

**CITY OF BOONE**

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

**JUNE 30, 2013**

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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. 2018
Nick Mallas	Council Member	Jan. 2018
Fenner Stevenson	Council Member	Jan. 2018
Greg Piklapp	Council Member	Jan. 2018
Luke Nelson	City Administrator	Indefinite
Ondrea Elmquist	Treasurer/Finance Officer	Indefinite
Jim Robbins	Attorney	Indefinite

**HOUSTON & SEEMAN, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.



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### Basis of Accounting

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. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

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 third 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 on the basis of cash receipts and disbursements. 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.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the 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 basic 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.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 11 and 31 through 32 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.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2014 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 in considering the City of Boone's internal control over financial reporting and compliance.

*Houston & Seeman, P.C.*

Houston & Seeman, P.C.  
Boone, Iowa

March 26, 2014

## **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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- The City's governmental activities receipts decreased 12%, or approximately \$1.8 million, from fiscal year 2012.
- The City's governmental activities disbursements decreased 2%, or approximately \$265,000 from fiscal year 2012.
- The City's governmental activities cash balance at June 30, 2013 increased 16%, or approximately \$1 million from June 30, 2012.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, 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 Cash Basis Statement of Activities and Net Position. 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 financial 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, readers 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 Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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. These focus on how money flows into and out of the funds and the balances at year-end that are available for spending. The 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.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$1 million from a year ago, from \$6.4 million to \$7.4 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts and transfers:		
Program receipts:		
Charges for services and sales	\$ 804	916
Operating grants, contributions and restricted interest	1,298	1,299
Capital grants, contributions and restricted interest	264	1,327
General receipts:		
Property tax	6,263	6,344
Local option sales tax	989	1,024
Hotel/motel tax	146	120
Franchise taxes	135	131
Unrestricted investment earnings	31	70
Bond proceeds	2,081	2,477
Other general receipts	942	574
Transfers, net	499	1,003
Total receipts and transfers	<u>13,452</u>	<u>15,285</u>
Disbursements:		
Public safety	3,550	3,336
Public works	1,577	2,035
Health and social services	47	47
Culture and recreation	1,379	1,374
Community and economic development	249	308
General government	800	864
Debt service	1,995	2,313
Capital projects	2,854	2,438
Total disbursements	<u>12,451</u>	<u>12,715</u>
Change in cash basis net position	1,001	2,570
Cash basis net position beginning of year	<u>6,373</u>	<u>3,803</u>
Cash basis net position end of year	<u>\$ 7,374</u>	<u>6,373</u>

The City's total receipts for governmental activities decreased by approximately 12%. The total cost of all programs and services decreased by approximately 2%.

The cost of all governmental activities this year was \$12,451,386 compared to \$12,715,901 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 \$10,586,711 because some of the cost was paid by those who directly benefited from the programs (\$804,362) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,562,139). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2013 from approximately \$3,543,000 to approximately \$2,367,000, 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 \$7,533,000 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 Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts and transfers:		
Program receipts:		
Charges for services and sales:		
Water	\$ 2,297	2,249
Sewer	3,126	3,150
Storm water	193	197
General receipts:		
Unrestricted investment earnings	11	34
Bond proceeds	5	4,743
Transfers, net	(499)	(1,003)
Total receipts	<u>5,133</u>	<u>9,370</u>
Disbursements:		
Water	2,410	2,097
Sewer	2,868	7,471
Storm water	77	11
Total disbursements and transfers	<u>5,355</u>	<u>9,579</u>
Change in cash basis net position	(222)	(209)
Cash basis net position beginning of year	<u>3,032</u>	<u>3,241</u>
Cash basis net position end of year	<u>\$ 2,810</u>	<u>3,032</u>

Total business type activities receipts for the fiscal year decreased 45% compared to last year. The cash balance decreased by approximately \$222 thousand from the prior year. Total disbursements for the fiscal year decreased 44% to a total of \$5.3 million.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

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.

- 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 \$1,354,000, an increase of \$243,000 from the prior year.
- The Road Use Tax Fund cash balance increased by \$22,000 to \$557,000 during the year.
- The Group Insurance Fund increased by \$177,000 during the fiscal year. The fund has a balance of \$705,000.
- The Employee Benefit Fund cash balance increased by \$103,000 to \$645,000 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 \$989,000 during this year, a 3% decrease over the previous year. The proceeds of the tax are designated 5% for human services, 20% for property tax relief, and 75% for capital projects.
- The Tax Increment Financing Fund was established in a prior fiscal year to account for the financing of capital improvements within the established TIF district, which contributes to urban and economic development. At the end of the year, the fund had a balance of \$530,000.
- 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 \$276,000.
- The General Obligation Bonds/Notes Debt Service Fund is used to pay the principal and interest of the City's general obligation debt. The cash in this fund increased by \$181,000 during the year with a balance of \$518,000 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 \$442,000.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The cash balance of the Sewer Fund increased by approximately \$145,000 to \$1,001,000, due primarily to the ongoing projects.
- The Water Fund decreased by approximately \$441,000 to \$1,361,000.

#### **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 20, 2013, to increase revenues and increase expenditures in certain City departments.

## DEBT ADMINISTRATION

At year-end, the City had approximately \$28,710,000 in bonds and other long-term debt compared to approximately \$30,082,000 last year as shown above.

Outstanding Debt at Year-End (Expressed in Thousands)		
	2013	2012
General obligation bonds	\$ 4,705	3,090
General obligation notes	7,320	8,690
Revenue bonds and notes	16,685	18,302
	<u>\$ 28,710</u>	<u>30,082</u>

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 \$12,025,000 is below the City's \$30,500,000 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 2014 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$21 million, an increase of 15% from the final 2013 budget. Budgeted disbursements are \$21 million, an increase of 1% from the final 2013 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$900 thousand by the close of 2014.

