

CITY OF BOONE

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

JUNE 30, 2017

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CITY OF BOONE

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------------|---------------------------|---------------------|
| (Before January 2018) | | |
| John L.Slight | Mayor | Jan. 2020 |
| Steven Ray | Mayor Pro tem | Jan. 2020 |
| Gary Nystrom | Council Member | Jan. 2018 |
| Nick Mallas | Council Member | Jan. 2018 |
| C. Scott Porter (To November 2017) | Council Member | Jan. 2018 |
| Greg Piklapp | Council Member | Jan. 2018 |
| Steven Ray | Council Member | Jan. 2020 |
| Kevin Hicks | Council Member | Jan. 2020 |
| BJ McGinn | Council Member | Jan. 2020 |
| David Byrd (From November 2017) | Council Member | Jan. 2022 |
| William Skare | City Administrator | Indefinite |
| Ondrea Elmquist | Treasurer/Finance Officer | Indefinite |
| Jim Robbins | Attorney | Indefinite |
| (After January 2018) | | |
| John L.Slight | Mayor | Jan. 2020 |
| Steven Ray | Mayor Pro tem | Jan. 2020 |
| Steven Ray | Council Member | Jan. 2020 |
| Kevin Hicks | Council Member | Jan. 2020 |
| BJ McGinn | Council Member | Jan. 2020 |
| Greg Piklapp | Council Member | Jan. 2022 |
| David Byrd | Council Member | Jan. 2022 |
| Elijah Stines | Council Member | Jan. 2022 |
| Holly Stecker | Council Member | Jan. 2022 |
| William Skare | City Administrator | Indefinite |
| Ondrea Elmquist | Treasurer/Finance Officer | Indefinite |
| Jim Robbins | Attorney | Indefinite |

HOUSTON & SEEMAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
724 Story Street, Suite 601
Boone, IA 50036-2871

Kevin N. Houston, CPA
Eric G. Seeman, CPA

Telephone: (515) 432-1176
Fax: (515) 432-1186

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, 2017, and the related Notes to 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's 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 from 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, 2017, 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 basis of accounting other than U.S. generally accepted accounting principles. Our opinions are 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 twelve years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 basic 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, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability – IPERS, the Schedule of City's Contributions – IPERS, the Schedule of City's Proportionate Share of Net Pension Liability – MFPRSI, and the Schedule of City's Contributions - MFPRSI on pages 6 through 11 and 35 through 43 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 January 24, 2018 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.

January 24, 2018

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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- The City's governmental activities receipts decreased 22%, or approximately \$3.4 million, from fiscal year 2016.
- The City's governmental activities disbursements decreased 14%, or approximately \$1.9 million from fiscal year 2016.
- The City's governmental activities cash balance at June 30, 2017 increased 6%, or approximately \$514,000 from June 30, 2016.

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 and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

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 \$514,000 from a year ago, from \$9.3 million to \$9.8 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, | |
| | 2017 | 2016 |
| Receipts and transfers: | | |
| Program receipts: | | |
| Charges for services and sales | \$ 943 | 745 |
| Operating grants, contributions and restricted interest | 1,844 | 2,062 |
| Capital grants, contributions and restricted interest | 512 | 477 |
| General receipts: | | |
| Property tax | 6,313 | 6,423 |
| Local option sales tax | 1,245 | 1,085 |
| Hotel/motel tax | 158 | 152 |
| Franchise taxes | 258 | 249 |
| Unrestricted investment earnings | 31 | 23 |
| Bond proceeds | - | 3,165 |
| Other general receipts | 48 | 181 |
| Transfers, net | 624 | 799 |
| Total receipts and transfers | <u>11,976</u> | <u>15,361</u> |
| Disbursements: | | |
| Public safety | 3,848 | 3,634 |
| Public works | 1,755 | 1,713 |
| Health and social services | 52 | 52 |
| Culture and recreation | 1,607 | 1,370 |
| Community and economic development | 179 | 204 |
| General government | 814 | 722 |
| Debt service | 1,576 | 2,271 |
| Capital projects | 1,631 | 3,435 |
| Total disbursements | <u>11,462</u> | <u>13,401</u> |
| Change in cash basis net position | 514 | 1,960 |
| Cash basis net position beginning of year | <u>9,306</u> | <u>7,346</u> |
| Cash basis net position end of year | <u>\$ 9,820</u> | <u>9,306</u> |

The City's total receipts for governmental activities decreased by approximately 22%. The total cost of all programs and services decreased by approximately 14%.

The cost of all governmental activities this year was \$11,461,545 compared to \$13,400,884 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 \$8,052,969 because some of the cost was paid by those who directly benefited from the programs (\$943,450) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,355,813). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2017 from approximately \$3,285,000 to approximately \$3,299,000, principally due to an increase in charges for services and sales. The City paid for the remaining public benefit portion of governmental activities with approximately \$7,716,000 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, | |
| | 2017 | 2016 |
| Receipts and transfers: | | |
| Program receipts: | | |
| Charges for services and sales: | | |
| Water | \$ 2,805 | 2,631 |
| Sewer | 3,096 | 3,026 |
| Storm water | 197 | 197 |
| General receipts: | | |
| Unrestricted investment earnings | 38 | 18 |
| Bond proceeds | 118 | - |
| Transfers, net | (624) | (799) |
| Total receipts | <u>5,630</u> | <u>5,073</u> |
| Disbursements: | | |
| Water | 2,011 | 1,912 |
| Sewer | 2,478 | 2,269 |
| Storm water | 190 | 127 |
| Total disbursements and transfers | <u>4,679</u> | <u>4,308</u> |
| Change in cash basis net position | 951 | 765 |
| Cash basis net position beginning of year | <u>3,938</u> | <u>3,173</u> |
| Cash basis net position end of year | <u>\$ 4,889</u> | <u>3,938</u> |

Total business type activities receipts for the fiscal year increased 11% compared to last year. The cash balance increased by approximately \$951 thousand from the prior year. Total disbursements for the fiscal year increased 9% to a total of \$4.7 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 \$2,460,000, an increase of \$415,000 from the prior year.
- The Road Use Tax Fund cash balance decreased by \$69,000 to \$865,000 during the year.
- The Group Insurance Fund increased by \$477,000 during the fiscal year. The fund has a balance of \$2,166,000.
- The Employee Benefit Fund cash balance decreased by \$186,000 to \$382,000 during the year.
- The Local Option Sales Tax Fund was established in 1990 to collect a 1% local option sales and service tax. The City collected \$1,245,000 during this year, a 15% increase from 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 \$352,000.
- 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 \$230,000.
- The General Obligation Bonds/Notes Debt Service Fund is used to pay the principal and interest of the City's general obligation debt. The cash in this fund decreased by \$21,000 during the year with a balance of \$465,000 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 \$6,000 during the year with a balance at the end of the year of \$461,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The cash balance of the Sewer Fund increased by approximately \$495,000 to \$2,133,000.
- The Water Fund increased by approximately \$453,000 to \$2,375,000, due primarily to an increase in customers served and an increase in water meter rates.

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 15, 2017, to increase revenues and increase expenditures in certain City departments.

