

CITY OF BOONE

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

JUNE 30, 2015

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CITY OF BOONE

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2016)		
John L.Slight	Mayor	Jan. 2016
Shari Gillespie	Mayor Pro tem	Jan. 2016
Steven Ray	Council Member	Jan. 2016
Kevin Hicks	Council Member	Jan. 2016
Gary Nystrom	Council Member	Jan. 2018
Nick Mallas	Council Member	Jan. 2018
Fenner Stevenson	Council Member - Passed away November 2015	Jan. 2018
C. Scott Porter	Council Member - Appointed to fill vacancy	Jan. 2018
Greg Piklapp	Council Member	Jan. 2018
Luke Nelson	City Administrator	Indefinite
Ondrea Elmquist	Treasurer/Finance Officer	Indefinite
Jim Robbins	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boone, Iowa, as of and for the year ended June 30, 2015, 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boone as of June 30, 2015, 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.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Boone adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. 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 eleven years ended June 30, 2015 (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 December 10, 2015 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.

December 10, 2015

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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The City's governmental activities receipts decreased 9%, or approximately \$1.1 million, from fiscal year 2014.
- The City's governmental activities disbursements decreased 12%, or approximately \$1.6 million from fiscal year 2014.
- The City's governmental activities cash balance at June 30, 2015 increased 1%, or approximately \$116,000 from June 30, 2014.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

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

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 \$116,000 from a year ago, from \$7 million to \$7.1 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,	
	2015	2014
Receipts and transfers:		
Program receipts:		
Charges for services and sales	\$ 841	870
Operating grants, contributions and restricted interest	1,562	1,370
Capital grants, contributions and restricted interest	146	1,412
General receipts:		
Property tax	6,249	6,265
Local option sales tax	1,135	1,083
Hotel/motel tax	148	125
Franchise taxes	170	146
Unrestricted investment earnings	23	27
Bond proceeds	-	10
Other general receipts	163	358
Transfers, net	557	470
Total receipts and transfers	<u>10,994</u>	<u>12,136</u>
Disbursements:		
Public safety	3,707	3,668
Public works	1,687	1,721
Health and social services	53	51
Culture and recreation	1,508	1,370
Community and economic development	259	167
General government	704	715
Debt service	2,136	2,130
Capital projects	824	2,655
Total disbursements	<u>10,878</u>	<u>12,477</u>
Change in cash basis net position	116	(341)
Cash basis net position beginning of year	<u>7,033</u>	<u>7,374</u>
Cash basis net position end of year	<u>\$ 7,149</u>	<u>7,033</u>

The City's total receipts for governmental activities decreased by approximately 9%. The total cost of all programs and services decreased by approximately 12%.

The cost of all governmental activities this year was \$10,877,875 compared to \$12,476,669 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 \$7,888,738 because some of the cost was paid by those who directly benefited from the programs (\$840,823) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,707,984). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2015 from approximately \$3,652,000 to approximately \$2,549,000, principally due to a decrease in capital grants, contributions and restricted interest, related to the capital projects undertaken during the year. The City paid for the remaining public benefit portion of governmental activities with approximately \$7,624,000 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,	
	2015	2014
Receipts and transfers:		
Program receipts:		
Charges for services and sales:		
Water	\$ 2,425	2,388
Sewer	3,059	3,189
Storm water	197	198
General receipts:		
Unrestricted investment earnings	19	22
Transfers, net	(557)	(470)
Total receipts	<u>5,143</u>	<u>5,327</u>
Disbursements:		
Water	1,999	2,085
Sewer	2,862	2,925
Storm water	132	104
Total disbursements and transfers	<u>4,993</u>	<u>5,114</u>
Change in cash basis net position	150	213
Cash basis net position beginning of year	<u>3,023</u>	<u>2,810</u>
Cash basis net position end of year	<u>\$ 3,173</u>	<u>3,023</u>

Total business type activities receipts for the fiscal year decreased 3% compared to last year. The cash balance increased by approximately \$150 thousand from the prior year. Total disbursements for the fiscal year decreased 2% to a total of \$4.9 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund has a balance of \$1,860,000, an increase of \$186,000 from the prior year.
- The Road Use Tax Fund cash balance increased by \$101,000 to \$605,000 during the year.
- The Group Insurance Fund increased by \$472,000 during the fiscal year. The fund has a balance of \$1,346,000.
- The Employee Benefit Fund cash balance decreased by \$142,000 to \$527,000 during the year.
- The Local Option Tax Fund was established in 1990 to collect a 1% local option sales and service tax. The City collected \$1,135,000 during this year, a 4% increase over the previous year. The proceeds of the tax are designated 5% for human services, 20% for property tax relief, and 75% for capital projects.
- The Tax Increment Financing Fund was established in a prior fiscal year to account for the financing of capital improvements within the established TIF district, which contributes to urban and economic development. At the end of the year, the fund had a balance of \$568,000.
- 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 \$273,000.
- 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 \$1,000 during the year with a balance of \$439,000 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 \$4,000 during the year with a balance at the end of the year of \$450,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The cash balance of the Sewer Fund increased by approximately \$38,000 to \$1,115,000.
- The Water Fund increased by approximately \$91,000 to \$1,539,000, due primarily to an increase in customers served.

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 7, 2015, to increase revenues and increase expenditures in certain City departments. The city exceeded the amount budgeted in the health and social services and community and economic development functions for the year ended June 30, 2015.