## 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**  
**Cash Basis Statement of Activities and Net Position**  
**As of and for the year ended June 30, 2013**

	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	\$ 3,550,584	\$ 427,048	\$ 22,424	\$ -
Public works	1,576,572	101,890	1,212,492	-
Health and social services	46,650	-	-	-
Culture and recreation	1,379,171	176,277	62,845	-
Community and economic development	249,472	1,762	-	-
General government	800,333	97,385	-	-
Debt service	1,994,993	-	-	-
Capital projects	2,853,611	-	-	264,378
Total governmental activities	12,451,386	804,362	1,297,761	264,378
Business-type activities:				
Water	2,409,869	2,296,696	-	-
Sewer	2,868,521	3,126,496	-	-
Storm Water	77,038	193,440	-	-
Total business-type activities	5,355,428	5,616,632	-	-
Total	\$ 17,806,814	\$ 6,420,994	\$ 1,297,761	\$ 264,378
<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 position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts		
Governmental Activities	Business-Type Activities	Total
\$ (3,101,112)	\$ -	\$ (3,101,112)
(262,190)	-	(262,190)
(46,650)	-	(46,650)
(1,140,049)	-	(1,140,049)
(247,710)	-	(247,710)
(702,948)	-	(702,948)
(1,994,993)	-	(1,994,993)
(2,589,233)	-	(2,589,233)
(10,084,885)	-	(10,084,885)
-	(113,173)	(113,173)
-	257,975	257,975
-	116,402	116,402
-	261,204	261,204
(10,084,885)	261,204	(9,823,681)
4,655,568	-	4,655,568
1,148,408	-	1,148,408
385,277	-	385,277
73,574	-	73,574
989,216	-	989,216
145,902	-	145,902
134,594	-	134,594
31,218	11,065	42,283
2,080,929	5,000	2,085,929
942,025	-	942,025
499,114	(499,114)	-
11,085,825	(483,049)	10,602,776
1,000,940	(221,845)	779,095
6,373,149	3,032,736	9,405,885
\$ 7,374,089	\$ 2,810,891	\$ 10,184,980
\$ 441,931	\$ -	\$ 441,931
556,627	-	556,627
529,577	-	529,577
517,863	1,264,412	1,782,275
2,572,194	-	2,572,194
2,601,017	244,496	2,845,513
596,811	1,301,983	1,898,794
\$ 7,374,089	\$ 2,810,891	\$ 10,184,980

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2013**

	Special Revenue					Tax Increment Financing
	General	Road Use Tax	Group Insurance	Employee Benefit	Local Option Sales Tax	
<b>Receipts:</b>						
Property tax	\$ 2,700,189	\$ -	\$ 1,083,204	\$ 747,037	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	1,148,408
Other city tax	81,237	-	-	-	989,216	-
Licenses and permits	218,443	-	-	-	-	-
Use of money and property	172,743	-	25,355	-	-	-
Intergovernmental	182,199	1,212,492	-	-	-	-
Charges for services	148,237	-	-	-	-	-
Special assessments	136	-	-	-	-	-
Miscellaneous	178,089	-	6,792	232	-	60,493
<b>Total receipts</b>	<b>3,681,273</b>	<b>1,212,492</b>	<b>1,115,351</b>	<b>747,269</b>	<b>989,216</b>	<b>1,208,901</b>
<b>Disbursements:</b>						
<b>Operating:</b>						
Public safety	2,300,388	-	427,727	543,728	90,329	-
Public works	108,319	1,082,323	179,867	133,217	9,541	-
Health and social services	-	-	-	-	46,650	-
Culture and recreation	919,550	18,300	145,914	122,304	118,789	-
Community and economic development	38,269	-	-	2,988	-	121,215
General government	385,284	-	185,263	28,537	139,998	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
<b>Total disbursements</b>	<b>3,751,810</b>	<b>1,100,623</b>	<b>938,771</b>	<b>830,774</b>	<b>405,307</b>	<b>121,215</b>
Excess (deficiency) of receipts over (under) disbursements	(70,537)	111,869	176,580	(83,505)	583,909	1,087,686
<b>Other financing sources (uses):</b>						
Bond proceeds	-	-	-	-	-	-
Operating transfers in	331,125	-	-	186,800	-	-
Operating transfers out	(17,520)	(90,365)	-	-	(573,573)	(1,352,711)
<b>Total other financing sources (uses)</b>	<b>313,605</b>	<b>(90,365)</b>	<b>-</b>	<b>186,800</b>	<b>(573,573)</b>	<b>(1,352,711)</b>
Net change in cash balances	243,068	21,504	176,580	103,295	10,336	(265,025)
Cash balances beginning of year	1,110,864	535,123	528,185	542,037	661,536	794,602
Cash balances end of year	\$ 1,353,932	\$ 556,627	\$ 704,765	\$ 645,332	\$ 671,872	\$ 529,577
<b>Cash Basis Fund Balances</b>						
Nonspendable - Cemetary perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted for:</b>						
Urban renewal purposes	-	-	-	-	-	529,577
Debt service	-	-	-	-	-	-
Streets	-	556,627	-	-	-	-
Capital projects	-	-	-	-	-	-
Other purposes	-	-	704,765	645,332	671,872	-
Unassigned	1,353,932	-	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 1,353,932</b>	<b>\$ 556,627</b>	<b>\$ 704,765</b>	<b>\$ 645,332</b>	<b>\$ 671,872</b>	<b>\$ 529,577</b>

See notes to financial statements.