DEBT ADMINISTRATION

| Outstanding Debt at Year-End (Expressed in Thousands) | | |
|--|------------------|---------------|
| | 2017 | 2016 |
| General obligation bonds | \$ 4,445 | 5,590 |
| General obligation notes | 3,695 | 3,910 |
| Revenue bonds and notes | 10,747 | 11,910 |
| | <u>\$ 18,887</u> | <u>21,410</u> |

At year-end, the City had approximately \$18,887,000 in bonds and other long-term debt compared to approximately \$21,410,000 last year as shown above.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$8,140,000 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 2018 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$17 million, an increase of 3% from the final 2017 budget. Budgeted disbursements are \$18 million, an increase of 6% from the final 2017 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$1,119,000 by the close of 2018.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

CITY OF BOONE
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2017

| | Disbursements | Program Receipts | | |
|------------------------------------|---------------|-------------------------------|--|--|
| | | Charges for Service and Sales | Operating Grants, Contributions, and Restricted Interest | Capital Grants, Contributions, and Restricted Interest |
| Functions / Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 3,847,756 | \$ 410,175 | \$ 16,292 | \$ - |
| Public works | 1,755,289 | 141,675 | 1,584,720 | - |
| Health and social services | 52,500 | - | - | - |
| Culture and recreation | 1,606,540 | 222,294 | 88,174 | - |
| Community and economic development | 179,008 | 71,414 | - | - |
| General government | 813,845 | 97,892 | - | - |
| Debt service | 1,575,535 | - | - | - |
| Capital projects | 1,631,072 | - | 154,444 | 512,183 |
| Total governmental activities | 11,461,545 | 943,450 | 1,843,630 | 512,183 |
| Business-type activities: | | | | |
| Water | 2,010,548 | 2,804,995 | - | - |
| Sewer | 2,478,280 | 3,096,286 | - | - |
| Storm Water | 190,507 | 196,864 | - | - |
| Total business-type activities | 4,679,335 | 6,098,145 | - | - |
| Total | \$ 16,140,880 | \$ 7,041,595 | \$ 1,843,630 | \$ 512,183 |

General Receipts and Transfers:

- 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

Cash Basis Net Position

- 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 |
| \$ (3,421,289) | \$ - | \$ (3,421,289) |
| (28,894) | - | (28,894) |
| (52,500) | - | (52,500) |
| (1,296,072) | - | (1,296,072) |
| (107,594) | - | (107,594) |
| (715,953) | - | (715,953) |
| (1,575,535) | - | (1,575,535) |
| (964,445) | - | (964,445) |
| (8,162,282) | - | (8,162,282) |
| - | 794,447 | 794,447 |
| - | 618,006 | 618,006 |
| - | 6,357 | 6,357 |
| - | 1,418,810 | 1,418,810 |
| (8,162,282) | 1,418,810 | (6,743,472) |
| 5,252,977 | - | 5,252,977 |
| 642,594 | - | 642,594 |
| 367,212 | - | 367,212 |
| 50,423 | - | 50,423 |
| 1,244,567 | - | 1,244,567 |
| 157,612 | - | 157,612 |
| 258,262 | - | 258,262 |
| 30,503 | 37,870 | 68,373 |
| - | 118,000 | 118,000 |
| 48,819 | - | 48,819 |
| 623,579 | (623,579) | - |
| 8,676,548 | (467,709) | 8,208,839 |
| 514,266 | 951,101 | 1,465,367 |
| 9,305,759 | 3,938,276 | 13,244,035 |
| \$ 9,820,025 | \$ 4,889,377 | \$ 14,709,402 |
| \$ 461,290 | \$ - | \$ 461,290 |
| 864,887 | - | 864,887 |
| 352,336 | - | 352,336 |
| 465,441 | 1,258,000 | 1,723,441 |
| 1,841,258 | - | 1,841,258 |
| 4,544,892 | 339,469 | 4,884,361 |
| 1,289,921 | 3,291,908 | 4,581,829 |
| \$ 9,820,025 | \$ 4,889,377 | \$ 14,709,402 |

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2017

| | Special Revenue | | | | | Tax Increment Financing |
|---|---------------------|-------------------|---------------------|---------------------|------------------------------|-------------------------------|
| | General | Road Use Tax | Group Insurance | Employee Benefit | Local Option Sales Tax | |
| Receipts: | | | | | | |
| Property tax | \$ 3,059,772 | \$ - | \$ 1,592,028 | \$ 516,311 | \$ - | \$ - |
| Tax increment financing collections | - | - | - | - | - | 642,594 |
| Other city tax | 45,954 | - | - | - | 1,244,567 | - |
| Licenses and permits | 410,353 | - | - | - | - | - |
| Use of money and property | 256,959 | - | 15,778 | - | 458 | - |
| Intergovernmental | 266,680 | 1,571,783 | - | - | - | - |
| Charges for services | 111,603 | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - |
| Miscellaneous | 122,571 | - | 29,658 | 763 | - | - |
| Total receipts | 4,273,892 | 1,571,783 | 1,637,464 | 517,074 | 1,245,025 | 642,594 |
| Disbursements: | | | | | | |
| Operating: | | | | | | |
| Public safety | 2,493,976 | - | 493,931 | 602,234 | 204,737 | - |
| Public works | 116,580 | 1,212,500 | 204,430 | 118,474 | 40,000 | - |
| Health and social services | - | - | - | - | 52,500 | - |
| Culture and recreation | 1,040,054 | 28,499 | 148,965 | 120,968 | 192,264 | - |
| Community and economic development | 8,944 | - | - | 1,110 | - | 28,454 |
| General government | 376,895 | - | 313,275 | 70,396 | 9,746 | - |
| Debt service | - | - | - | - | - | - |
| Capital projects | - | - | - | - | - | - |
| Total disbursements | 4,036,449 | 1,240,999 | 1,160,601 | 913,182 | 499,247 | 28,454 |
| Excess (deficiency) of receipts over (under) disbursements | 237,443 | 330,784 | 476,863 | (396,108) | 745,778 | 614,140 |
| Other financing sources (uses): | | | | | | |
| Operating transfers in | 190,870 | - | - | 210,000 | - | - |
| Operating transfers out | (13,208) | (399,917) | - | - | (544,650) | (589,000) |
| Total other financing sources (uses) | 177,662 | (399,917) | - | 210,000 | (544,650) | (589,000) |
| Change in cash balances | 415,105 | (69,133) | 476,863 | (186,108) | 201,128 | 25,140 |
| Cash balances beginning of year | 2,045,271 | 934,020 | 1,689,339 | 568,212 | 809,256 | 327,196 |
| Cash balances end of year | \$ 2,460,376 | \$ 864,887 | \$ 2,166,202 | \$ 382,104 | \$ 1,010,384 | \$ 352,336 |
| Cash Basis Fund Balances | | | | | | |
| Nonspendable - Cemetary perpetual care | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted for: | | | | | | |
| Urban renewal purposes | - | - | - | - | - | 352,336 |
| Debt service | - | - | - | - | - | - |
| Streets | - | 864,887 | - | - | - | - |
| Capital projects | - | - | - | - | - | - |
| Other purposes | - | - | 2,166,202 | 382,104 | 1,010,384 | - |
| Unassigned | 2,460,376 | - | - | - | - | - |
| Total cash basis fund balances | \$ 2,460,376 | \$ 864,887 | \$ 2,166,202 | \$ 382,104 | \$ 1,010,384 | \$ 352,336 |

See notes to financial statements.

| Mary Garvey | Debt Service | | Permanent | Other | Total |
|----------------|--------------------------------------|--------------------------------|-------------------------------|-----------------------------------|--------------|
| | General Obligation Bonds/Notes | Special Assessment Bonds | Cemetery Perpetual Care | Nonmajor Governmental Funds | |
| \$ - | \$ 367,212 | \$ - | \$ - | \$ 84,866 | \$ 5,620,189 |
| - | - | - | - | - | 642,594 |
| - | - | - | - | 157,612 | 1,448,133 |
| - | - | - | - | - | 410,353 |
| 1,516 | - | - | - | 76,294 | 351,005 |
| - | - | - | - | 510,018 | 2,348,481 |
| - | - | - | - | 66,938 | 178,541 |
| - | - | 50,423 | - | - | 50,423 |
| - | - | - | 6,160 | 143,361 | 302,513 |
| 1,516 | 367,212 | 50,423 | 6,160 | 1,039,089 | 11,352,232 |
| - | - | - | - | 52,878 | 3,847,756 |
| - | - | - | - | 63,305 | 1,755,289 |
| - | - | - | - | - | 52,500 |
| 30,000 | - | - | - | 45,790 | 1,606,540 |
| - | - | - | - | 140,500 | 179,008 |
| - | - | - | - | 43,533 | 813,845 |
| - | 1,575,535 | - | - | - | 1,575,535 |
| - | - | - | - | 1,631,072 | 1,631,072 |
| 30,000 | 1,575,535 | - | - | 1,977,078 | 11,461,545 |
| (28,484) | (1,208,323) | 50,423 | 6,160 | (937,989) | (109,313) |
| - | 1,186,925 | - | - | 756,540 | 2,344,335 |
| - | - | - | - | (173,981) | (1,720,756) |
| - | 1,186,925 | - | - | 582,559 | 623,579 |
| (28,484) | (21,398) | 50,423 | 6,160 | (355,430) | 514,266 |
| 258,610 | 486,839 | (1,569,355) | 455,130 | 3,301,241 | 9,305,759 |
| \$ 230,126 | \$ 465,441 | \$ (1,518,932) | \$ 461,290 | \$ 2,945,811 | \$ 9,820,025 |
| \$ - | \$ - | \$ - | \$ 461,290 | \$ - | \$ 461,290 |
| - | - | - | - | - | 352,336 |
| - | 465,441 | - | - | - | 465,441 |
| - | - | - | - | - | 864,887 |
| - | - | - | - | 1,841,258 | 1,841,258 |
| 230,126 | - | - | - | 756,076 | 4,544,892 |
| - | - | (1,518,932) | - | 348,477 | 1,289,921 |
| \$ 230,126 | \$ 465,441 | \$ (1,518,932) | \$ 461,290 | \$ 2,945,811 | \$ 9,820,025 |