DEBT ADMINISTRATION

Outstanding Debt at Year-End (Expressed in Thousands)		
	2015	2014
General obligation bonds	\$ 3,285	4,005
General obligation notes	5,055	6,205
Revenue bonds and notes	13,132	14,795
	<u>\$ 21,472</u>	<u>25,005</u>

At year-end, the City had approximately \$21,472,000 in bonds and other long-term debt compared to approximately \$25,005,000 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 \$8,340,000 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 2016 fiscal year budget, tax rates, and fees that will be charged for various City activities. Amounts available for appropriation in the budget are \$18 million, an increase of 12% from the final 2015 budget. Budgeted disbursements are \$20 million, an increase of 12% from the final 2015 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$1.3 million by the close of 2016.

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, 2015

	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	\$ 3,706,725	\$ 372,840	\$ 16,642	\$ -
Public works	1,686,783	164,150	1,316,522	-
Health and social services	53,066	-	-	-
Culture and recreation	1,508,581	190,808	143,177	-
Community and economic development	258,671	250	-	-
General government	704,597	112,775	-	-
Debt service	2,135,797	-	-	-
Capital projects	823,655	-	85,447	146,196
Total governmental activities	10,877,875	840,823	1,561,788	146,196
Business-type activities:				
Water	1,999,776	2,425,412	-	-
Sewer	2,861,814	3,058,865	-	-
Storm Water	131,692	196,492	-	-
Total business-type activities	4,993,282	5,680,769	-	-
Total	\$ 15,871,157	\$ 6,521,592	\$ 1,561,788	\$ 146,196
General receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Special assessments				
Local option sales tax				
Hotel/motel tax				
Franchise taxes				
Unrestricted interest on investments				
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
\$ (3,317,243)	\$ -	\$ (3,317,243)
(206,111)	-	(206,111)
(53,066)	-	(53,066)
(1,174,596)	-	(1,174,596)
(258,421)	-	(258,421)
(591,822)	-	(591,822)
(2,135,797)	-	(2,135,797)
(592,012)	-	(592,012)
(8,329,068)	-	(8,329,068)
-	425,636	425,636
-	197,051	197,051
-	64,800	64,800
-	687,487	687,487
(8,329,068)	687,487	(7,641,581)
5,025,633	-	5,025,633
808,576	-	808,576
385,827	-	385,827
29,062	-	29,062
1,135,441	-	1,135,441
148,063	-	148,063
169,996	-	169,996
23,406	18,581	41,987
162,734	-	162,734
556,627	(556,627)	-
8,445,365	(538,046)	7,907,319
116,297	149,441	265,738
7,033,094	3,023,399	10,056,493
\$ 7,149,391	\$ 3,172,840	\$ 10,322,231
\$ 450,372	\$ -	\$ 450,372
605,664	-	605,664
567,864	-	567,864
439,071	1,264,412	1,703,483
1,270,417	-	1,270,417
3,285,739	296,214	3,581,953
980,636	1,612,214	2,592,850
\$ 7,149,391	\$ 3,172,840	\$ 10,322,231

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2015

	Special Revenue					
	General	Road Use Tax	Group Insurance	Employee Benefit	Local Option Sales Tax	Tax Increment Financing
Receipts:						
Property tax	\$ 2,936,769	\$ -	\$ 1,217,868	\$ 829,520	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	808,576
Other city tax	82,889	-	-	-	1,135,441	-
Licenses and permits	251,912	-	-	-	-	-
Use of money and property	176,847	-	18,290	-	-	-
Intergovernmental	231,332	1,316,522	-	-	-	-
Charges for services	110,997	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Miscellaneous	173,284	-	12,484	3,056	-	38,700
Total receipts	3,964,030	1,316,522	1,248,642	832,576	1,135,441	847,276
Disbursements:						
Operating:						
Public safety	2,419,055	-	470,223	644,375	151,785	-
Public works	96,156	1,180,382	185,714	131,080	30,146	-
Health and social services	-	-	-	-	53,066	-
Culture and recreation	1,033,256	24,720	146,424	119,491	96,862	-
Community and economic development	54,239	-	-	2,554	-	64,958
General government	365,575	-	192,854	77,208	23,609	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	3,968,281	1,205,102	995,215	974,708	355,468	64,958
Excess (deficiency) of receipts over (under) disbursements	(4,251)	111,420	253,427	(142,132)	779,973	782,318
Other financing sources (uses):						
Operating transfers in	209,038	-	218,400	-	-	-
Operating transfers out	(19,000)	(10,000)	-	-	(825,416)	(805,695)
Total other financing sources (uses)	190,038	(10,000)	218,400	-	(825,416)	(805,695)
Net change in cash balances	185,787	101,420	471,827	(142,132)	(45,443)	(23,377)
Cash balances beginning of year	1,674,112	504,244	874,050	668,541	833,012	591,241
Cash balances end of year	\$ 1,859,899	\$ 605,664	\$ 1,345,877	\$ 526,409	\$ 787,569	\$ 567,864
Cash Basis Fund Balances						
Nonspendable - Cemetary perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:						
Urban renewal purposes	-	-	-	-	-	567,864
Debt service	-	-	-	-	-	-
Streets	-	605,664	-	-	-	-
Capital projects	-	-	-	-	-	-
Other purposes	-	-	1,345,877	526,409	787,569	-
Unassigned	1,859,899	-	-	-	-	-
Total cash basis fund balances	\$ 1,859,899	\$ 605,664	\$ 1,345,877	\$ 526,409	\$ 787,569	\$ 567,864

See notes to financial statements.

