	FEMA Funding	Unfunded Liability	Emergency
<b>Receipts:</b>								
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,299	\$ 83,889
Other city tax	-	119,701	-	-	-	-	-	-
Use of money and property	-	-	-	-	88,517	-	-	-
Intergovernmental	-	-	-	-	-	236,559	-	-
Charges for services	-	-	62,680	4,876	-	-	-	-
Miscellaneous	-	-	-	-	267	-	1,798	-
Total receipts	-	119,701	62,680	4,876	88,784	236,559	39,097	83,889
<b>Disbursements:</b>								
Governmental activities:								
Public safety	-	-	-	-	-	-	10,598	-
Public works	-	-	64,014	-	-	512,413	-	-
Culture and recreation	-	-	-	4,550	-	-	-	-
Community and economic development	-	72,500	-	-	-	-	-	-
General government	-	-	-	-	85,091	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Total disbursements	-	72,500	64,014	4,550	85,091	512,413	10,598	-
Excess (deficiency) of receipts over (under) disbursements	-	47,201	(1,334)	326	3,693	(275,854)	28,499	83,889
<b>Other financing sources (uses):</b>								
Bond proceeds	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	9,139	-	-	-
Operating transfers out	-	(15,000)	-	-	(5,320)	-	-	(81,270)
Total other financing sources (uses)	-	(15,000)	-	-	3,819	-	-	(81,270)
Net change in cash balances	-	32,201	(1,334)	326	7,512	(275,854)	28,499	2,619
Cash balances beginning of year	32	40,758	28,100	(118)	(15,916)	61,575	36,686	5,287
Cash balances end of year	\$ 32	\$ 72,959	\$ 26,766	\$ 208	\$ (8,404)	\$ (214,279)	\$ 65,185	\$ 7,906
<b>Cash Basis Fund Balances</b>								
Restricted for:								
Capital projects	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	(214,279)	65,185	7,906
Unassigned	32	72,959	26,766	208	(8,404)	-	-	-
Total cash basis fund balances	\$ 32	\$ 72,959	\$ 26,766	\$ 208	\$ (8,404)	\$ (214,279)	\$ 65,185	\$ 7,906

See accompanying independent auditor's report.

Revenue																						Capital Projects																					
Police Trust	Fire Trust	Library Trust	Park Trust	Demolition Projects	Fire Grant	Housing Project	Runway Pavement Rehab	Taxiway Project	R.L. Fisher Industrial Park	Grade Separation	Apron Reconstruction	Neighborhood Stabilization	Street Improvements	Lift Station	JAG Grant	Safe Routes to School	I-Jobs Grant	Low Head Dam	RUT Equipment	SCADA Project	S. Marshall Reconsruction	Miscellaneous Projects	Total																				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,188																			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119,701																			
-	-	548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	89,065																			
-	-	-	-	-	5,000	104,665	58,847	29,083	-	74,892	632,768	59,182	43,490	-	2,959	26,661	-	-	-	-	-	-	-	1,274,106																			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67,556																			
43,327	2,423	8,650	4,499	2,441	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63,405																			
43,327	2,423	9,198	4,499	2,441	5,000	104,665	58,847	29,083	-	74,892	632,768	59,182	43,490	-	2,959	26,661	-	-	-	-	-	-	-	1,735,021																			
39,390	5,266	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,254																			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	576,427																			
-	-	29,578	15,702	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49,830																			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,500																			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85,091																			
-	-	-	-	29,971	-	139,450	-	-	-	-	661,399	43,812	13,481	33,260	2,959	1,816	53,169	-	55,401	8,640	4,980	-	-	1,048,338																			
39,390	5,266	29,578	15,702	29,971	-	139,450	-	-	-	-	661,399	43,812	13,481	33,260	2,959	1,816	53,169	-	55,401	8,640	4,980	-	-	1,887,440																			
3,937	(2,843)	(20,380)	(11,203)	(27,530)	5,000	(34,785)	58,847	29,083	-	74,892	(28,631)	15,370	30,009	(33,260)	-	24,845	(53,169)	-	(55,401)	(8,640)	(4,980)	-	-	(152,419)																			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,886	-	-	-	-	-	138,300	-	-	-	168,186																			
-	8,348	-	-	-	-	-	-	-	-	-	29,000	-	-	-	-	-	-	94,000	-	-	-	-	-	140,487																			
(8,348)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(109,938)																			
(8,348)	8,348	-	-	-	-	-	-	-	-	-	29,000	-	-	29,886	-	-	-	94,000	-	138,300	-	-	-	198,735																			
(4,411)	5,505	(20,380)	(11,203)	(27,530)	5,000	(34,785)	58,847	29,083	-	74,892	369	15,370	30,009	(3,374)	-	24,845	(53,169)	94,000	(55,401)	129,660	(4,980)	-	-	46,316																			
67,865	13,845	235,338	29,838	52,825	-	(31,577)	(46,990)	(51,872)	410,233	(198,952)	(57,008)	(144,129)	(77,364)	68,781	(240)	(44,355)	74,407	258,777	(168,340)	211,700	-	(32,522)	-	726,664																			
\$ 63,454	\$ 19,350	\$ 214,958	\$ 18,635	\$ 25,295	\$ 5,000	\$ (66,362)	\$ 11,857	\$ (22,789)	\$ 410,233	\$ (124,060)	\$ (56,639)	\$ (128,759)	\$ (47,355)	\$ 65,407	\$ (240)	\$ (19,510)	\$ 21,238	\$ 352,777	\$ (223,741)	\$ 341,360	\$ (4,980)	\$ (32,522)	\$ -	\$ 772,980																			
-	-	-	-	25,295	5,000	-	-	-	-	-	-	-	-	65,407	-	-	21,238	352,777	-	341,360	(4,980)	-	-	806,097																			
63,454	19,350	214,958	18,635	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175,209																			
-	-	-	-	-	-	(66,362)	11,857	(22,789)	410,233	(124,060)	(56,639)	(128,759)	(47,355)	-	(240)	(19,510)	-	-	(223,741)	-	-	(32,522)	-	(208,326)																			
\$ 63,454	\$ 19,350	\$ 214,958	\$ 18,635	\$ 25,295	\$ 5,000	\$ (66,362)	\$ 11,857	\$ (22,789)	\$ 410,233	\$ (124,060)	\$ (56,639)	\$ (128,759)	\$ (47,355)	\$ 65,407	\$ (240)	\$ (19,510)	\$ 21,238	\$ 352,777	\$ (223,741)	\$ 341,360	\$ (4,980)	\$ (32,522)	\$ -	\$ 772,980																			