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2017

Exhibit C

| | Enterprise Funds | | | |
|---|---------------------|---------------------|--------------------------|---------------------|
| | Water | Sewer | Non-Major Storm Water | Total |
| Operating receipts: | | | | |
| Use of money and property | \$ 22,801 | \$ 15,069 | \$ - | \$ 37,870 |
| Charges for services | 2,804,995 | 3,096,286 | 196,864 | 6,098,145 |
| Total operating receipts | <u>2,827,796</u> | <u>3,111,355</u> | <u>196,864</u> | <u>6,136,015</u> |
| Operating disbursements: | | | | |
| Business-type activities | 1,502,728 | 1,276,174 | 190,507 | 2,969,409 |
| Total operating disbursements | <u>1,502,728</u> | <u>1,276,174</u> | <u>190,507</u> | <u>2,969,409</u> |
| Excess of operating receipts over operating disbursements | 1,325,068 | 1,835,181 | 6,357 | 3,166,606 |
| Non-operating (disbursements): | | | | |
| Debt service | (507,820) | (1,202,106) | - | (1,709,926) |
| Excess of receipts over disbursements | 817,248 | 633,075 | 6,357 | 1,456,680 |
| Bond proceeds | - | 118,000 | - | 118,000 |
| Transfers in | - | 410,000 | - | 410,000 |
| Transfers out | (364,202) | (665,877) | (3,500) | (1,033,579) |
| Change in cash balances | 453,046 | 495,198 | 2,857 | 951,101 |
| Cash balances beginning of year | 1,921,764 | 1,638,220 | 378,292 | 3,938,276 |
| Cash balances end of year | <u>\$ 2,374,810</u> | <u>\$ 2,133,418</u> | <u>\$ 381,149</u> | <u>\$ 4,889,377</u> |
| Cash Basis Fund Balances | | | | |
| Restricted for: | | | | |
| Debt service | \$ 578,000 | \$ 680,000 | \$ - | \$ 1,258,000 |
| Customer deposits | 339,469 | - | - | 339,469 |
| Unrestricted | 1,457,341 | 1,453,418 | 381,149 | 3,291,908 |
| Total cash basis fund balances | <u>\$ 2,374,810</u> | <u>\$ 2,133,418</u> | <u>\$ 381,149</u> | <u>\$ 4,889,377</u> |

See notes to financial statements.

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Funds
As of and for the year ended June 30, 2017

Exhibit D

| | Miles of Lights | Swim Team | Fireworks | Downtown Beautification | Character Counts |
|---|--------------------|--------------|------------|----------------------------|---------------------|
| Receipts: | | | | | |
| Miscellaneous | \$ 635 | \$ 5,648 | \$ 3,861 | \$ 100 | \$ - |
| Total receipts | 635 | 5,648 | 3,861 | 100 | - |
| Disbursements: | | | | | |
| Culture and recreation | - | 6,188 | - | - | - |
| Community and economic development | - | - | 4,000 | - | - |
| Total disbursements | - | 6,188 | 4,000 | - | - |
| Excess (deficiency) of receipts over (under) disbursements | 635 | (540) | (139) | 100 | - |
| Cash balances beginning of year | (709) | 1,131 | (998) | 374 | 2,326 |
| Cash balances end of year | \$ (74) | \$ 591 | \$ (1,137) | \$ 474 | \$ 2,326 |
| Cash Basis Fund Balances | | | | | |
| Restricted for: | | | | | |
| Private purpose trust funds | \$ (74) | \$ 591 | \$ (1,137) | \$ 474 | \$ 2,326 |
| Total cash basis fund balances | \$ (74) | \$ 591 | \$ (1,137) | \$ 474 | \$ 2,326 |

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 Ericson Public Library has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Ericson Public Library. Each year from book sales the Friends of the Ericson Public Library purchase equipment for the benefit of the Ericson 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 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 is often subject to constraints 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.

Note 2 – Cash and Pooled Investments

The City’s deposits in banks at June 30, 2017, 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, 2017, the City had the following investments:

| | <u>Carrying Amount</u> | <u>Fair Value</u> |
|---|----------------------------|-----------------------|
| U.S. Government and Agencies Securities | \$1,358,643 | \$1,505,907 |
| Certificates of Deposit | 1,984,270 | 1,984,270 |
| Money Market Accounts | <u>41,842</u> | <u>41,842</u> |
| | <u>\$3,384,755</u> | <u>\$3,532,019</u> |

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

CITY OF BOONE
Notes to Financial Statements

Note 2 – Cash and Pooled Investments (continued)

The recurring fair value of the U.S. Government and Agencies Securities, Certificates of Deposit, and Money Market Accounts were determined using quoted market prices. (Level 1 inputs)

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$74,586 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City’s investment in the Iowa Public Agency Investment Trust is unrated.

Interest 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.

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 | | Revenue Capital Loan Notes | | Total | |
|-------------------------------|-----------------------------|-------------------|-----------------------------|---------------------|-------------------------------|---------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| | 2018 | \$ 1,170,000 | \$ 69,203 | \$ 220,000 | \$ 126,245 | \$ 1,729,000 | \$ 250,658 | \$ 3,119,000 |
| 2019 | 610,000 | 68,308 | 225,000 | 120,965 | 894,000 | 201,531 | 1,729,000 | 390,804 |
| 2020 | 620,000 | 59,386 | 235,000 | 115,115 | 916,000 | 181,888 | 1,771,000 | 356,389 |
| 2021 | 440,000 | 48,998 | 245,000 | 108,300 | 934,000 | 161,766 | 1,619,000 | 319,064 |
| 2022 | 445,000 | 40,148 | 255,000 | 100,828 | 864,000 | 141,244 | 1,564,000 | 282,220 |
| 2023 | 450,000 | 29,956 | 265,000 | 92,666 | 677,000 | 122,175 | 1,392,000 | 244,797 |
| 2024 | 350,000 | 19,530 | 280,000 | 83,922 | 692,000 | 106,890 | 1,322,000 | 210,342 |
| 2025 | 360,000 | 10,080 | 290,000 | 74,542 | 702,000 | 91,268 | 1,352,000 | 175,890 |
| 2026 | - | - | 300,000 | 64,538 | 717,000 | 76,800 | 1,017,000 | 141,338 |
| 2027 | - | - | 320,000 | 53,738 | 738,000 | 59,235 | 1,058,000 | 112,973 |
| 2028 | - | - | 335,000 | 41,898 | 753,000 | 42,570 | 1,088,000 | 84,468 |
| 2029 | - | - | 355,000 | 29,000 | 773,000 | 25,568 | 1,128,000 | 54,568 |
| 2030 | - | - | 370,000 | 14,800 | 358,000 | 8,115 | 728,000 | 22,915 |
| Total | <u>\$ 4,445,000</u> | <u>\$ 345,609</u> | <u>\$ 3,695,000</u> | <u>\$ 1,026,557</u> | <u>\$10,747,000</u> | <u>\$ 1,469,708</u> | <u>\$18,887,000</u> | <u>\$ 2,841,874</u> |

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$3,965,000 in water revenue capital loan notes. Proceeds from the bonds provided refinancing of the water revenue bonds issued in August 1998 for the construction of water treatment plant and for improvements to the water system. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 40 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,014,665. For the current year, principal and interest paid and total customer net receipts were \$507,030 and \$1,325,068, respectively.