Exhibit B

Mary Garvey	Debt Service		Permanent	Other		Total
	General Obligation Bonds/Notes	Special Assessment Bonds	Cemetery Perpetual Care	Nonmajor Governmental Funds		
\$ -	\$ 385,827	\$ -	\$ -	\$ 41,476	\$ 5,411,460	
-	-	-	-	-	808,576	
-	-	-	-	148,063	1,366,393	
-	-	-	-	-	251,912	
1,505	-	-	-	185,189	381,831	
-	-	-	-	108,346	1,656,200	
-	-	-	-	66,191	177,188	
-	-	29,062	-	-	29,062	
-	-	-	4,600	122,799	354,923	
1,505	385,827	29,062	4,600	672,064	10,437,545	
-	-	-	-	21,287	3,706,725	
-	-	-	-	63,305	1,686,783	
-	-	-	-	-	53,066	
-	-	-	-	87,828	1,508,581	
-	-	-	-	136,920	258,671	
-	-	-	-	45,351	704,597	
-	2,135,797	-	-	-	2,135,797	
-	-	-	-	823,655	823,655	
-	2,135,797	-	-	1,178,346	10,877,875	
1,505	(1,749,970)	29,062	4,600	(506,282)	(440,330)	
-	1,759,474	-	-	275,801	2,462,713	
-	(10,745)	(204,804)	-	(30,426)	(1,906,086)	
-	1,748,729	(204,804)	-	245,375	556,627	
1,505	(1,241)	(175,742)	4,600	(260,907)	116,297	
272,020	440,312	(1,423,065)	445,772	2,152,855	7,033,094	
\$ 273,525	\$ 439,071	\$ (1,598,807)	\$ 450,372	\$ 1,891,948	\$ 7,149,391	
\$ -	\$ -	\$ -	\$ 450,372	\$ -	\$ 450,372	
-	-	-	-	-	567,864	
-	439,071	-	-	-	439,071	
-	-	-	-	-	605,664	
-	-	-	-	1,270,417	1,270,417	
273,525	-	-	-	352,359	3,285,739	
-	-	(1,598,807)	-	269,172	530,264	
\$ 273,525	\$ 439,071	\$ (1,598,807)	\$ 450,372	\$ 1,891,948	\$ 7,149,391	

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2015

Exhibit C

	Enterprise Funds			
	Water	Sewer	Non-Major Storm Water	Total
Operating receipts:				
Use of money and property	\$ 8,918	\$ 9,663	\$ -	\$ 18,581
Charges for services	2,425,412	3,058,865	196,492	5,680,769
Total operating receipts	<u>2,434,330</u>	<u>3,068,528</u>	<u>196,492</u>	<u>5,699,350</u>
Operating disbursements:				
Business-type activities	1,491,633	1,256,956	131,692	2,880,281
Total operating disbursements	<u>1,491,633</u>	<u>1,256,956</u>	<u>131,692</u>	<u>2,880,281</u>
Excess of operating receipts over operating disbursements	942,697	1,811,572	64,800	2,819,069
Non-operating disbursements:				
Debt service	(508,143)	(1,604,858)	-	(2,113,001)
Excess of receipts over disbursements	434,554	206,714	64,800	706,068
Other financing sources (uses):				
Operating transfers in	-	478,527	-	478,527
Operating transfers out	(343,531)	(647,523)	(44,100)	(1,035,154)
Net change in cash balances	91,023	37,718	20,700	149,441
Cash balances beginning of year	1,447,842	1,077,251	498,306	3,023,399
Cash balances end of year	<u>\$ 1,538,865</u>	<u>\$ 1,114,969</u>	<u>\$ 519,006</u>	<u>\$ 3,172,840</u>
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 578,000	\$ 686,412	\$ -	\$ 1,264,412
Customer deposits	296,214	-	-	296,214
Unrestricted	<u>664,651</u>	<u>428,557</u>	<u>519,006</u>	<u>1,612,214</u>
Total cash basis fund balances	<u>\$ 1,538,865</u>	<u>\$ 1,114,969</u>	<u>\$ 519,006</u>	<u>\$ 3,172,840</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, 2015

Exhibit D

	Miles of Lights	Swim Team	Fireworks	Downtown Beautification	Character Counts
Receipts:					
Miscellaneous	\$ 240	\$ -	\$ 4,340	\$ 50	\$ 2,800
Total receipts	240	-	4,340	50	2,800
Disbursements:					
Community and economic development	-	-	-	-	2,700
Total disbursements	-	-	-	-	2,700
Excess (deficiency) of receipts over (under) disbursements	240	-	4,340	50	100
Cash balances beginning of year	(2,024)	834	(5,216)	224	1,426
Cash balances end of year	\$ (1,784)	\$ 834	\$ (876)	\$ 274	\$ 1,526
Cash Basis Fund Balances					
Restricted for:					
Private purpose trust funds	\$ (1,784)	\$ 834	\$ (876)	\$ 274	\$ 1,526
Total cash basis fund balances	\$ (1,784)	\$ 834	\$ (876)	\$ 274	\$ 1,526

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. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the health and social services and community and economic development functions.

Note 2 – Cash and Pooled Investments

The City’s deposits in banks at June 30, 2015, 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, 2015, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government and Agencies Securities	\$1,356,494	\$1,560,205
Certificates of Deposit	1,916,460	1,916,460
Money Market Accounts	<u>801</u>	<u>801</u>
	<u>\$3,273,755</u>	<u>\$3,477,466</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$74,412 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

CITY OF BOONE
Notes to Financial Statements

Note 2 – Cash and Pooled Investments (continued)

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.