Exhibit B

Mary Garvey	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	
\$ -	\$ 385,277	\$ -	\$ -	\$ -	\$ -	\$ 125,138	\$ 5,040,845
-	-	-	-	-	-	-	1,148,408
-	-	-	-	-	-	145,902	1,216,355
-	-	-	-	-	-	-	218,443
2,629	-	-	-	-	-	158,437	359,164
-	-	-	541,361	-	-	312,948	2,249,000
-	-	-	-	-	-	67,448	215,685
-	-	73,438	-	-	-	-	73,574
3,000	-	-	-	-	2,918	99,285	350,809
5,629	385,277	73,438	541,361	-	2,918	909,158	10,872,283
122,000	-	-	-	-	-	66,412	3,550,584
-	-	-	-	-	-	63,305	1,576,572
-	-	-	-	-	-	-	46,650
-	-	-	-	-	-	54,314	1,379,171
-	-	-	-	-	-	87,000	249,472
-	-	-	-	-	-	61,251	800,333
-	1,994,993	-	-	-	-	-	1,994,993
-	-	-	1,296,804	-	-	1,556,807	2,853,611
122,000	1,994,993	-	1,296,804	-	-	1,889,089	12,451,386
(116,371)	(1,609,716)	73,438	(755,443)	-	2,918	(979,931)	(1,579,103)
-	-	-	-	-	-	2,080,929	2,080,929
-	1,790,972	-	500,000	-	-	165,675	2,974,572
-	-	(291,487)	-	-	-	(149,802)	(2,475,458)
-	1,790,972	(291,487)	500,000	-	-	2,096,802	2,580,043
(116,371)	181,256	(218,049)	(255,443)	-	2,918	1,116,871	1,000,940
392,647	336,607	(1,043,677)	610,445	692,787	439,013	772,980	6,373,149
\$ 276,276	\$ 517,863	\$ (1,261,726)	\$ 355,002	\$ 692,787	\$ 441,931	\$ 1,889,851	\$ 7,374,089
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 441,931	\$ -	\$ 441,931
-	-	-	-	-	-	-	529,577
-	517,863	-	-	-	-	-	517,863
-	-	-	-	-	-	-	556,627
-	-	-	-	692,787	-	1,879,407	2,572,194
276,276	-	-	-	-	-	302,772	2,601,017
-	-	(1,261,726)	355,002	-	-	(292,328)	154,880
\$ 276,276	\$ 517,863	\$ (1,261,726)	\$ 355,002	\$ 692,787	\$ 441,931	\$ 1,889,851	\$ 7,374,089

**CITY OF BOONE**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2013**

**Exhibit C**

	Enterprise Funds			
	Water	Sewer	Non-Major Storm Water	Total
Operating receipts:				
Use of money and property	\$ 8,686	\$ 2,379	\$ -	\$ 11,065
Charges for services	2,296,696	3,126,496	193,440	5,616,632
Total operating receipts	<u>2,305,382</u>	<u>3,128,875</u>	<u>193,440</u>	<u>5,627,697</u>
Operating disbursements:				
Business-type activities	1,674,385	1,225,184	77,038	2,976,607
Total operating disbursements	<u>1,674,385</u>	<u>1,225,184</u>	<u>77,038</u>	<u>2,976,607</u>
Excess of operating receipts over operating disbursements	630,997	1,903,691	116,402	2,651,090
Non-operating disbursements:				
Debt service	(735,484)	(1,643,337)	-	(2,378,821)
Excess of receipts over disbursements	(104,487)	260,354	116,402	272,269
Other financing sources (uses):				
Bond proceeds	5,000	-	-	5,000
Operating transfers out	(341,853)	(682,742)	(41,558)	(1,066,153)
Net change in cash balances	(441,340)	144,651	74,844	(221,845)
Cash balances beginning of year	1,802,443	855,976	374,317	3,032,736
Cash balances end of year	<u>\$ 1,361,103</u>	<u>\$ 1,000,627</u>	<u>\$ 449,161</u>	<u>\$ 2,810,891</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ 578,000	\$ 686,412	\$ -	\$ 1,264,412
Customer deposits	244,496	-	-	244,496
Unrestricted	<u>538,607</u>	<u>314,215</u>	<u>449,161</u>	<u>1,301,983</u>
Total cash basis fund balances	<u>\$ 1,361,103</u>	<u>\$ 1,000,627</u>	<u>\$ 449,161</u>	<u>\$ 2,810,891</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, 2013

	Private Purpose Trusts					
	Johnny Appleseed	Miles of Lights	Swim Team	Fireworks	Downtown Beautification	Character Counts
Receipts:						
Miscellaneous	\$ 210	\$ 900	\$ 5,965	\$ 1,090	\$ -	\$ -
Total receipts	210	900	5,965	1,090	-	-
Disbursements:						
Culture and recreation	2,183	-	6,138	-	-	-
Community and economic development	-	3,935	-	6,000	-	-
Total disbursements	2,183	3,935	6,138	6,000	-	-
Excess (deficiency) of receipts over (under) disbursements	(1,973)	(3,035)	(173)	(4,910)	-	-
Cash balances beginning of year	1,973	231	2,332	(2,773)	24	1,551
Cash balances end of year	\$ -	\$ (2,804)	\$ 2,159	\$ (7,683)	\$ 24	\$ 1,551
<b>Cash Basis Fund Balances</b>						
Restricted for:						
Private purpose trust funds	\$ -	\$ (2,804)	\$ 2,159	\$ (7,683)	\$ 24	\$ 1,551
Total cash basis fund balances	\$ -	\$ (2,804)	\$ 2,159	\$ (7,683)	\$ 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 Cash Basis Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Group Insurance Fund is used to account for employee health benefits.

The Employee Benefit Fund is used to account for employee 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.

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

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

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.

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 funds:

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 position 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.

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

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. 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, 2013, disbursements did not exceed the amounts budgeted.