CITY OF BOONE
Notes to Financial Statements

Note 3 – Bonds and Notes Payable (continued)

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$13,664,000 in sewer revenue capital loan notes. Proceeds from the notes provided refinancing of the sewer revenue bonds issued June 2009, October 2009, and February 2010 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 60 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$11,202,043. For the current year, principal and interest paid and total customer net receipts were \$9,996,568 and \$1,835,181, respectively.

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

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

Note 4 – Iowa Public Employees Retirement System (IPERS)

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

CITY OF BOONE
Notes to Financial Statements

Note 4 – Iowa Public Employees Retirement System (IPERS) (continued)

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percent point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$185,390.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$1,735,122 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was 0.0275709%, which was a decrease of 0.001702% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017 the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$216,032, \$535,457, and \$252,213 respectively.

CITY OF BOONE
Notes to Financial Statements

Note 4 – Iowa Public Employees Retirement System (IPERS) (continued)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

| | |
|--|---|
| Rate of inflation (effective June 30, 2014) | 3.00% per annum |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00%, average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50%, compounded annually, net of investment expense, including inflation. |
| Wage Growth (effective June 30, 1990) | 4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation. |

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Real Rate of Return</u> |
|------------------------|-------------------------|----------------------------|
| Core plus fixed income | 28% | 1.90% |
| Domestic equity | 24 | 5.85 |
| International equity | 16 | 6.32 |
| Private equity/debt | 11 | 10.31 |
| Real estate | 8 | 3.87 |
| Credit opportunities | 5 | 4.48 |
| U.S. TIPS | 5 | 1.36 |
| Other real assets | 2 | 6.42 |
| Cash | 1 | (0.26) |
| Total | <u>100%</u> | |

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BOONE
Notes to Financial Statements

Note 4 – Iowa Public Employees Retirement System (IPERS) (continued)

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

| | 1% Decrease <u>(6.50%)</u> | Discount Rate <u>(7.50%)</u> | 1% Increase <u>(8.50%)</u> |
|--|----------------------------------|------------------------------------|----------------------------------|
| City’s proportionate share of the net pension liability | \$ 2,873,043 | \$ 1,735,122 | \$774,787 |

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Note 5 – Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member’s highest 3 years of compensation. The average of these 3 years becomes the member’s average final compensation. The base benefit is 66% of the member’s average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member’s average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen, plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members at least 55 years of age with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member’s retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member’s retirement benefit at the member’s earliest date eligible and 100% if the member delays enrollment for 24 months. At the member’s actual date of retirement, the member’s DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

CITY OF BOONE
Notes to Financial Statements

Note 5 – Municipal Fire and Police Retirement System of Iowa (MFPRSI) (continued)

Disability and Death Benefits – Disability benefits may be either accidental or ordinary. Accidental disability is defined as a permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation for those with 5 or more years of service or the member's service retirement benefit calculation amount and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa, which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2017.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.92% for the year ended June 30, 2017.

The City's contributions to MFPRSI for the year ended June 30, 2017 was \$397,007.

If approved by the State Legislature, state appropriations may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa, therefore, is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2017.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$3,671,588 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2016, the City's proportion was .587209% which was a decrease of .004278% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$502,450, \$748,222, and \$755,170, respectively.

CITY OF BOONE
Notes to Financial Statements

Note 5 – Municipal Fire and Police Retirement System of Iowa (MFPRSI) (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Rate of inflation | 3.00% |
| Salary increases | 4.50 to 15.00%, including inflation |
| Investment rate of return | 7.50%, net of investment expense, including inflation |

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 through June 30, 2012.

Postretirement mortality rates were based on the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e. expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---|---|
| Large cap | 6.0% |
| Small cap | 5.8 |
| International large cap | 7.0 |
| Emerging markets | 8.8 |
| Emerging markets debt | 6.5 |
| Private non-core real estate | 9.3 |
| Master limited partnerships | 8.5 |
| Private equity | 9.8 |
| Core plus fixed income | 3.8 |
| Private core real estate | 6.8 |
| Treasury inflation protected securities | 2.8 |
| Tactical asset allocation | 6.0 |

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City’s contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

CITY OF BOONE
Notes to Financial Statements

Note 5 – Municipal Fire and Police Retirement System of Iowa (MFPRSI) (continued)

| | 1% Decrease <u>(6.50%)</u> | Discount Rate <u>(7.50%)</u> | 1% Increase <u>(8.50%)</u> |
|--|----------------------------------|------------------------------------|----------------------------------|
| City’s proportionate share of the net pension liability | \$ 5,762,378 | \$ 3,671,592 | \$ 1,930,414 |

MFPRSI’s Fiduciary Net Position – Detailed information about the MFPRSI’s fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI’s website at www.mfprsi.org.

Note 6 – 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 63 active and 3 retired members in the plan. Retired 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 \$739 for single coverage and \$1,787 for family coverage for traditional health insurance and \$606 for single coverage and \$1,464 for family coverage for the health savings account insurance option. The same monthly premiums apply to retirees. For the year ended June 30, 2017, the City contributed \$1,160,600 for active employees. Active employee and retiree plan members eligible for benefits contributed \$42,242 and \$25,963, respectively.

Note 7 – 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, 2017, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|--------------------|
| Vacation | \$ 270,000 |
| Sick leave | <u>1,680,000</u> |
| Total | <u>\$1,950,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2017.

Note 8 – Related Party Transactions

The City had business transactions between the City and City officials, totaling \$59,243 during the year ended June 30, 2017.

CITY OF BOONE
Notes to Financial Statements

Note 9 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017, is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|-----------------------------|---------------------------|---------------------|
| General Fund: | General Fund: | |
| General | Family Resource | \$ 5,870 |
| | Enterprise: | |
| | Sewer | <u>185,000</u> |
| | | \$ <u>190,870</u> |
| Special Revenue: | General Fund: | |
| FEMA Funding | General | \$ 13,151 |
| | Enterprise: | |
| | Water | 13,152 |
| | Sewer | <u>13,152</u> |
| | | \$ <u>39,455</u> |
| | Special Revenue: | |
| Employee Benefit | Local Option Sales Tax | \$ <u>210,000</u> |
| Debt Service: | Special Revenue: | |
| General Obligation | Local Option Sales Tax | \$ 185,650 |
| Bonds/Notes | Tax Increment Financing | 179,000 |
| | Enterprise: | |
| | Water | 351,050 |
| | Sewer | 467,725 |
| | Storm Water Utility | <u>3,500</u> |
| | | \$ <u>1,186,925</u> |
| Capital Project: | General Fund: | |
| Taxiway Rehab | General | \$ 57 |
| | Special Revenue: | |
| | Local Option Sales Tax | <u>29,000</u> |
| | | \$ <u>29,057</u> |
| Crawford St. Reconstruction | Local Option Sales Tax | \$ <u>120,000</u> |
| Roadway Maintenance | Road Use Tax | \$ <u>182,412</u> |
| RUT Equipment | Road Use Tax | \$ <u>1,505</u> |
| Quartz Ave. Paving | Road Use Tax | \$ <u>76,000</u> |
| McHose Park Overlay | Road Use Tax | \$ <u>140,000</u> |
| Grade Separation | Capital Projects: | |
| | RL Fisher Industrial Park | \$ <u>168,111</u> |
| Enterprise: | Special Revenue: | |
| Sewer | Tax Increment Financing | \$ <u>410,000</u> |
| Total | | \$ <u>2,754,335</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources

CITY OF BOONE
Notes to Financial Statements

Note 10 – Industrial Development Revenue Bonds

The City has issued a total of \$2,700,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which approximately \$1,820,000 is outstanding at June 30, 2017. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

Note 11 – Deficit Balances

At June 30, 2017 the City had deficit balances in the following accounts:

| | |
|---------------------------|-------------|
| Debt Service: | |
| Special Assessment Bonds | (1,518,932) |
| Capital Projects: | |
| T-Hangar Expansion | (30,514) |
| ARPT Joint Sealing S. End | (19,234) |
| US Hwy Corridor Study | (83,059) |
| Marion St. Reconstruction | (42,435) |
| 2015 Hanger Improvement | (302,580) |

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 debt service fund deficit will be addressed on an ongoing basis.