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

Note 3 – Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2016	735,000	76,928	1,145,000	167,687	1,222,000	434,452	3,102,000
2017	820,000	56,460	215,000	130,868	1,258,000	347,510	2,293,000	534,838
2018	845,000	34,130	220,000	126,245	1,688,000	311,295	2,753,000	471,670
2019	285,000	9,735	225,000	120,965	857,000	258,936	1,367,000	389,636
2020	285,000	7,313	235,000	115,115	882,000	235,828	1,402,000	358,256
2021	105,000	4,463	245,000	108,300	909,000	212,038	1,259,000	324,801
2022	105,000	3,150	255,000	100,828	844,000	127,504	1,204,000	231,482
2023	105,000	1,628	265,000	92,666	659,000	164,160	1,029,000	258,454
2024	-	-	280,000	83,922	680,000	144,390	960,000	228,312
2025	-	-	290,000	74,542	701,000	123,990	991,000	198,532
2026	-	-	300,000	64,538	723,000	104,290	1,023,000	168,828
2027	-	-	320,000	53,738	747,000	81,270	1,067,000	135,008
2028	-	-	335,000	41,898	772,000	58,860	1,107,000	100,758
2029	-	-	355,000	29,000	797,000	35,700	1,152,000	64,700
2030	-	-	370,000	14,800	393,000	11,790	763,000	26,590
Total	<u>\$ 3,285,000</u>	<u>\$ 193,807</u>	<u>\$ 5,055,000</u>	<u>\$ 1,325,112</u>	<u>\$13,132,000</u>	<u>\$ 2,652,013</u>	<u>\$21,472,000</u>	<u>\$ 4,170,932</u>

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$4,015,000 in water revenue capital loan notes. Proceeds from the bonds provided refinancing of the water revenue bonds issued in August 1998 for the construction of water treatment plant and for improvements to the water system. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 80 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$2,027,045. For the current year, principal and interest paid and total customer net receipts were \$507,308 and \$942,697, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$18,080,000 in sewer revenue capital loan notes. Proceeds from the notes provided financing for the construction of improvements to the sewer system and waste water treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$13,756,968. For the current year, principal and interest paid and total customer net receipts were \$1,579,528 and \$1,811,572, respectively.

CITY OF BOONE
Notes to Financial Statements

Note 3 – Bonds and Notes Payable (continued)

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

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

Note 4 – Iowa Public Employees Retirement System (IPERS)

Plan Description – IPERS 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-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 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

CITY OF BOONE
Notes to Financial Statements

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

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 begin 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 – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. 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 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City’s contributions to IPERS for the year ended June 30, 2015 were \$117,413.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City’s liability for its proportionate share of the collective net pension liability totaled \$1,226,326. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the collective net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City’s proportion was 0.0309217 percent, which was a decrease of 0.0000248 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City’s collective pension expense, collective deferred outflows and collective deferred inflows totaled \$94,289, \$69,286, and \$480,431 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

CITY OF BOONE
Notes to Financial Statements

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

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 pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan 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 arithmetic 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>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s 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 pension plan 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 Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City’s proportionate share of the net pension liability	\$ 2,415,491	\$ 1,226,326	\$222,650

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

CITY OF BOONE
Notes to Financial Statements

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 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent 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 percent 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. By electing to participate in DROP the member is signing a contract indicating 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.

Disability and Death Benefits – Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent 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 percent 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 percent 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 percent 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 percent 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 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

CITY OF BOONE
Notes to Financial Statements

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

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states 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 as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

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 percent 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 employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$471,705.

If approved by the state legislature, state appropriation may further reduce the employer'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, (GASB 67).

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a liability of \$2,108,903 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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 pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was .581769% which was an increase of .006757% from its proportions measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$181,725.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00 percent
Salary increases	4.50 to 15.11 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were bases on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

CITY OF BOONE
Notes to Financial Statements

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

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e. expected returns, net of pension plan 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>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	7.0%	3.8%
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited Partnerships (MLP)	5.0	8.5
International Equities	<u>12.5</u>	7.0
Core Investments	40.0%	
Tactical Asset Allocation	35.0	6.0
Private Equity	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	<u>5.0</u>	6.8
Real Estate	<u>10.0</u>	
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. 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 contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan’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 pension plan 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 percent, 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-percent lower (6.5 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease	Discount Rate	1% Increase
	<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
City’s proportionate share of the net pension liability	\$ 4,043,652	\$ 2,108,903	\$ 501,300

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

CITY OF BOONE
Notes to Financial Statements

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 62 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$626 for single coverage and \$1,511 for family coverage for traditional health insurance and \$520 for single coverage and \$1,253 for family coverage for the health savings account insurance option. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$1,060,688 and \$7,512 for active employees and retirees, respectively. Active employee and retiree plan members eligible for benefits contributed \$26,637 and \$12,484, 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, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 269,000
Sick leave	<u>1,591,000</u>
Total	<u>\$1,860,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

Note 8 – Related Party Transactions

The City had business transactions between the City and City officials, totaling \$24,389 during the year ended June 30, 2015.

Note 9 – Industrial Development Revenue Bonds

The City has issued a total of \$3,885,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which approximately \$2,397,000 is outstanding at June 30, 2015. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

CITY OF BOONE
Notes to Financial Statements

Note 10 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund: General	General Fund: Hotel/Motel Tax Family Resource	\$ 25,000 5,426
	Enterprise: Sewer	<u>178,612</u>
		\$ <u>209,038</u>
Family Resource	General Fund: General	\$ <u>19,000</u>
Special Revenue: Group Insurance	Special Revenue: Local Option Sales Tax	\$ <u>218,400</u>
Debt Service: General Obligation Bonds/Notes	Special Revenue: Local Option Sales Tax Tax Increment Financing	\$ 360,215 337,913
	Debt Service: Special Assessment Bonds	204,804
	Enterprise: Water Sewer Storm Water Utility	343,531 468,911 <u>44,100</u>
		\$ <u>1,759,474</u>
Capital Project: RUT Equipment	Special Revenue: Local Option Sales Tax	\$ <u>202,001</u>
Apron Reconstruction	Local Option Sales Tax	\$ <u>44,800</u>
Miscellaneous Projects	Road Use Tax	\$ <u>10,000</u>
Enterprise: Sewer	Special Revenue: Tax Increment Financing	\$ 467,782
	Debt Service: GO Bonds/Notes	<u>10,745</u>
		\$ <u>478,527</u>
Total		\$ <u>2,941,240</u>

CITY OF BOONE
Notes to Financial Statements

Note 11 – Deficit Balances

At June 30, 2015 the City had deficit balances in the following accounts:

Special Revenue:	
FEMA Funding	(39,455)
TIF LMI	(20,027)
Debt Service:	
Special Assessment Bonds	(1,598,807)
Capital Projects:	
Grade Separation	(168,112)
Apron Reconstruction	(28,592)
Low Head Dam	(11,746)
RUT Equipment	(1,506)
T-Hangar Expansion	(41,514)
S. Marshall Reconstruction	(279,401)
Miscellaneous Projects	(207,473)

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 special revenue fund and debt service fund deficits 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 – Pending Litigation

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

Note 14 – Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of incremental tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects made by the developer.