**CITY OF BOONE**  
**Schedule of Indebtedness**  
**Year Ended June 30, 2012**

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 2006	3.875 - 4.100 %	5,840,000
Capital loan note	May 2011	1.25 - 4.10	6,915,000
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	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
Sewer revenue capital loan notes	May 2012	2.05	4,639,000
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	0.00	18,000
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
\$ 3,550,000	\$ -	\$ 460,000	\$ 3,090,000	\$ 126,530
3,190,000	-	585,000	2,605,000	128,945
6,915,000	-	830,000	6,085,000	181,255
\$ 10,105,000	\$ -	\$ 1,415,000	\$ 8,690,000	\$ 310,200
\$ 2,002,000	\$ -	\$ 2,002,000	\$ -	\$ 30,030
272,000	-	272,000	-	4,080
2,224,000	-	2,224,000	-	33,360
5,810,007	87,993	282,000	5,616,000	175,613
2,729,558	2,220,442	193,000	4,757,000	73,949
601,148	29,886	30,000	601,034	18,640
201,000	-	-	201,000	-
-	4,639,000	689,000	3,950,000	3,698
70,730	48,865	5,000	114,595	2,794
700	37,300	6,000	32,000	558
-	18,000	-	18,000	-
32,000	-	-	32,000	-
3,380,000	-	400,000	2,980,000	95,040
\$ 17,323,143	\$ 7,081,486	\$ 6,103,000	\$ 18,301,629	\$ 437,762

**CITY OF BOONE**  
**Bond and Note Maturities**  
**June 30, 2012**

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	
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>\$ 3,090,000</u>		<u>\$ 2,605,000</u>		<u>\$ 6,085,000</u>	<u>\$ 8,690,000</u>