Note 12 – 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 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, 2017, the City rebated \$33,454 of incremental tax to the developers.

Note 14 – Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

CITY OF BOONE
Notes to Financial Statements

Note 14 – Tax Abatements (continued)

For the year ended June 30, 2017, the City abated \$243,020 of property tax under the urban renewal and economic development projects.

Note 15 – Pending Litigation

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

Note 16 – Subsequent Events

The City has evaluated all subsequent events through January 24, 2018, the date the financial statements were available to be issued.

Note 17 – New Accounting Pronouncement

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements.

Note 18 – Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

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, 2017

| | Governmental Funds Actual | Proprietary Funds Actual | Total Actual |
|--|---------------------------------|--------------------------------|-----------------|
| Receipts: | | | |
| Property tax | \$ 5,620,189 | \$ - | \$ 5,620,189 |
| Tax increment financing collections | 642,594 | - | 642,594 |
| Other city tax | 1,448,133 | - | 1,448,133 |
| Licenses and permits | 410,353 | - | 410,353 |
| Use of money and property | 351,005 | 37,870 | 388,875 |
| Intergovernmental | 2,348,481 | - | 2,348,481 |
| Charges for services | 178,541 | 6,098,145 | 6,276,686 |
| Special assessments | 50,423 | - | 50,423 |
| Miscellaneous | 302,513 | - | 302,513 |
| Total receipts | 11,352,232 | 6,136,015 | 17,488,247 |
| Disbursements: | | | |
| Public safety | 3,847,756 | - | 3,847,756 |
| Public works | 1,755,289 | - | 1,755,289 |
| Health and social services | 52,500 | - | 52,500 |
| Culture and recreation | 1,606,540 | - | 1,606,540 |
| Community and economic development | 179,008 | - | 179,008 |
| General government | 813,845 | - | 813,845 |
| Debt service | 1,575,535 | - | 1,575,535 |
| Capital projects | 1,631,072 | - | 1,631,072 |
| Business-type activities | - | 4,679,335 | 4,679,335 |
| Total disbursements | 11,461,545 | 4,679,335 | 16,140,880 |
| Excess (deficiency) of receipts over disbursements | (109,313) | 1,456,680 | 1,347,367 |
| Other financing sources, net | 623,579 | (505,579) | 118,000 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 514,266 | 951,101 | 1,465,367 |
| Balances beginning of year | 9,305,759 | 3,938,276 | 13,244,035 |
| Balances end of year | \$ 9,820,025 | \$ 4,889,377 | \$ 14,709,402 |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to Actual |
|---------------------|----------------------|---------------------|
| Original | Final | Variance |
| \$ 5,347,142 | \$ 5,347,142 | \$ 273,047 |
| 601,330 | 601,330 | 41,264 |
| 1,352,231 | 1,352,231 | 95,902 |
| 348,600 | 348,600 | 61,753 |
| 222,767 | 222,767 | 166,108 |
| 2,578,720 | 2,603,720 | (255,239) |
| 6,145,630 | 6,195,630 | 81,056 |
| 42,100 | 42,100 | 8,323 |
| 161,400 | 202,400 | 100,113 |
| <u>16,799,920</u> | <u>16,915,920</u> | <u>572,327</u> |
| 4,204,375 | 4,257,277 | 409,521 |
| 2,089,313 | 2,089,313 | 334,024 |
| 52,500 | 52,500 | - |
| 1,694,525 | 1,694,525 | 87,985 |
| 224,800 | 254,800 | 75,792 |
| 845,455 | 845,455 | 31,610 |
| 1,623,253 | 1,623,253 | 47,718 |
| 1,636,148 | 1,636,148 | 5,076 |
| 4,944,970 | 4,944,970 | 265,635 |
| <u>17,315,339</u> | <u>17,398,241</u> | <u>1,257,361</u> |
| (515,419) | (482,321) | 1,829,688 |
| - | - | 118,000 |
| (515,419) | (482,321) | 1,947,688 |
| <u>9,056,108</u> | <u>13,047,864</u> | <u>196,171</u> |
| <u>\$ 8,540,689</u> | <u>\$ 12,565,543</u> | <u>\$ 2,143,859</u> |

CITY OF BOONE

Notes to Other Information – Budgetary Reporting

June 30, 2017

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 nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. 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 \$82,902 and increased budgeted revenues by \$116,000. This budget amendment is reflected in the final budgeted amounts.

CITY OF BOONE
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Other Information

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| City's proportion of the net pension liability | 0.0275709% | 0.0292724% | 0.0309217% |
| City's proportionate share of the net pension liability | \$1,735 | \$1,446 | \$1,226 |
| City's covered-employee payroll | \$2,093 | \$2,154 | \$2,215 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 82.90% | 67.13% | 55.35% |
| IPERS' net position as a percentage of the total pension liability | 81.82% | 85.19% | 87.61% |

*In accordance with GASB Statement No. 68, the amounts for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

CITY OF BOONE
Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Statutorily required contribution | \$ 185 | 188 | 193 | 199 | 185 | 172 | 147 | 134 | 127 | 129 |
| Contributions in relation to the statutorily required contribution | (185) | (188) | (193) | (199) | (185) | (172) | (147) | (134) | (127) | (129) |
| Contribution deficiency (excess) | \$ - | - | - | - | - | - | - | - | - | - |
| City's covered-employee payroll | \$ 2,067 | 2,093 | 2,154 | 2,215 | 2,119 | 2,106 | 2,073 | 2,006 | 1,996 | 2,158 |
| Contributions as a percentage of covered-employee payroll | 8.95% | 8.98% | 8.96% | 8.98% | 8.73% | 8.17% | 7.09% | 6.68% | 6.36% | 5.98% |

See accompanying independent auditor's report.

CITY OF BOONE

Notes to Other Information – Pension Liability IPERS

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

CITY OF BOONE
Schedule of the City's Proportionate Share of the Net Pension Liability

Municipal Fire and Police Retirement System of Iowa
For the Last Two Years*
(In Thousands)

Other Information

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| City's proportion of the net pension liability | 0.5872090% | 0.5914870% | 0.5817690% |
| City's proportionate share of the net pension liability | \$2,759 | \$2,779 | \$2,109 |
| City's covered-employee payroll | \$1,499 | \$1,551 | \$1,486 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 184.06% | 179.17% | 141.92% |
| Plan fiduciary net position as a percentage of the total pension liability | 78.20% | 83.04% | 86.27% |

*In accordance with GASB Statement No. 68, the amounts for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

CITY OF BOONE
Schedule of City Contributions

Municipal Fire and Police Retirement System of Iowa
Last 10 Fiscal Years
(In Thousands)

Other Information

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Statutorily required contribution | \$ 397 | 416 | 472 | 447 | 376 | 340 | 257 | 234 | 267 | 390 |
| Contributions in relation to the statutorily required contribution | (397) | (416) | (472) | (447) | (376) | (340) | (257) | (234) | (267) | (390) |
| Contribution deficiency (excess) | \$ - | - | - | - | - | - | - | - | - | - |
| City's covered-employee payroll | \$ 1,532 | 1,499 | 1,551 | 1,486 | 1,438 | 1,385 | 1,345 | 1,379 | 1,488 | 1,472 |
| Contributions as a percentage of covered-employee payroll | 25.91% | 27.75% | 30.43% | 30.08% | 26.15% | 24.55% | 19.11% | 16.97% | 17.94% | 26.49% |

See accompanying independent auditor's report.

CITY OF BOONE

Notes to Other Information – Pension Liability MFPRSI

Year ended June 30, 2017

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Postretirement mortality changed to the RP-2000 Blue Collar combined Healthy Mortality Table with males set-back two years, females set-forward one year and disableds set-forward one year (male only rates), with no projection of future mortality improvement.