During the year ended June 30, 2015, the City rebated \$74,471 of incremental tax to the developers.

Note 15 – Commitment

The City is required to reimburse \$364,255 of federal funds to the Iowa Department of Transportation for a capital project that was not completed.

Note 16 – Subsequent Events

In August 2015, the City authorized the issuance of \$3,165,000 General Obligation Bond Series 2015 to use for general purposes and projects.

In August 2015, the City reimbursed the Iowa Department of Transportation \$216,793 for a grant for a capital project that did not create the required number of jobs.

In October 2015, the City accepted a proposal for a LMI Housing Project for a Senior Living apartment complex.

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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 5,411,460	\$ -	\$ 5,411,460
Tax increment financing collections	808,576	-	808,576
Other city tax	1,366,393	-	1,366,393
Licenses and permits	251,912	-	251,912
Use of money and property	381,831	18,581	400,412
Intergovernmental	1,656,200	-	1,656,200
Charges for services	177,188	5,680,769	5,857,957
Special assessments	29,062	-	29,062
Miscellaneous	354,923	-	354,923
Total receipts	10,437,545	5,699,350	16,136,895
Disbursements:			
Public safety	3,706,725	-	3,706,725
Public works	1,686,783	-	1,686,783
Health and social services	53,066	-	53,066
Culture and recreation	1,508,581	-	1,508,581
Community and economic development	258,671	-	258,671
General government	704,597	-	704,597
Debt service	2,135,797	-	2,135,797
Capital projects	823,655	-	823,655
Business-type activities	-	4,993,282	4,993,282
Total disbursements	10,877,875	4,993,282	15,871,157
Excess (deficiency) of receipts over disbursements	(440,330)	706,068	265,738
Other financing sources, net	556,627	(556,627)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	116,297	149,441	265,738
Balances beginning of year	7,033,094	3,023,399	10,056,493
Balances end of year	\$ 7,149,391	\$ 3,172,840	\$ 10,322,231

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 5,256,168	\$ 5,256,168	\$ 155,292
811,083	811,083	(2,507)
1,398,113	1,398,113	(31,720)
313,300	313,300	(61,388)
328,039	328,039	72,373
2,098,966	2,173,966	(517,766)
5,929,400	5,929,400	(71,443)
72,600	72,600	(43,538)
166,600	166,600	188,323
16,374,269	16,449,269	(312,374)
3,907,770	3,949,770	243,045
1,855,685	1,915,685	228,902
-	-	(53,066)
1,553,625	1,716,625	208,044
166,320	166,320	(92,351)
846,660	846,660	142,063
2,169,255	2,169,255	33,458
834,000	1,408,914	585,259
5,382,595	5,427,595	434,313
16,715,910	17,600,824	1,729,667
(341,641)	(1,151,555)	1,417,293
-	-	-
(341,641)	(1,151,555)	1,417,293
9,303,529	10,056,493	-
\$ 8,961,888	\$ 8,904,938	\$ 1,417,293

CITY OF BOONE

Notes to Other Information – Budgetary Reporting

June 30, 2015

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$884,914 and increased budgeted revenues by \$75,000. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the health and social services and community and economic development functions.

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

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	2015
City's proportion of the net pension liability	0.0309217%
City's proportionate share of the net pension liability	\$1,226
City's covered-employee payroll	\$2,154
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.92%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

Note : GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

CITY OF BOONE
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 193	199	185	172	147	134	127	129	119	114
Contributions in relation to the statutorily required contribution	(193)	(199)	(185)	(172)	(147)	(134)	(127)	(129)	(119)	(114)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 2,154	2,215	2,119	2,106	2,073	2,006	1,996	2,158	2,087	2,008
Contributions as a percentage of covered-employee payroll	8.96%	8.98%	8.73%	8.17%	7.09%	6.68%	6.36%	5.98%	5.70%	5.68%

See accompanying independent auditor's report.

CITY OF BOONE

Notes to Other Information – Pension Liability IPERS

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current year 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 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action 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.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

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 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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

Municipal Fire and Police Retirement System of Iowa
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	2015
City's proportion of the net pension liability	0.5817690%
City's proportionate share of the net pension liability	\$2,109
City's covered-employee payroll	\$1,551
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	135.98%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

*The amounts presented for each fiscal year were determined as of June 30.

Note : GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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)

Required Supplementary Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 472	447	376	340	257	234	267	390	424	405
Contributions in relation to the statutorily required contribution	(472)	(447)	(376)	(340)	(257)	(234)	(267)	(390)	(424)	(405)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 1,551	1,486	1,438	1,385	1,345	1,379	1,488	1,472	1,506	1,471
Contributions as a percentage of covered-employee payroll	30.43%	30.08%	26.15%	24.55%	19.11%	16.97%	17.94%	26.49%	28.15%	27.53%

See accompanying independent auditor's report.