**Note 2 – Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2013, 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, 2013, 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>

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

**Note 2 – Cash and Pooled Investments (continued)**

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$74,397 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) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

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

**Note 3 – Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds		General Obligation Notes	
	Principal	Interest	Principal	Interest
2014	\$ 700,000	\$ 113,454	\$ 1,115,000	\$ 234,813
2015	720,000	95,860	1,150,000	201,895
2016	735,000	76,928	1,145,000	167,687
2017	820,000	56,460	215,000	130,868
2018	845,000	34,130	220,000	126,245
2019	285,000	9,735	225,000	120,965
2020	285,000	7,313	235,000	115,115
2021	105,000	4,463	245,000	108,300
2022	105,000	3,150	255,000	100,828
2023	105,000	1,628	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>\$ 4,705,000</u>	<u>\$ 403,121</u>	<u>\$ 7,320,000</u>	<u>\$ 1,761,820</u>

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

**Note 3 – Bonds and Notes Payable (continued)**

Year Ending <u>June 30,</u>	Revenue		Total	
	<u>Capital Loan Notes</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>		
2014	\$ 1,906,000	\$ 494,074	\$ 3,721,000	\$ 842,341
2015	1,715,000	453,530	3,585,000	751,285
2016	1,275,000	462,592	3,155,000	707,207
2017	1,314,000	374,222	2,349,000	561,550
2018	1,745,000	336,165	2,810,000	496,540
2019	915,000	282,096	1,425,000	412,796
2020	943,000	257,248	1,463,000	379,676
2021	973,000	231,628	1,323,000	344,391
2022	909,000	145,174	1,269,000	249,152
2023	724,000	179,880	1,094,000	274,174
2024	748,000	158,160	1,028,000	242,082
2025	772,000	135,720	1,062,000	210,262
2026	797,000	113,940	1,097,000	178,478
2027	823,000	88,650	1,143,000	142,388
2028	441,034	63,960	776,034	105,858
2029	340,000	20,700	695,000	49,700
2030	<u>345,000</u>	<u>10,500</u>	<u>715,000</u>	<u>25,300</u>
Total	<u>\$ 16,685,034</u>	<u>\$ 3,808,239</u>	<u>\$ 28,710,034</u>	<u>\$ 5,973,180</u>

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 2030. 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 \$3,090,683. For the current year, principal and interest paid and total customer net receipts were \$500,134 and \$630,997, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$18,080,000 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 2030. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$17,402,590. For the current year, principal and interest paid and total customer net receipts were \$1,609,015 and \$1,454,490, including the refinancing of three sewer revenue capital loan notes, respectively.

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

**Note 3 – Bonds and Notes Payable (continued)**

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**

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012, and 2011 were \$185,411, \$171,678, and \$146,644, 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, is 26.12% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ending June 30, 2013, 2012, and 2011 were \$375,642, \$339,736, and \$262,454, respectively, which met the required contribution rate for each year.

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

**Note 5 – Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 65 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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 \$602 for single coverage and \$1,456 for family coverage for traditional health insurance and \$500 for single coverage and \$1,208 for family coverage for the health savings account insurance option. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$938,772.

**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, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 266,000
Sick leave	<u>1,621,000</u>
Total	<u>\$1,887,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

**Note 7 – Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$27,267 during the year ended June 30, 2013.

**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 \$2,713,000 is outstanding at June 30, 2013. 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.

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

**Note 9 – Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund:	General Fund:	
General	Hotel/Motel Tax	\$ 20,000
	Family Resource	5,320
	Special Revenue:	
	Emergency	95,692
	Enterprise:	
	Sewer	<u>210,113</u>
		\$ <u>331,125</u>
	General Fund:	
Family Resource	General	\$ <u>7,520</u>
Special Revenue:	Special Revenue:	
Employee Benefit	Local Option Sales Tax	\$ <u>186,800</u>
Debt Service:	Special Revenue:	
General Obligation	Local Option Sales Tax	\$ 357,773
Bonds/Notes	Tax Increment Financing	285,672
	Debt Service:	
	Special Assessment Bonds	291,487
	Enterprise:	
	Water	341,853
	Sewer	472,629
	Storm Water Utility	<u>41,558</u>
		\$ <u>1,790,972</u>
Capital Project:	Special Revenue:	
Sanitary Sewer	Tax Increment Financing	\$ 500,000
Apron Reconstruction	Local Option Sales Tax	\$ 29,000
Demolition Projects	General:	
	General	\$ 10,000
W. Park Ave Extension Study	Capital Projects:	
	Story Street & Mamie	\$ 6,001
Taxiway Project	Apron Reconstruction	\$ 22,789
Technochem	Special Revenue:	
	Road Use Tax	\$ 1,760
09 Street Improvements	Road Use Tax	\$ 47,355
Safe Routes to School	Road Use Tax	\$ 19,510
RUT Equipment	Road Use Tax	\$ 21,740
Enterprise:	Special Revenue:	
Sewer	Tax Increment Financing	\$ <u>567,039</u>
Total		\$ <u>3,541,611</u>

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

**Note 10 – Deficit Balances**

At June 30, 2013 the City had deficit balances in the following accounts:

Special Revenue:	
FEMA Funding	(55,765)
Debt Service:	
Special Assessment Bonds	(1,261,726)
Capital Projects:	
Fire Grant	(30,000)
Housing Project	(97,854)
Grade Separation	(133,678)
Apron Reconstruction	(527,252)
Neighborhood Stabilization	(61,197)
JAG Grant	(240)
RUT Equipment	(10,487)
T-Hangar Expansion	(134,806)
S. Marshall Reconstruction	(154,964)
Miscellaneous Projects	(30,762)

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.

**Note 12 – Pending Litigation**

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

**Note 13 – 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, 2013, the City rebated \$121,215 of incremental tax to the developers.

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

**Note 14 – Economic Development Loan Agreements**

The City has entered into economic development loan agreements with Westwood Estates and SunAm Development LC. The amounts due and to be repaid to the City under the agreements in effect at June 30, 2013 are as follows:

Year Ending June 30,	Westwood Estates	SunAm II	Total
2014	\$ 14,052	\$ 22,324	\$ 36,376
2015	14,052	21,162	35,214
Total principal & interest	28,104	43,486	71,590
Less interest	1,976	3,486	5,462
Total principal	<u>\$ 26,128</u>	<u>\$ 40,000</u>	<u>\$ 66,128</u>