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, 2017

| | General | | | | | Special Revenue | | | | | | | | | | | | | | | |
|--|--------------|-------------------|------------------|--------------|-------------------|-----------------|--------------------|---------------|-------------------|------------------|------------------|-------------------|------------------|------------------|---------------------|------------------|---------------------|-----------------------|----------------------|------------------|-------------|
| | Recreation | Hotel/Motel Tax | Landfill | Tennis | Family Resource | FEMA Funding | Unfunded Liability | Emergency | TIF LMI | Police Trust | Fire Trust | Library Trust | Park Trust | Grant Projects | Demolition Projects | Sanitary Sewer | Roadway Maintenance | WW Plant Sludge Press | Apron Reconstruction | Lift Station | |
| Receipts: | | | | | | | | | | | | | | | | | | | | | |
| Property tax | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 84,431 | \$ 435 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other city tax | - | 157,612 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Use of money and property | - | - | - | - | 74,602 | - | - | - | - | - | - | 1,692 | - | - | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 408,293 | - |
| Charges for services | - | - | 62,905 | 4,033 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - | 49,170 | 9,704 | 27,706 | - | - | 13,794 | - | - | - | - | - | - |
| Total receipts | - | 157,612 | 62,905 | 4,033 | 74,602 | - | 84,431 | 435 | - | 49,170 | 9,704 | 29,398 | - | - | 13,794 | - | - | - | - | 408,293 | - |
| Disbursements: | | | | | | | | | | | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | | | | | | | | | | | |
| Public safety | - | - | - | - | - | - | 20,143 | - | - | 27,455 | 5,280 | - | - | - | - | - | - | - | - | - | - |
| Public works | - | - | 63,305 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Culture and recreation | - | 8,840 | - | 3,995 | - | - | - | - | - | - | - | 32,955 | - | - | - | - | - | - | - | - | - |
| Community and economic development | - | 135,500 | - | - | - | - | - | - | 5,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| General government | - | - | - | - | 43,533 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital projects | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 43,858 | - | 165,169 | - | 123,713 | - | - |
| Total disbursements | - | 144,340 | 63,305 | 3,995 | 43,533 | - | 20,143 | - | 5,000 | 27,455 | 5,280 | 32,955 | - | - | 43,858 | - | 165,169 | - | 123,713 | - | - |
| Excess (deficiency) of receipts over (under) disbursements | - | 13,272 | (400) | 38 | 31,069 | - | 64,288 | 435 | (5,000) | 21,715 | 4,424 | (3,557) | - | - | (30,064) | - | (165,169) | - | 284,580 | - | - |
| Other financing sources (uses): | | | | | | | | | | | | | | | | | | | | | |
| Operating transfers in | - | - | - | - | - | 39,455 | - | - | - | - | - | - | - | - | - | - | 182,412 | - | - | - | - |
| Operating transfers out | - | - | - | - | (5,870) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | (5,870) | 39,455 | - | - | - | - | - | - | - | - | - | - | 182,412 | - | - | - | - |
| Net change in cash balances | - | 13,272 | (400) | 38 | 25,199 | 39,455 | 64,288 | 435 | (5,000) | 21,715 | 4,424 | (3,557) | - | - | (30,064) | - | 17,243 | - | 284,580 | - | - |
| Cash balances beginning of year | 32 | 166,514 | 23,587 | 56 | 120,179 | (39,455) | 129,006 | - | 229,073 | 75,843 | 11,551 | 217,282 | 11,016 | 36,925 | 96,026 | 64,932 | 250,000 | 385,186 | (260,430) | 23,085 | - |
| Cash balances end of year | \$ 32 | \$ 179,786 | \$ 23,187 | \$ 94 | \$ 145,378 | \$ - | \$ 193,294 | \$ 435 | \$ 224,073 | \$ 97,558 | \$ 15,975 | \$ 213,725 | \$ 11,016 | \$ 36,925 | \$ 65,962 | \$ 64,932 | \$ 267,243 | \$ 385,186 | \$ 24,150 | \$ 23,085 | \$ - |
| Cash Basis Fund Balances | | | | | | | | | | | | | | | | | | | | | |
| Restricted for: | | | | | | | | | | | | | | | | | | | | | |
| Capital projects | - | - | - | - | - | - | - | - | - | - | - | - | - | 36,925 | 65,962 | 64,932 | 267,243 | 385,186 | 24,150 | 23,085 | - |
| Other purposes | - | - | - | - | - | - | 193,294 | 435 | 224,073 | 97,558 | 15,975 | 213,725 | 11,016 | - | - | - | - | - | - | - | - |
| Unassigned | 32 | 179,786 | 23,187 | 94 | 145,378 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total cash basis fund balances | \$ 32 | \$ 179,786 | \$ 23,187 | \$ 94 | \$ 145,378 | \$ - | \$ 193,294 | \$ 435 | \$ 224,073 | \$ 97,558 | \$ 15,975 | \$ 213,725 | \$ 11,016 | \$ 36,925 | \$ 65,962 | \$ 64,932 | \$ 267,243 | \$ 385,186 | \$ 24,150 | \$ 23,085 | \$ - |

See accompanying independent auditor's report.

Capital Projects

| T-Hangar Expansion | S. Marshall Reconsruction | Park/PW Building | Water Tower Repair/Paint | ARPT Joint Sealing S. End | US Hwy Corridor Study | Downtown Incentive | Marion St. Reconstruction | Crawford St Reconstruction | Benton St. Reconstruction | 2015 Hangar Improvement | Quartz Ave. Paving | McHose Park Overlay | Miscellaneous Projects | Total |
|--------------------|---------------------------|------------------|--------------------------|---------------------------|-----------------------|--------------------|---------------------------|----------------------------|---------------------------|-------------------------|--------------------|---------------------|------------------------|--------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 84,866 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | 157,612 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | 76,294 |
| - | 5,867 | - | - | 56,083 | - | - | 1,936 | - | - | - | - | - | 37,839 | 510,018 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | 66,938 |
| 11,000 | - | - | - | - | - | - | - | 280 | - | - | - | - | 31,707 | 143,361 |
| 11,000 | 5,867 | - | - | 56,083 | - | - | 1,936 | 280 | - | - | - | - | 69,546 | 1,039,089 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | 52,878 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | 63,305 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | 45,790 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | 140,500 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | 43,533 |
| - | - | 15,866 | - | - | 4,036 | 8,474 | 16,250 | 892,584 | 228,006 | 14,929 | 11,019 | - | 107,168 | 1,631,072 |
| - | - | 15,866 | - | - | 4,036 | 8,474 | 16,250 | 892,584 | 228,006 | 14,929 | 11,019 | - | 107,168 | 1,977,078 |
| 11,000 | 5,867 | (15,866) | - | 56,083 | (4,036) | (8,474) | (14,314) | (892,304) | (228,006) | (14,929) | (11,019) | - | (37,622) | (937,989) |
| - | - | - | - | - | - | - | - | 120,000 | - | - | 76,000 | 140,000 | 198,673 | 756,540 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | (168,111) | (173,981) |
| - | - | - | - | - | - | - | - | 120,000 | - | - | 76,000 | 140,000 | 30,562 | 582,559 |
| 11,000 | 5,867 | (15,866) | - | 56,083 | (4,036) | (8,474) | (14,314) | (772,304) | (228,006) | (14,929) | 64,981 | 140,000 | (7,060) | (355,430) |
| (41,514) | 5,867 | 701,399 | 35,431 | (75,317) | (79,023) | 17,336 | (28,121) | 862,433 | 382,900 | (287,651) | - | - | 267,093 | 3,301,241 |
| \$ (30,514) | \$ 11,734 | \$ 685,533 | \$ 35,431 | \$ (19,234) | \$ (83,059) | \$ 8,862 | \$ (42,435) | \$ 90,129 | \$ 154,894 | \$ (302,580) | \$ 64,981 | \$ 140,000 | \$ 260,033 | \$ 2,945,811 |
| (30,514) | 11,734 | 685,533 | 35,431 | (19,234) | (83,059) | 8,862 | (42,435) | 90,129 | 154,894 | (302,580) | 64,981 | 140,000 | 260,033 | 1,841,258 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | 756,076 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | 348,477 |
| \$ (30,514) | \$ 11,734 | \$ 685,533 | \$ 35,431 | \$ (19,234) | \$ (83,059) | \$ 8,862 | \$ (42,435) | \$ 90,129 | \$ 154,894 | \$ (302,580) | \$ 64,981 | \$ 140,000 | \$ 260,033 | \$ 2,945,811 |