CITY OF BOONE

Notes to Other Information – Pension Liability MFPRSI

Year ended June 30, 2015

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were added to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

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, 2015

	General				Special Revenue							Capital Projects							
	Recreation	Hotel/Motel Tax	Landfill	Tennis	Family Resource	FEMA Funding	Unfunded Liability	Emergency	TIF LMI	Police Trust	Fire Trust	Library Trust	Park Trust	Demolition Projects	Sanitary Sewer	WW Plant Sludge Press	R.L. Fisher Industrial Park	Grade Separation	Apron Reconstruction
Receipts:																			
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,476	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax	-	148,063	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	79,210	-	-	-	-	-	-	563	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	71,713
Charges for services	-	-	61,953	4,238	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	15,554	2,117	28,330	58,365	10,137	-	-	-	-	-	-
Total receipts	-	148,063	61,953	4,238	79,210	-	41,476	-	-	15,554	2,117	28,893	58,365	10,137	-	-	-	-	71,713
Disbursements:																			
Governmental activities:																			
Public safety	-	-	-	-	-	-	-	-	15,808	5,479	-	-	-	-	-	-	-	-	-
Public works	-	-	63,305	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	3,980	-	-	-	-	-	-	-	19,021	64,827	-	-	-	-	-	-
Community and economic development	-	121,920	-	-	-	-	-	-	15,000	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	45,351	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-	26,661	-	-	-	43,863	37,005
Total disbursements	-	121,920	63,305	3,980	45,351	-	-	-	15,000	15,808	5,479	19,021	64,827	26,661	-	-	-	43,863	37,005
Excess (deficiency) of receipts over (under) disbursements	-	26,143	(1,352)	258	33,859	-	41,476	-	(15,000)	(254)	(3,362)	9,872	(6,462)	(16,524)	-	-	-	(43,863)	34,708
Other financing sources (uses):																			
Operating transfers in	-	-	-	-	19,000	-	-	-	-	-	-	-	-	-	-	-	-	-	44,800
Operating transfers out	-	(25,000)	-	-	(5,426)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(25,000)	-	-	13,574	-	-	-	-	-	-	-	-	-	-	-	-	-	44,800
Net change in cash balances	-	1,143	(1,352)	258	47,433	-	41,476	-	(15,000)	(254)	(3,362)	9,872	(6,462)	(16,524)	-	-	-	(43,863)	79,508
Cash balances beginning of year	32	148,618	25,542	(38)	47,536	(39,455)	64,313	870	(5,027)	71,302	17,570	198,995	17,521	106,962	126,329	670,909	410,233	(124,249)	(108,100)
Cash balances end of year	\$ 32	\$ 149,761	\$ 24,190	\$ 220	\$ 94,969	\$ (39,455)	\$ 105,789	\$ 870	\$ (20,027)	\$ 71,048	\$ 14,208	\$ 208,867	\$ 11,059	\$ 90,438	\$ 126,329	\$ 670,909	\$ 410,233	\$ (168,112)	\$ (28,592)
Cash Basis Fund Balances																			
Restricted for:																			
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-	90,438	126,329	670,909	410,233	(168,112)	(28,592)
Other purposes	-	-	-	-	-	(39,455)	105,789	870	(20,027)	71,048	14,208	208,867	11,059	-	-	-	-	-	-
Unassigned	32	149,761	24,190	220	94,969	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 32	\$ 149,761	\$ 24,190	\$ 220	\$ 94,969	\$ (39,455)	\$ 105,789	\$ 870	\$ (20,027)	\$ 71,048	\$ 14,208	\$ 208,867	\$ 11,059	\$ 90,438	\$ 126,329	\$ 670,909	\$ 410,233	\$ (168,112)	\$ (28,592)

See accompanying independent auditor's report.

Capital Projects

Neighborhood Stabilization	Lift Station	Low Head Dam	RUT Equipment	SCADA Project	Grit Rem. System	T-Hangar Expansion	S. Marshall Reconsruction	Ind. Park Rd Recons.	Park/PW Building	Lime Disposal	Water Tower Repair/Paint	Downtown Incentive	Contingency Fund	Miscellaneous Projects	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,476
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	148,063
105,416	-	-	-	-	-	-	-	-	-	-	-	-	-	-	185,189
756	-	1,216	-	-	-	-	18,640	-	-	-	-	-	-	16,021	108,346
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,191
84	-	-	-	-	-	-	-	-	-	8,212	-	-	-	-	122,799
106,256	-	1,216	-	-	-	-	18,640	-	-	8,212	-	-	-	16,021	672,064
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,287
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63,305
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,828
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	136,920
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,351
44,315	-	-	195	84,482	64,108	18,914	26,529	22,507	65,199	226,204	9,080	-	-	154,593	823,655
44,315	-	-	195	84,482	64,108	18,914	26,529	22,507	65,199	226,204	9,080	-	-	154,593	1,178,346
61,941	-	1,216	(195)	(84,482)	(64,108)	(18,914)	(7,889)	(22,507)	(65,199)	(217,992)	(9,080)	-	-	(138,572)	(506,282)
-	-	-	202,001	-	-	-	-	-	-	-	-	-	-	10,000	275,801
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,426)
-	-	-	202,001	-	-	-	-	-	-	-	-	-	-	10,000	245,375
61,941	-	1,216	201,806	(84,482)	(64,108)	(18,914)	(7,889)	(22,507)	(65,199)	(217,992)	(9,080)	-	-	(128,572)	(260,907)
(40,393)	70,373	(12,962)	(203,312)	159,337	67,805	(22,600)	(271,512)	25,973	138,752	330,000	65,216	97,336	82,552	36,427	2,152,855
\$ 21,548	\$ 70,373	\$ (11,746)	\$ (1,506)	\$ 74,855	\$ 3,697	\$ (41,514)	\$ (279,401)	\$ 3,466	\$ 73,553	\$ 112,008	\$ 56,136	\$ 97,336	\$ 82,552	\$ (92,145)	\$ 1,891,948
21,548	70,373	(11,746)	(1,506)	74,855	3,697	(41,514)	(279,401)	3,466	73,553	112,008	56,136	97,336	82,552	(92,145)	1,270,417
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	352,359
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	269,172
\$ 21,548	\$ 70,373	\$ (11,746)	\$ (1,506)	\$ 74,855	\$ 3,697	\$ (41,514)	\$ (279,401)	\$ 3,466	\$ 73,553	\$ 112,008	\$ 56,136	\$ 97,336	\$ 82,552	\$ (92,145)	\$ 1,891,948