## **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, 2013**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 5,040,845	\$ -	\$ 5,040,845
Tax increment financing collections	1,148,408	-	1,148,408
Other city tax	1,216,355	-	1,216,355
Licenses and permits	218,443	-	218,443
Use of money and property	359,164	11,065	370,229
Intergovernmental	2,249,000	-	2,249,000
Charges for services	215,685	5,616,632	5,832,317
Special assessments	73,574	-	73,574
Miscellaneous	350,809	-	350,809
Total receipts	10,872,283	5,627,697	16,499,980
Disbursements:			
Public safety	3,550,584	-	3,550,584
Public works	1,576,572	-	1,576,572
Health and social services	46,650	-	46,650
Culture and recreation	1,379,171	-	1,379,171
Community and economic development	249,472	-	249,472
General government	800,333	-	800,333
Debt service	1,994,993	-	1,994,993
Capital projects	2,853,611	-	2,853,611
Business-type activities	-	5,355,428	5,355,428
Total disbursements	12,451,386	5,355,428	17,806,814
Excess (deficiency) of receipts over disbursements	(1,579,103)	272,269	(1,306,834)
Other financing sources, net	2,580,043	(494,114)	2,085,929
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,000,940	(221,845)	779,095
Balances beginning of year	6,373,149	3,032,736	9,405,885
Balances end of year	\$ 7,374,089	\$ 2,810,891	\$ 10,184,980

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 4,999,082	\$ 4,999,082	\$ 41,763
1,131,530	1,131,530	16,878
1,197,701	1,230,701	(14,346)
211,300	211,300	7,143
127,830	127,830	242,399
3,334,309	3,780,901	(1,531,901)
6,067,801	6,079,001	(246,684)
84,600	84,600	(11,026)
172,200	221,700	129,109
<u>17,326,353</u>	<u>17,866,645</u>	<u>(1,366,665)</u>
3,577,370	3,654,258	103,674
1,602,995	1,846,461	269,889
46,667	46,667	17
1,489,188	1,514,003	134,832
390,800	415,800	166,328
912,113	932,113	131,780
2,227,443	2,227,443	232,450
2,989,958	5,029,300	2,175,689
5,192,172	5,426,172	70,744
<u>18,428,706</u>	<u>21,092,217</u>	<u>3,285,403</u>
(1,102,353)	(3,225,572)	1,918,738
<u>165,000</u>	<u>2,450,367</u>	<u>(364,438)</u>
(937,353)	(775,205)	1,554,300
<u>5,161,999</u>	<u>14,567,884</u>	<u>(5,161,999)</u>
<u>\$ 4,224,646</u>	<u>\$ 13,792,679</u>	<u>\$ (3,607,699)</u>

## **CITY OF BOONE**

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

**June 30, 2013**

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 \$2,663,511 and increased budgeted revenues by \$540,292. This budget amendment is reflected in the final budgeted amounts.

Disbursements during the year ended June 30, 2013, did not exceed the amounts budgeted.

## **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, 2013**

	General				Special Revenue								Capital Projects							
	Recreation	Hotel/Motel Tax	Landfill	Tennis	Family Resource	FEMA Funding	Unfunded Liability	Emergency	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
<b>Receipts:</b>																				
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,352	\$ 87,786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax	-	145,902	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	72,120	-	-	-	-	-	958	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	158,514	-	-	-	-	-	-	-	109,512	3,088	-	-	-	28,474	-
Charges for services	-	-	62,078	5,370	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	4,465	-	-	-	33,243	6,510	13,830	700	20,537	-	-	-	-	-	-	-
<b>Total receipts</b>	-	145,902	62,078	5,370	76,585	158,514	37,352	87,786	33,243	6,510	14,788	700	20,537	109,512	3,088	-	-	-	28,474	-
<b>Disbursements:</b>																				
<b>Governmental activities:</b>																				
Public safety	-	-	-	-	-	-	41,737	-	18,330	6,345	-	-	-	-	-	-	-	-	-	-
Public works	-	-	63,305	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	5,088	-	-	35,511	-	-	-	12,373	1,342	-	-	-	-	-	-	-	-
Community and economic development	-	87,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	61,251	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	28,510	144,512	34,580	-	-	-	38,092	476,824
<b>Total disbursements</b>	-	87,000	63,305	5,088	61,251	-	77,248	-	18,330	6,345	12,373	1,342	28,510	144,512	34,580	-	-	-	38,092	476,824
<b>Excess (deficiency) of receipts over (under) disbursements</b>	-	58,902	(1,227)	282	15,334	158,514	(39,896)	87,786	14,913	165	2,415	(642)	(7,973)	(35,000)	(31,492)	-	-	-	(9,618)	(476,824)
<b>Other financing sources (uses):</b>																				
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	7,520	-	-	-	-	-	-	-	10,000	-	-	-	22,789	-	-	29,000
Operating transfers out	-	(20,000)	-	-	(5,320)	-	-	(95,692)	-	-	-	-	-	-	-	-	-	-	-	(22,789)
<b>Total other financing sources (uses)</b>	-	(20,000)	-	-	2,200	-	-	(95,692)	-	-	-	-	10,000	-	-	-	22,789	-	-	6,211
<b>Net change in cash balances</b>	-	38,902	(1,227)	282	17,534	158,514	(39,896)	(7,906)	14,913	165	2,415	(642)	2,027	(35,000)	(31,492)	-	22,789	-	(9,618)	(470,613)
<b>Cash balances beginning of year</b>	32	72,959	26,766	208	(8,404)	(214,279)	65,185	7,906	63,454	19,350	214,958	18,635	25,295	5,000	(66,362)	11,857	(22,789)	410,233	(124,060)	(56,639)
<b>Cash balances end of year</b>	\$ 32	\$ 111,861	\$ 25,539	\$ 490	\$ 9,130	\$ (55,765)	\$ 25,289	\$ -	\$ 78,367	\$ 19,515	\$ 217,373	\$ 17,993	\$ 27,322	\$ (30,000)	\$ (97,854)	\$ 11,857	\$ -	\$ 410,233	\$ (133,678)	\$ (527,252)
<b>Cash Basis Fund Balances</b>																				
<b>Restricted for:</b>																				
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	27,322	(30,000)	-	-	-	-	-	-
Other purposes	-	-	-	-	-	(55,765)	25,289	-	78,367	19,515	217,373	17,993	-	-	-	-	-	-	-	-
<b>Unassigned</b>	32	111,861	25,539	490	9,130	-	-	-	-	-	-	-	-	-	(97,854)	11,857	-	410,233	(133,678)	(527,252)
<b>Total cash basis fund balances</b>	\$ 32	\$ 111,861	\$ 25,539	\$ 490	\$ 9,130	\$ (55,765)	\$ 25,289	\$ -	\$ 78,367	\$ 19,515	\$ 217,373	\$ 17,993	\$ 27,322	\$ (30,000)	\$ (97,854)	\$ 11,857	\$ -	\$ 410,233	\$ (133,678)	\$ (527,252)

See accompanying independent auditor's report.