CITY OF BOONE
Schedule of Indebtedness
Year Ended June 30, 2017

| 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 | \$ 1,100,000 | \$ - | \$ 540,000 | \$ 560,000 | \$ 43,190 |
| Essential corporate purpose | May 2013 | 0.30-1.55 % | 2,090,000 | 1,450,000 | - | 280,000 | 1,170,000 | 13,270 |
| Essential corporate purpose | September 2015 | 1.50 - 2.80 % | 3,165,000 | 3,040,000 | - | 325,000 | 2,715,000 | 69,948 |
| Total | | | | \$ 5,590,000 | \$ - | \$ 1,145,000 | \$ 4,445,000 | \$ 126,408 |
| General obligation notes: | | | | | | | | |
| Capital loan note | May 2011 | 1.25 - 4.10 % | 6,915,000 | 3,910,000 | - | 215,000 | 3,695,000 | 130,868 |
| Total | | | | \$ 3,910,000 | \$ - | \$ 215,000 | \$ 3,695,000 | \$ 130,868 |
| Revenue notes: | | | | | | | | |
| Sewer revenue capital loan notes | June 2009 | 3.00 % | 7,283,000 | 4,486,000 | - | 4,486,000 | - | 67,290 |
| Sewer revenue capital loan notes | October 2009 | 3.00 % | 5,142,000 | 3,927,000 | - | 3,927,000 | - | 58,905 |
| Sewer revenue capital loan notes | February 2010 | 3.00 % | 814,000 | 494,000 | - | 494,000 | - | 7,410 |
| Sewer revenue capital loan notes | May 2012 | 2.05 % | 4,639,000 | 1,582,000 | - | 262,000 | 1,320,000 | 32,432 |
| Sewer revenue capital loan notes | December 2016 | 2.25 % | 9,025,000 | - | 9,025,000 | 560,000 | 8,465,000 | 101,531 |
| Water revenue capital loan notes | February 2010 | 3.00 % | 130,000 | 95,000 | - | 5,000 | 90,000 | 2,850 |
| Water revenue capital loan notes | February 2010 | 3.00 % | 70,000 | 21,000 | - | 4,000 | 17,000 | 630 |
| Water revenue capital loan notes | May 2010 | 2.00 - 3.50 % | \$ 3,765,000 | 1,305,000 | - | 450,000 | 855,000 | 44,550 |
| Total | | | | \$ 11,910,000 | \$ 9,025,000 | \$ 10,188,000 | \$ 10,747,000 | \$ 315,598 |

See accompanying independent auditor's report.

CITY OF BOONE
Bond and Note Maturities
June 30, 2017

| General Obligation Bonds | | | | | | | |
|----------------------------|---|-------------------|---|---------------------|---|---------------------|---------------------|
| Year Ending June 30, | Essential Corporate Purpose Issued Mar 26, 2008 | | Essential Corporate Purpose Issued May 24, 2013 | | Essential Corporate Purpose Issued May 24, 2013 | | Total GO Bonds |
| | Interest | | Interest | | Interest | | |
| | Rates | Amount | Rates | Amount | Rates | Amount | |
| 2018 | 4.00% | 560,000 | 0.70% | 285,000 | 2.00% | 325,000 | 1,170,000 |
| 2019 | - | - | 0.85% | 285,000 | 2.00% | 325,000 | 610,000 |
| 2020 | - | - | 1.00% | 285,000 | 2.25% | 335,000 | 620,000 |
| 2021 | - | - | 1.25% | 105,000 | 2.25% | 335,000 | 440,000 |
| 2022 | - | - | 1.45% | 105,000 | 2.55% | 340,000 | 445,000 |
| 2023 | - | - | 1.55% | 105,000 | 2.55% | 345,000 | 450,000 |
| 2024 | - | - | - | - | 2.70% | 350,000 | 350,000 |
| 2025 | - | - | - | - | 2.80% | 360,000 | 360,000 |
| 2026 | - | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - | - |
| 2030 | - | - | - | - | - | - | - |
| Total | | <u>\$ 560,000</u> | | <u>\$ 1,170,000</u> | | <u>\$ 2,715,000</u> | <u>\$ 4,445,000</u> |

| Revenue Notes | | | | | | | | |
|----------------------------|---|---------------------|--|---------------------|---|------------------|---|------------------|
| Year Ending June 30, | Sewer Capital Loan Note Issued May 2012 | | Sewer Capital Loan Note Issued December 2016 | | Water Capital Loan Note Issued Feb 17, 2010 | | Water Capital Loan Note Issued Feb 17, 2010 | |
| | Interest | | Interest | | Interest | | Interest | |
| | Rates | Amount | Rates | Amount | Rates | Amount | Rates | Amount |
| 2018 | 2.05% | 269,000 | 2.25% | 595,000 | 3.00% | 6,000 | 3.00% | 4,000 |
| 2019 | 2.05% | 274,000 | 2.25% | 610,000 | 3.00% | 6,000 | 3.00% | 4,000 |
| 2020 | 2.05% | 281,000 | 2.25% | 625,000 | 3.00% | 6,000 | 3.00% | 4,000 |
| 2021 | 2.05% | 288,000 | 2.25% | 635,000 | 3.00% | 6,000 | 3.00% | 5,000 |
| 2022 | 2.05% | 208,000 | 2.25% | 650,000 | 3.00% | 6,000 | - | - |
| 2023 | - | - | 2.25% | 670,000 | 3.00% | 7,000 | - | - |
| 2024 | - | - | 2.25% | 685,000 | 3.00% | 7,000 | - | - |
| 2025 | - | - | 2.25% | 695,000 | 3.00% | 7,000 | - | - |
| 2026 | - | - | 2.25% | 710,000 | 3.00% | 7,000 | - | - |
| 2027 | - | - | 2.25% | 730,000 | 3.00% | 8,000 | - | - |
| 2028 | - | - | 2.25% | 745,000 | 3.00% | 8,000 | - | - |
| 2029 | - | - | 2.25% | 765,000 | 3.00% | 8,000 | - | - |
| 2030 | - | - | 2.25% | 350,000 | 3.00% | 8,000 | - | - |
| Total | | <u>\$ 1,320,000</u> | | <u>\$ 8,465,000</u> | | <u>\$ 90,000</u> | | <u>\$ 17,000</u> |

See accompanying independent auditor's report

General Obligation Notes

| Capital Loan Note Issued May 1, 2011 | | Total G.O. Notes |
|--|---------------------|---------------------|
| Interest Rates | Amount | |
| 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>\$ 3,695,000</u> | <u>\$ 3,695,000</u> |

Revenue Notes

| Water Capital Loan Note Issued May 17, 2010 | | Total Revenue Notes |
|---|-------------------|---------------------------|
| Interest Rates | Amount | |
| 3.00% | 855,000 | 1,729,000 |
| | - | 894,000 |
| | - | 916,000 |
| | - | 934,000 |
| | - | 864,000 |
| | - | 677,000 |
| | - | 692,000 |
| | - | 702,000 |
| | - | 717,000 |
| | - | 738,000 |
| | - | 753,000 |
| | - | 773,000 |
| | - | 358,000 |
| | <u>\$ 855,000</u> | <u>\$ 10,747,000</u> |