Year Ending June 30,	Revenue Notes									
	Sewer Capital Loan Note		Sewer Capital Loan Note		Sewer Capital Loan Note		Sewer Capital Loan Note		Sewer Capital Loan Note	
	Issued June 24, 2009		Issued Oct 21, 2009		Issued Feb 17, 2010		Issued Feb 17, 2010		Issued May 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	3.00%	291,000	3.00%	199,000	3.00%	31,000	0.00%	8,000	2.05%	683,000
2014	3.00%	300,000	3.00%	205,000	3.00%	32,000	0.00%	8,000	2.05%	703,000
2015	3.00%	310,000	3.00%	212,000	3.00%	34,000	0.00%	8,000	2.05%	725,000
2016	3.00%	320,000	3.00%	219,000	3.00%	35,000	0.00%	9,000	2.05%	257,000
2017	3.00%	331,000	3.00%	226,000	3.00%	36,000	0.00%	9,000	2.05%	262,000
2018	3.00%	341,000	3.00%	233,000	3.00%	37,000	0.00%	9,000	2.05%	269,000
2019	3.00%	352,000	3.00%	241,000	3.00%	38,000	0.00%	9,000	2.05%	274,000
2020	3.00%	364,000	3.00%	249,000	3.00%	39,000	0.00%	10,000	2.05%	281,000
2021	3.00%	376,000	3.00%	257,000	3.00%	41,000	0.00%	10,000	2.05%	288,000
2022	3.00%	388,000	3.00%	265,000	3.00%	42,000	0.00%	10,000	2.05%	208,000
2023	3.00%	400,000	3.00%	274,000	3.00%	43,000	0.00%	11,000	-	-
2024	3.00%	413,000	3.00%	283,000	3.00%	45,000	0.00%	11,000	-	-
2025	3.00%	427,000	3.00%	292,000	3.00%	46,000	0.00%	12,000	-	-
2026	3.00%	441,000	3.00%	301,000	3.00%	48,000	0.00%	12,000	-	-
2027	3.00%	455,000	3.00%	311,000	3.00%	49,000	0.00%	12,000	-	-
2028	3.00%	107,000	3.00%	321,000	3.00%	5,034	0.00%	13,000	-	-
2029	-	-	3.00%	332,000	-	-	0.00%	13,000	-	-
2030	-	-	3.00%	337,000	-	-	0.00%	13,000	-	-
2031	-	-	-	-	-	-	0.00%	14,000	-	-
2032	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 5,616,000</u>		<u>\$ 4,757,000</u>		<u>\$ 601,034</u>		<u>\$ 201,000</u>		<u>\$ 3,950,000</u>

See accompanying independent auditor's report

## Revenue Notes

Water Capital Loan Note Issued Feb 17, 2010		Water Capital Loan Note Issued Feb 17, 2010		Water Capital Loan Note Issued Feb 17, 2010		Water Capital Loan Note Issued Feb 17, 2010		Water Capital Loan Note Issued May 17, 2010		Total Revenue Notes
Interest		Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
3.00%	4,595	3.00%	4,000	0.00%	18,000	3.00%	1,000	2.00%	400,000	1,639,595
3.00%	5,000	3.00%	4,000	-	-	3.00%	1,000	2.35%	415,000	1,673,000
3.00%	5,000	3.00%	4,000	-	-	3.00%	1,000	2.75%	425,000	1,724,000
3.00%	5,000	3.00%	4,000	-	-	3.00%	1,000	3.00%	435,000	1,285,000
3.00%	5,000	3.00%	4,000	-	-	3.00%	1,000	3.25%	450,000	1,324,000
3.00%	6,000	3.00%	4,000	-	-	3.00%	1,000	3.00%	855,000	1,755,000
3.00%	6,000	3.00%	4,000	-	-	3.00%	1,000	-	-	925,000
3.00%	6,000	3.00%	4,000	-	-	3.00%	1,000	-	-	954,000
3.00%	6,000	-	-	-	-	3.00%	1,000	-	-	979,000
3.00%	6,000	-	-	-	-	3.00%	2,000	-	-	921,000
3.00%	7,000	-	-	-	-	3.00%	2,000	-	-	737,000
3.00%	7,000	-	-	-	-	3.00%	2,000	-	-	761,000
3.00%	7,000	-	-	-	-	3.00%	2,000	-	-	786,000
3.00%	7,000	-	-	-	-	3.00%	2,000	-	-	811,000
3.00%	8,000	-	-	-	-	3.00%	2,000	-	-	837,000
3.00%	8,000	-	-	-	-	3.00%	2,000	-	-	456,034
3.00%	8,000	-	-	-	-	3.00%	2,000	-	-	355,000
3.00%	8,000	-	-	-	-	3.00%	2,000	-	-	360,000
-	-	-	-	-	-	3.00%	2,000	-	-	16,000
-	-	-	-	-	-	3.00%	3,000	-	-	3,000
	<u>\$ 114,595</u>		<u>\$ 32,000</u>		<u>\$ 18,000</u>		<u>\$ 32,000</u>		<u>\$ 2,980,000</u>	<u>\$ 18,301,629</u>