Capital Projects

Neighborhood Stabilization	Street Improvements	Lift Station	JAG Grant	Safe Routes to School	I-Jobs Grant	Low Head Dam	RUT Equipment	SCADA Project	Grit Rem. System	T-Hangar Expansion	S. Marshall Reconsruction	Ind. Park Rd Recons.	Park/PW Building	Lime Disposal	Water Tower Repair/Paint	Downtown Incentive	Contingency Fund	Miscellaneous Projects	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,138
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145,902
85,359	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	158,437
13,360	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	312,948
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67,448
-	-	-	-	-	-	-	-	-	-	20,000	-	-	-	-	-	-	-	-	-	99,285
98,719	-	-	-	-	-	-	-	-	-	20,000	-	-	-	-	-	-	-	-	-	909,158
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,412
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63,305
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,314
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,251
31,157	-	-	-	-	21,238	241	115,486	38,664	5,475	154,806	149,984	286,470	-	-	-	6,794	23,974	-	1,556,807	
31,157	-	-	-	-	21,238	241	115,486	38,664	5,475	154,806	149,984	286,470	-	-	-	6,794	23,974	-	1,889,089	
67,562	-	-	-	-	(21,238)	(241)	(115,486)	(38,664)	(5,475)	(134,806)	(149,984)	(286,470)	-	-	-	(6,794)	(23,974)	-	(979,931)	
-	-	-	-	-	-	-	307,000	-	-	-	-	640,000	140,929	330,000	314,000	200,000	149,000	-	2,080,929	
-	47,355	-	-	19,510	-	-	21,740	-	-	-	-	-	-	-	-	-	-	7,761	165,675	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,001)	(149,802)	
-	47,355	-	-	19,510	-	-	328,740	-	-	-	-	640,000	140,929	330,000	314,000	200,000	149,000	1,760	2,096,802	
67,562	47,355	-	-	19,510	(21,238)	(241)	213,254	(38,664)	(5,475)	(134,806)	(149,984)	353,530	140,929	330,000	314,000	193,206	125,026	1,760	1,116,871	
(128,759)	(47,355)	65,407	(240)	(19,510)	21,238	352,777	(223,741)	341,360	-	-	(4,980)	-	-	-	-	-	-	(32,522)	772,980	
\$ (61,197)	\$ -	\$ 65,407	\$ (240)	\$ -	\$ -	\$ 352,536	\$ (10,487)	\$ 302,696	\$ (5,475)	\$ (134,806)	\$ (154,964)	\$ 353,530	\$ 140,929	\$ 330,000	\$ 314,000	\$ 193,206	\$ 125,026	\$ (30,762)	\$ 1,889,851	
-	-	65,407	-	-	-	352,536	-	302,696	(5,475)	(134,806)	(154,964)	353,530	140,929	330,000	314,000	193,206	125,026	-	1,879,407	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	302,772
(61,197)	-	-	(240)	-	-	-	(10,487)	-	-	-	-	-	-	-	-	-	-	(30,762)	(292,328)	
\$ (61,197)	\$ -	\$ 65,407	\$ (240)	\$ -	\$ -	\$ 352,536	\$ (10,487)	\$ 302,696	\$ (5,475)	\$ (134,806)	\$ (154,964)	\$ 353,530	\$ 140,929	\$ 330,000	\$ 314,000	\$ 193,206	\$ 125,026	\$ (30,762)	\$ 1,889,851	

**CITY OF BOONE**  
**Schedule of Indebtedness**  
**Year Ended June 30, 2013**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation bonds:								
Essential corporate purpose	March 2008	2.65 - 4.00 %	\$ 4,425,000	\$ 3,090,000	\$ -	475,000	\$ 2,615,000	\$ 112,730
Essential corporate purpose	May 2013	0.30-1.55 %	2,090,000	-	2,090,000	-	2,090,000	-
Total				\$ 3,090,000	\$ 2,090,000	\$ 475,000	\$ 4,705,000	\$ 112,730
General obligation notes:								
Capital loan note	July 2006	3.875 - 4.100 %	5,840,000	2,605,000	-	610,000	1,995,000	105,545
Capital loan note	May 2011	1.25 - 4.10 %	6,915,000	6,085,000	-	760,000	5,325,000	163,168
Total				\$ 8,690,000	\$ -	\$ 1,370,000	\$ 7,320,000	\$ 268,713
Revenue notes:								
Sewer revenue capital loan notes	June 2009	3.00 %	7,283,000	5,616,000	-	291,000	5,325,000	168,480
Sewer revenue capital loan notes	October 2009	3.00 %	5,142,000	4,757,000	-	199,000	4,558,000	137,529
Sewer revenue capital loan notes	February 2010	3.00 %	814,000	601,034	-	31,000	570,034	18,031
Sewer revenue capital loan notes	February 2010	0.00 %	202,000	201,000	-	-	193,000	-
Sewer revenue capital loan notes	May 2012	2.05 %	4,639,000	3,950,000	-	683,000	3,267,000	80,975
Water revenue capital loan notes	February 2010	3.00 %	130,000	114,595	-	4,595	110,000	3,438
Water revenue capital loan notes	February 2010	3.00 %	70,000	32,000	5,000	4,000	33,000	1,061
Water revenue capital loan notes	February 2010	0.00 %	18,000	18,000	-	-	18,000	-
Water revenue capital loan notes	February 2010	3.00 %	32,000	32,000	-	-	31,000	-
Water revenue capital loan notes	May 2010	2.00 - 3.50 %	\$ 3,765,000	2,980,000	-	400,000	2,580,000	87,040
Total				\$ 18,301,629	\$ 5,000	\$ 1,612,595	\$ 16,685,034	\$ 496,554

See accompanying independent auditor's report.