CITY OF BOONE
Schedule of Indebtedness
Year Ended June 30, 2015

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	\$ 2,125,000	\$ -	505,000	\$ 1,620,000	\$ 80,870
Essential corporate purpose	May 2013	0.30-1.55 %	2,090,000	1,880,000	-	215,000	1,665,000	14,990
Total				\$ 4,005,000	\$ -	\$ 720,000	\$ 3,285,000	\$ 95,860
General obligation notes:								
Capital loan note	July 2006	3.875 - 4.100 %	5,840,000	1,360,000	-	665,000	695,000	55,427
Capital loan note	May 2011	1.25 - 4.10 %	6,915,000	4,845,000	-	485,000	4,360,000	146,467
Total				\$ 6,205,000	\$ -	\$ 1,150,000	\$ 5,055,000	\$ 201,894
Revenue notes:								
Sewer revenue capital loan notes	June 2009	3.00 %	7,283,000	5,025,000	-	265,000	4,760,000	150,750
Sewer revenue capital loan notes	October 2009	3.00 %	5,142,000	4,358,000	-	212,000	4,146,000	130,746
Sewer revenue capital loan notes	February 2010	3.00 %	814,000	549,000	-	27,000	522,000	16,470
Sewer revenue capital loan notes	May 2012	2.05 %	4,639,000	2,564,000	-	725,000	1,839,000	52,562
Water revenue capital loan notes	February 2010	3.00 %	130,000	105,000	-	5,000	100,000	3,150
Water revenue capital loan notes	February 2010	3.00 %	70,000	29,000	-	4,000	25,000	870
Water revenue capital loan notes	May 2010	2.00 - 3.50 %	\$ 3,765,000	2,165,000	-	425,000	1,740,000	69,288
Total				\$ 14,795,000	\$ -	\$ 1,663,000	\$ 13,132,000	\$ 423,836

See accompanying independent auditor's report.

CITY OF BOONE
Bond and Note Maturities
June 30, 2015

General Obligation Bonds					
Year Ending June 30,	Essential Corporate Purpose Issued Mar 26, 2008		Essential Corporate Purpose Issued May 24, 2013		Total GO Bonds
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2016	3.75%	520,000	0.45%	215,000	735,000
2017	3.85%	540,000	0.55%	280,000	820,000
2018	4.00%	560,000	0.70%	285,000	845,000
2019		-	0.85%	285,000	285,000
2020		-	1.00%	285,000	285,000
2021		-	1.25%	105,000	105,000
2022		-	1.45%	105,000	105,000
2023		-	1.55%	105,000	105,000
2024		-		-	-
2025		-		-	-
2026		-		-	-
2027		-		-	-
2028		-		-	-
2029		-		-	-
2030		-		-	-
Total		<u>\$ 1,620,000</u>		<u>\$ 1,665,000</u>	<u>\$ 3,285,000</u>

Revenue Notes									
Year Ending June 30,	Sewer Capital Loan Note Issued June 24, 2009		Sewer Capital Loan Note Issued Oct 21, 2009		Sewer Capital Loan Note Issued Feb 17, 2010		Sewer Capital Loan Note Issued May 2012		
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2016	3.00%	274,000	3.00%	219,000	3.00%	28,000	2.05%	257,000	
2017	3.00%	283,000	3.00%	226,000	3.00%	28,000	2.05%	262,000	
2018	3.00%	292,000	3.00%	233,000	3.00%	29,000	2.05%	269,000	
2019	3.00%	302,000	3.00%	241,000	3.00%	30,000	2.05%	274,000	
2020	3.00%	311,000	3.00%	249,000	3.00%	31,000	2.05%	281,000	
2021	3.00%	321,000	3.00%	257,000	3.00%	32,000	2.05%	288,000	
2022	3.00%	332,000	3.00%	265,000	3.00%	33,000	2.05%	208,000	
2023	3.00%	343,000	3.00%	274,000	3.00%	35,000		-	
2024	3.00%	354,000	3.00%	283,000	3.00%	36,000		-	
2025	3.00%	365,000	3.00%	292,000	3.00%	37,000		-	
2026	3.00%	377,000	3.00%	301,000	3.00%	38,000		-	
2027	3.00%	389,000	3.00%	311,000	3.00%	39,000		-	
2028	3.00%	402,000	3.00%	321,000	3.00%	41,000		-	
2029	3.00%	415,000	3.00%	332,000	3.00%	42,000		-	
2030		-	3.00%	342,000	3.00%	43,000		-	
Total		<u>\$ 4,760,000</u>		<u>\$ 4,146,000</u>		<u>\$ 522,000</u>		<u>\$ 1,839,000</u>	