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

**Schedule 4**

For the Last Nine Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Receipts:</b>									
Property and other City tax	\$ 6,037,179	\$ 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	1,449,319	959,599	847,236	921,749	887,670	890,451	1,200,875	1,190,644	784,772
Licenses and permits	240,914	203,938	222,811	249,394	240,869	293,117	242,983	259,406	167,825
Use of money and property	327,314	318,629	273,680	288,829	235,978	321,822	252,203	211,846	171,036
Intergovernmental	2,980,183	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	241,385	186,032	289,698	275,530	255,709	245,241	244,172	251,684	339,631
Special assessments	81,407	86,134	94,365	98,777	191,568	116,018	146,013	134,388	124,133
Miscellaneous	448,414	683,103	503,985	522,427	597,066	966,018	717,627	1,310,694	973,563
<b>Total</b>	<b>11,806,115</b>	<b>13,140,676</b>	<b>11,778,470</b>	<b>10,133,990</b>	<b>11,010,788</b>	<b>9,949,446</b>	<b>10,130,958</b>	<b>10,082,787</b>	<b>9,586,707</b>
<b>Disbursements:</b>									
Public safety	3,335,753	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	2,035,306	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	46,750	47,720	47,650	59,593	80,958	84,462	77,010	70,782	36,500
Culture and recreation	1,374,025	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	307,922	314,230	926,840	247,954	427,704	487,911	275,411	125,592	140,738
General government	864,395	818,646	763,222	747,359	648,328	677,312	800,212	619,701	587,278
Debt service	2,313,355	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	2,438,395	6,385,452	7,974,049	6,794,364	5,190,035	4,215,297	3,220,196	1,674,348	3,627,330
<b>Total</b>	<b>\$ 12,715,901</b>	<b>\$ 18,627,701</b>	<b>\$ 18,259,266</b>	<b>\$ 15,912,336</b>	<b>\$ 15,332,068</b>	<b>\$ 16,037,586</b>	<b>\$ 13,022,160</b>	<b>\$ 11,746,890</b>	<b>\$ 12,509,250</b>

See accompanying independent auditor's report.

**CITY OF BOONE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

**Schedule 5**

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Direct:			
<b>U.S. Department of Transportation</b>			
Federal Aviation Administration:			
Airport Improvement Program			
Rehabilitate Apron - Phase I	20.106	3-19-009-11	\$ 22,325
Rehabilitate Apron - Phase II	20.106	3-19-009-12	606,004
<b>U.S Department of Justice</b>			
JAG Grant	16.804		<u>2,959</u>
Total direct			<u>631,288</u>
Indirect			
<b>U.S. Department of Housing and Urban Development</b>			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	08-NSP-002	139,450
<b>Environmental Protection Agency</b>			
Iowa Finance Authority:			
ARRA - Clean Water State Revolving Funds	66.458		29,886
ARRA - Drinking Water State Revolving Funds	66.468		18,000
<b>Department of Homeland Security</b>			
Iowa Homeland Security and Emergency Management			
Disaster Grants	97.036	DR-1930	<u>236,559</u>
Total indirect			<u>423,895</u>
Total			<u><u>\$ 1,055,183</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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 18, 2013. 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

The management of the City of Boone is responsible for establishing and maintaining effective 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, noncompliance 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 noncompliance 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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Boone. 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 18, 2013

**HOUSTON & SEEMAN, P.C.**  
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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, 2012. 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, 2012.

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 18, 2013

**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 20.106 – Airport Improvement Program.
  - 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-12 Certified Budget – Disbursements during the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the Public Works and Debt Service funds and disbursements exceeded the amounts budgeted in the Health and Social Services and Business-Type Activities funds 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-12 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-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 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>
Darci Newcomb, Employee	Swimming Lessons	1,600
Pritchard Brothers Plumbing, Part-Owned by Gary Nystrom, City Council Member	Supplies & Repairs	15,022
Darwin Backous Spouse of Marla Backous, Employee	Contract Maintenance Library	8,640

The transactions with Backous 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.

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.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**

IV-D-12 Business Transactions (continued)

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-12 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-12 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-12 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-12 Revenue Notes and Bonds – No instances of non-compliance with the requirements of the water and sewer revenue bond resolutions were noted.

**CITY OF BOONE**  
**Schedule of Findings and Questioned Costs**

IV-J-12 Financial Condition – At June 30, 2012 the City had deficit balances in the following accounts:

General Fund:	
Family Resource	\$ (8,404)
Special Revenue:	
FEMA Funding	(214,279)
Debt Service:	
Special Assessment Bonds	(1,043,677)
Capital Projects:	
Housing Project	(66,362)
Taxiway Project	(22,789)
Grade Separation	(124,060)
Apron Reconstruction	(56,639)
Neighborhood Stabilization	(128,759)
09 Street Improvements	(47,355)
JAG Grant	(240)
Safe Routes to School	(19,510)
RUT Equipment	(223,741)
S. Marshall Reconstruction	(4,980)
Miscellaneous Projects	(32,522)

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, 2012:

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	\$53,223,245
EMC Insurance Companies	Workers Compensation and Employer's Liability bodily injury by accident: each accident bodily injury by disease: Limit Bodily injury by disease: each employee	\$500,000  \$500,000  \$500,000
Hartford Steam Boiler Inspection	Boiler and Machinery: Unlimited per accident	per occurrence
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, 2012	5,057
Sewer rates in effect at June 30, 2012:	
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.