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

Schedule 4

For the Last Ten Years

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Receipts: | | | | | | | | | | |
| Property and other City tax | \$ 7,068,322 | \$ 6,810,201 | \$ 6,777,853 | \$ 6,611,749 | \$ 6,257,200 | \$ 6,037,179 | \$ 6,145,689 | \$ 5,924,005 | \$ 5,818,768 | \$ 5,685,989 |
| Tax increment financing collections | 642,594 | 893,784 | 808,576 | 899,033 | 1,148,408 | 1,449,319 | 959,599 | 847,236 | 921,749 | 887,670 |
| Licenses and permits | 410,353 | 327,144 | 251,912 | 220,406 | 218,443 | 240,914 | 203,938 | 222,811 | 249,394 | 240,869 |
| Use of money and property | 351,005 | 272,888 | 381,831 | 500,293 | 359,164 | 327,314 | 318,629 | 273,680 | 288,829 | 235,978 |
| Intergovernmental | 2,348,481 | 2,430,074 | 1,656,200 | 2,753,192 | 2,249,000 | 2,980,183 | 4,557,552 | 3,622,690 | 1,958,516 | 2,915,939 |
| Charges for services | 178,541 | 174,777 | 177,188 | 230,515 | 215,685 | 241,385 | 186,032 | 289,698 | 275,530 | 255,709 |
| Special assessments | 50,423 | 37,274 | 29,062 | 42,221 | 73,574 | 81,407 | 86,134 | 94,365 | 98,777 | 191,568 |
| Miscellaneous | 302,513 | 450,969 | 354,923 | 398,626 | 350,809 | 448,414 | 683,103 | 503,985 | 522,427 | 597,066 |
| Total | 11,352,232 | 11,397,111 | 10,437,545 | 11,656,035 | 10,872,283 | 11,806,115 | 13,140,676 | 11,778,470 | 10,133,990 | 11,010,788 |
| Disbursements: | | | | | | | | | | |
| Operating: | | | | | | | | | | |
| Public safety | 3,847,756 | 3,634,110 | 3,706,725 | 3,667,645 | 3,550,584 | 3,335,753 | 3,372,436 | 3,286,010 | 3,050,748 | 3,466,532 |
| Public works | 1,755,289 | 1,712,775 | 1,686,783 | 1,721,043 | 1,576,572 | 2,035,306 | 1,932,693 | 1,566,456 | 1,550,405 | 1,685,534 |
| Health and social services | 52,500 | 51,750 | 53,066 | 50,585 | 46,650 | 46,750 | 47,720 | 47,650 | 59,593 | 80,958 |
| Culture and recreation | 1,606,540 | 1,370,453 | 1,508,581 | 1,369,614 | 1,379,171 | 1,374,025 | 1,269,505 | 1,354,152 | 1,337,114 | 1,388,564 |
| Community and economic developm | 179,008 | 203,550 | 258,671 | 167,294 | 249,472 | 307,922 | 314,230 | 926,840 | 247,954 | 427,704 |
| General government | 813,845 | 721,852 | 704,597 | 715,389 | 800,333 | 864,395 | 818,646 | 763,222 | 747,359 | 648,328 |
| Debt service | 1,575,535 | 2,271,346 | 2,135,797 | 2,129,816 | 1,994,993 | 2,313,355 | 4,487,019 | 2,340,887 | 2,124,799 | 2,444,413 |
| Capital projects | 1,631,072 | 3,435,048 | 823,655 | 2,655,283 | 2,853,611 | 2,438,395 | 6,385,452 | 7,974,049 | 6,794,364 | 5,190,035 |
| Total | \$ 11,461,545 | \$ 13,400,884 | \$ 10,877,875 | \$ 12,476,669 | \$ 12,451,386 | \$ 12,715,901 | \$ 18,627,701 | \$ 18,259,266 | \$ 15,912,336 | \$ 15,332,068 |

See accompanying independent auditor's report.

HOUSTON & SEEMAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
724 Story Street, Suite 601
Boone, IA 50036-2871

Kevin N. Houston, CPA
Eric G. Seeman, CPA

Telephone: (515) 432-1176
Fax: (515) 432-1186

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, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 24, 2018. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

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 of Boone's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-17 through I-B-17 to be material weaknesses.



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Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 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 I of the accompanying Schedule of Findings. 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. 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.

January 24, 2018

CITY OF BOONE
Schedule of Findings
Year ended June 30, 2017

Part I: Findings Related to the Financial Statements

MATERIAL WEAKNESSES:

I-A-17 Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal.

Cause – The city has a limited number of employees and procedures have no been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The management of the City is aware of the segregation issue within the Finance Department. However, with a small department, even with careful consideration when assigning duties, these issues are unavoidable. Management believes it has built in sufficient oversight controls throughout the financial management process to effectively mitigate the risk of fraud.

Conclusion – Response accepted.

I-B-17 Bank Reconciliations – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances monthly.

Condition – The City did not reconcile the general ledger in a timely manner throughout the year.

Cause – With a limited number of personnel and current staff workload, time-constraints do not allow the reconciliations to be performed in a timely manner.

Effect – When reconciliations are not consistently and timely performed, errors in reporting may occur.

Recommendation – We recommend the City reconcile all subsidiary ledgers to the general ledger and other records monthly.

Response – Reconciliations will be reviewed by the City Administrator on a regular basis.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF BOONE
Schedule of Findings
Year ended June 30, 2017

Part II: Other Findings Related to Statutory Reporting:

- II-A-16 Certified Budget – Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted.
- II-B-16 Questionable Disbursements – We noted no disbursements we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-16 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-16 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 | 42,628 |
| Darwin Backous Spouse of Marla Backous, Employee | Contract Maintenance Library | 15,015 |

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)(d) 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(3)(j) of the Code of Iowa, the transactions with Pritchard Brothers Plumbing may represent a conflict of interest since the transactions exceeded \$1,500 during the fiscal year and not all transactions were entered into through competitive bidding.

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

Response – The City believes it is in the best interest of the City to continue using Pritchard Brothers Plumbing for pool repairs and Family Resource Center repairs. Pritchard Brothers Plumbing knows the history of these facilities and the equipment and has been doing the repairs prior to Mr. Nystrom’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.

- II-E-16 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- II-F-16 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

CITY OF BOONE
Schedule of Findings
Year ended June 30, 2017

- II-G-16 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the code of Iowa and the City’s investment policy were noted.
- II-H-16 Revenue Notes and Bonds – No instances of non-compliance with the requirements of the water and sewer revenue bond resolutions were noted.
- II-I-16 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- II-J-16 Financial Condition – At June 30, 2017 the City had deficit balances in the following accounts:

Debt Service:

| | |
|--------------------------|-------------|
| Special Assessment Bonds | (1,518,932) |
|--------------------------|-------------|

Capital Projects:

| | |
|---------------------------|-----------|
| T-Hangar Expansion | (30,514) |
| ARPT Joint Sealing S. End | (19,234) |
| US Hwy Corridor Study | (83,059) |
| Marion St. Reconstruction | (42,435) |
| 2015 Hanger Improvement | (302,580) |

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.

CITY OF BOONE
Schedule of Findings
Year ended June 30, 2017

The following insurance policies were in force at June 30, 2017:

| | | |
|-------------------------------------|--|---|
| EMC Insurance Companies | General Liability: Each Occurrence | \$2,000,000 |
| EMC Insurance Companies | Automobile Liability: Each Accident automobile physical damage: comprehensive and collision | \$2,000,000 per occurrence |
| EMC Insurance Companies | Commercial Umbrella: Covers General, Auto, Official, Property and Workers Compensation Each Occurrence | \$9,000,000 |
| EMC Insurance Companies | Official Liability: Each claim | \$2,000,000 |
| EMC Insurance Companies | Property Coverage: Actual cash value, replacement cost or an agreed amount | \$60,243,596 |
| EMC Insurance Companies | Workers Compensation and Employer's Liability bodily injury by accident: each accident | \$500,000 |
| | bodily injury by disease: Limit | \$500,000 |
| | Bodily injury by disease: each employee | \$500,000 |
| Hartford Steam Boiler Inspection | Boiler and Machinery: Unlimited per accident | per occurrence |
| EMC Insurance Companies | Public officials/employees Blanket bond (theft) | \$650,000 |
| Old Republic Insurance Company | Airport comprehensive general liability: Each occurrence and aggregate: | \$3,000,000 |
| EMC Insurance Companies | Law enforcement liability | \$2,000,000 |

CITY OF BOONE
Schedule of Findings
Year ended June 30, 2017

Statistical Information

| Description | Amount |
|---|---------------|
| Customers served at June 30, 2017 | 5,275 |
| Sewer rates in effect at June 30, 2017: | |
| 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.