**CITY OF BOONE**  
**Bond and Note Maturities**  
**June 30, 2013**

General Obligation Bonds					
Year Ending June 30,	Essential Corporate Purpose Issued Mar 26, 2008		Essential Corporate Purpose Issued May 24, 2013		Total GO Bonds
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2014	3.40%	\$ 490,000	0.30%	\$ 210,000	\$ 700,000
2015	3.60%	505,000	0.35%	215,000	720,000
2016	3.75%	520,000	0.45%	215,000	735,000
2017	3.85%	540,000	0.55%	280,000	820,000
2018	4.00%	560,000	0.70%	285,000	845,000
2019		-	0.85%	285,000	285,000
2020		-	1.00%	285,000	285,000
2021		-	1.25%	105,000	105,000
2022		-	1.45%	105,000	105,000
2023		-	1.55%	105,000	105,000
2024		-		-	-
2025		-		-	-
2026		-		-	-
2027		-		-	-
2028		-		-	-
2029		-		-	-
2030		-		-	-
Total		<u>\$ 2,615,000</u>		<u>\$ 2,090,000</u>	<u>\$ 4,705,000</u>

Revenue Notes										
Year Ending June 30,	Sewer Capital Loan Note Issued June 24, 2009		Sewer Capital Loan Note Issued Oct 21, 2009		Sewer Capital Loan Note Issued Feb 17, 2010		Sewer Capital Loan Note Issued Feb 17, 2010		Sewer Capital Loan Note Issued May 2012	
	Interest		Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2014	3.00%	\$ 300,000	3.00%	\$ 205,000	3.00%	\$ 32,000	0.00%	\$ 193,000	2.05%	\$ 703,000
2015	3.00%	310,000	3.00%	212,000	3.00%	34,000		-	2.05%	725,000
2016	3.00%	320,000	3.00%	219,000	3.00%	35,000		-	2.05%	257,000
2017	3.00%	331,000	3.00%	226,000	3.00%	36,000		-	2.05%	262,000
2018	3.00%	341,000	3.00%	233,000	3.00%	37,000		-	2.05%	269,000
2019	3.00%	352,000	3.00%	241,000	3.00%	38,000		-	2.05%	274,000
2020	3.00%	364,000	3.00%	249,000	3.00%	39,000		-	2.05%	281,000
2021	3.00%	376,000	3.00%	257,000	3.00%	41,000		-	2.05%	288,000
2022	3.00%	388,000	3.00%	265,000	3.00%	42,000		-	2.05%	208,000
2023	3.00%	400,000	3.00%	274,000	3.00%	43,000		-		-
2024	3.00%	413,000	3.00%	283,000	3.00%	45,000		-		-
2025	3.00%	427,000	3.00%	292,000	3.00%	46,000		-		-
2026	3.00%	441,000	3.00%	301,000	3.00%	48,000		-		-
2027	3.00%	455,000	3.00%	311,000	3.00%	49,000		-		-
2028	3.00%	107,000	3.00%	321,000	3.00%	5,034		-		-
2029		-	3.00%	332,000		-		-		-
2030		-	3.00%	337,000		-		-		-
Total		<u>\$ 5,325,000</u>		<u>\$ 4,558,000</u>		<u>\$ 570,034</u>		<u>\$ 193,000</u>		<u>\$ 3,267,000</u>

See accompanying independent auditor's report

General Obligation Notes

Capital Loan Note Issued July 1, 2006		Capital Loan Note Issued May 1, 2011		Total G.O. Notes
Interest Rates	Amount	Interest Rates	Amount	
4.05%	\$ 635,000	1.50%	\$ 480,000	\$ 1,115,000
4.05%	665,000	1.50%	485,000	1,150,000
4.10%	695,000	1.85%	450,000	1,145,000
-	-	2.15%	215,000	215,000
-	-	2.40%	220,000	220,000
-	-	2.60%	225,000	225,000
-	-	2.90%	235,000	235,000
-	-	3.05%	245,000	245,000
-	-	3.20%	255,000	255,000
-	-	3.30%	265,000	265,000
-	-	3.35%	280,000	280,000
-	-	3.45%	290,000	290,000
-	-	3.60%	300,000	300,000
-	-	3.70%	320,000	320,000
-	-	3.85%	335,000	335,000
-	-	4.00%	355,000	355,000
-	-	4.00%	370,000	370,000
<u>\$ 1,995,000</u>		<u>\$ 5,325,000</u>		<u>\$ 7,320,000</u>

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 Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.00%	\$ 5,000	3.00%	\$ 4,000	0.00%	\$ 18,000	0.00%	\$ 31,000	2.35%	\$ 415,000	\$ 1,906,000
3.00%	5,000	3.00%	4,000	-	-	-	-	2.75%	425,000	1,715,000
3.00%	5,000	3.00%	4,000	-	-	-	-	3.00%	435,000	1,275,000
3.00%	5,000	3.00%	4,000	-	-	-	-	3.25%	450,000	1,314,000
3.00%	6,000	3.00%	4,000	-	-	-	-	3.00%	855,000	1,745,000
3.00%	6,000	3.00%	4,000	-	-	-	-	-	-	915,000
3.00%	6,000	3.00%	4,000	-	-	-	-	-	-	943,000
3.00%	6,000	3.00%	5,000	-	-	-	-	-	-	973,000
3.00%	6,000	-	-	-	-	-	-	-	-	909,000
3.00%	7,000	-	-	-	-	-	-	-	-	724,000
3.00%	7,000	-	-	-	-	-	-	-	-	748,000
3.00%	7,000	-	-	-	-	-	-	-	-	772,000
3.00%	7,000	-	-	-	-	-	-	-	-	797,000
3.00%	8,000	-	-	-	-	-	-	-	-	823,000
3.00%	8,000	-	-	-	-	-	-	-	-	441,034
3.00%	8,000	-	-	-	-	-	-	-	-	340,000
3.00%	8,000	-	-	-	-	-	-	-	-	345,000
<u>\$ 110,000</u>		<u>\$ 33,000</u>		<u>\$ 18,000</u>		<u>\$ 31,000</u>		<u>\$ 2,580,000</u>		<u>\$ 16,685,034</u>

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

**Schedule 4**

For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Receipts:</b>										
Property and other City tax	\$ 6,257,200	\$ 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	1,148,408	1,449,319	959,599	847,236	921,749	887,670	890,451	1,200,875	1,190,644	784,772
Licenses and permits	218,443	240,914	203,938	222,811	249,394	240,869	293,117	242,983	259,406	167,825
Use of money and property	359,164	327,314	318,629	273,680	288,829	235,978	321,822	252,203	211,846	171,036
Intergovernmental	2,249,000	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	215,685	241,385	186,032	289,698	275,530	255,709	245,241	244,172	251,684	339,631
Special assessments	73,574	81,407	86,134	94,365	98,777	191,568	116,018	146,013	134,388	124,133
Miscellaneous	350,809	448,414	683,103	503,985	522,427	597,066	966,018	717,627	1,310,694	973,563
<b>Total</b>	<b>10,872,283</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	3,550,584	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	1,576,572	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	46,650	46,750	47,720	47,650	59,593	80,958	84,462	77,010	70,782	36,500
Culture and recreation	1,379,171	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	249,472	307,922	314,230	926,840	247,954	427,704	487,911	275,411	125,592	140,738
General government	800,333	864,395	818,646	763,222	747,359	648,328	677,312	800,212	619,701	587,278
Debt service	1,994,993	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	2,853,611	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>\$ 12,451,386</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, 2013**

**Schedule 5**

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Pass-through Program from:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	09-HSG-061	30,177
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	12-WS-004	<u>552,269</u>
Total U.S. Department of Housing and Urban Development			<u>582,446</u>
 <b>U.S. Department of Transportation</b>			
Direct:			
Federal Aviation Administration:			
Airport Improvement Program			
Rehabilitate Apron - Phase II	20.106	3-19-009-12	\$ 39,849
Rehabilitate Apron - Phase III	20.106	3-19-009-13	<u>360,683</u>
			<u>400,532</u>
Federal Highway Administration:			
Pass-through Program from:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	HDP-750-71-08	38,092
Highway Planning and Construction	20.205	STP-U-750(629)--70-08	<u>49,402</u>
			<u>87,494</u>
Total U.S. Department of Transportation			<u>488,026</u>
 <b>U.S. Department of Homeland Security</b>			
Direct:			
Assistance to Firefighters Grant	97.044	EMW-2011-FR-00008	109,512
Pass-through Program from:			
Iowa Homeland Security and Emergency Management			
Disaster Grants	97.036	015-07480-00	<u>112,035</u>
Total U.S. Department of Homeland Security			<u>221,547</u>
Total			<u><u>\$ 1,292,019</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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Boone's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Boone's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.



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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Boone's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Boone and are reported in Part IV of the accompanying Schedule of Findings and Questioned Costs. 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

The City of Boone's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Boone's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 26, 2014

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Independent Auditor's Report on Compliance  
for Each Major Federal Program, on Internal Control over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Boone, Iowa's compliance 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 program for the year ended June 30, 2013. The City of Boone's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Boone's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Boone's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Boone complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.



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## Report on Internal Control Over Compliance

The management of the City of Boone is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Boone's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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.

*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, noncompliance 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 that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Houston & Seeman, P.C.*

Houston & Seeman, P.C.  
Boone, Iowa

March 26, 2014

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

**Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified 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 disclosed by the audit of the financial statements.
- (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 disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Boone was determined to be 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-13 Certified Budget – Disbursements during the year ended June 30, 2013, did not exceed the amounts budgeted.

IV-B-13 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-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-13 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	10,931
Darwin Backous Spouse of Marla Backous, Employee	Contract Maintenance Library	13,862
Kemmerer Electric Harold Kemmerer, Employee	Replace Lighting	874

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.

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with Kemmerer does not represent a conflict of interest since the transaction did not exceed the \$1,500 limit set by the Code of Iowa.

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.

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

IV-E-13 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-13 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-13 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-13 Revenue Notes and Bonds – No instances of non-compliance with the requirements of the water and sewer revenue bond resolutions were noted.

IV-I-13 Urban Renewal Annual Report – No instances of non-compliance with Urban Renewal Annual Report for the Tax Incremental Financing Fund were noted.

IV-J-12 Financial Condition – At June 30, 2013 the City had deficit balances in the following accounts:

Special Revenue:	
FEMA Funding	\$ (55,765)
Debt Service:	
Special Assessment Bonds	(1,261,726)
Capital Projects:	
Fire Grant	(30,000)
Housing Project	(97,854)
Grade Separation	(133,678)
Apron Reconstruction	(527,252)
Neighborhood Stabilization	(61,197)
JAG Grant	(240)
RUT Equipment	(10,487)
T-Hangar Expansion	(134,806)
S. Marshall Reconstruction	(154,964)
Miscellaneous Projects	(30,762)

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, 2013:

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	\$53,238,249
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, 2013	5,243
Sewer rates in effect at June 30, 2013:	
Residential users:	
Inside City Limits:	
Flat service rate	\$3.00
Charge per 100 cubic feet (cf)	\$7.97/100 cf
Outside City Limits:	
Flat service rate	\$3.00
Charge per 100 cubic feet (cf)	\$8.85/100 cf
Industrial Users*:	
Inside City Limits:	
Flat service rate	\$300.00
Charge per 100 cubic feet (cf)	\$4.57/100 cf
Outside City Limits:	
Flat service rate	\$300.00
Charge per 100 cubic feet (cf)	\$5.07/100 cf

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