See accompanying independent auditor's report

General Obligation Notes

Capital Loan Note Issued July 1, 2006		Capital Loan Note Issued May 1, 2011		Total G.O. Notes
Interest Rates	Amount	Interest Rates	Amount	
4.10%	695,000	1.85%	450,000	1,145,000
-	-	2.15%	215,000	215,000
-	-	2.40%	220,000	220,000
-	-	2.60%	225,000	225,000
-	-	2.90%	235,000	235,000
-	-	3.05%	245,000	245,000
-	-	3.20%	255,000	255,000
-	-	3.30%	265,000	265,000
-	-	3.35%	280,000	280,000
-	-	3.45%	290,000	290,000
-	-	3.60%	300,000	300,000
-	-	3.70%	320,000	320,000
-	-	3.85%	335,000	335,000
-	-	4.00%	355,000	355,000
-	-	4.00%	370,000	370,000
	<u>\$ 695,000</u>		<u>\$ 4,360,000</u>	<u>\$ 5,055,000</u>

Revenue Notes

Water Capital Loan Note Issued Feb 17, 2010		Water Capital Loan Note Issued Feb 17, 2010		Water Capital Loan Note Issued May 17, 2010		Total Revenue Notes
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.00%	5,000	3.00%	4,000	3.00%	435,000	1,222,000
3.00%	5,000	3.00%	4,000	3.25%	450,000	1,258,000
3.00%	6,000	3.00%	4,000	3.00%	855,000	1,688,000
3.00%	6,000	3.00%	4,000	-	-	857,000
3.00%	6,000	3.00%	4,000	-	-	882,000
3.00%	6,000	3.00%	5,000	-	-	909,000
3.00%	6,000	-	-	-	-	844,000
3.00%	7,000	-	-	-	-	659,000
3.00%	7,000	-	-	-	-	680,000
3.00%	7,000	-	-	-	-	701,000
3.00%	7,000	-	-	-	-	723,000
3.00%	8,000	-	-	-	-	747,000
3.00%	8,000	-	-	-	-	772,000
3.00%	8,000	-	-	-	-	797,000
3.00%	8,000	-	-	-	-	393,000
	<u>\$ 100,000</u>		<u>\$ 25,000</u>		<u>\$ 1,740,000</u>	<u>\$ 13,132,000</u>

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

Schedule 4

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property and other City tax	\$ 6,777,853	\$ 6,611,749	\$ 6,257,200	\$ 6,037,179	\$ 6,145,689	\$ 5,924,005	\$ 5,818,768	\$ 5,685,989	\$ 5,600,571	\$ 4,859,353
Tax increment financing collectic	808,576	899,033	1,148,408	1,449,319	959,599	847,236	921,749	887,670	890,451	1,200,875
Licenses and permits	251,912	220,406	218,443	240,914	203,938	222,811	249,394	240,869	293,117	242,983
Use of money and property	381,831	500,293	359,164	327,314	318,629	273,680	288,829	235,978	321,822	252,203
Intergovernmental	1,656,200	2,753,192	2,249,000	2,980,183	4,557,552	3,622,690	1,958,516	2,915,939	1,516,208	2,467,732
Charges for services	177,188	230,515	215,685	241,385	186,032	289,698	275,530	255,709	245,241	244,172
Special assessments	29,062	42,221	73,574	81,407	86,134	94,365	98,777	191,568	116,018	146,013
Miscellaneous	354,923	398,626	350,809	448,414	683,103	503,985	522,427	597,066	966,018	717,627
Total	10,437,545	11,656,035	10,872,283	11,806,115	13,140,676	11,778,470	10,133,990	11,010,788	9,949,446	10,130,958
Disbursements:										
Public safety	3,706,725	3,667,645	3,550,584	3,335,753	3,372,436	3,286,010	3,050,748	3,466,532	3,356,173	3,538,220
Public works	1,686,783	1,721,043	1,576,572	2,035,306	1,932,693	1,566,456	1,550,405	1,685,534	1,769,727	1,518,385
Health and social services	53,066	50,585	46,650	46,750	47,720	47,650	59,593	80,958	84,462	77,010
Culture and recreation	1,508,581	1,369,614	1,379,171	1,374,025	1,269,505	1,354,152	1,337,114	1,388,564	1,395,283	1,360,339
Community and economic develc	258,671	167,294	249,472	307,922	314,230	926,840	247,954	427,704	487,911	275,411
General government	704,597	715,389	800,333	864,395	818,646	763,222	747,359	648,328	677,312	800,212
Debt service	2,135,797	2,129,816	1,994,993	2,313,355	4,487,019	2,340,887	2,124,799	2,444,413	4,051,421	2,232,387
Capital projects	823,655	2,655,283	2,853,611	2,438,395	6,385,452	7,974,049	6,794,364	5,190,035	4,215,297	3,220,196
Total	\$ 10,877,875	\$ 12,476,669	\$ 12,451,386	\$ 12,715,901	\$ 18,627,701	\$ 18,259,266	\$ 15,912,336	\$ 15,332,068	\$ 16,037,586	\$ 13,022,160

See accompanying independent auditor's report.

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boone, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2015. 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 deficiencies in internal control we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a significant deficiency.



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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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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 II 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.

December 10, 2015

CITY OF BOONE
Schedule of Findings

Part I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

I-A-15 Segregation of Duties – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – Duties are not able to be properly segregated. Currently one individual prepares the bank reconciliations, has the ability to make transfers, and prepares and posts entries to the general ledger.

Cause – The limited number of office employees prevents a proper segregation of accounting duties necessary to assure optimal internal control.

Effect – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation – City officials should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

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.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

II-A-15 Certified Budget – During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the Health and Social Services and Community and Economic Development functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered, except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will make every effort to amend the budget if needed.

II-B-15 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-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF BOONE
Schedule of Findings

II-D-15 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	8,231
Darwin Backous Spouse of Marla Backous, Employee	Contract Maintenance Library	14,358
Kevin Hicks Construction, Inc. Owned by Kevin Hicks, City Council Member	NSP Repairs	200

The transactions with Backous do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(3)(e) of the Code of Iowa.

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

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

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

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

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

II-E-15 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-15 Council Minutes – It was noted that the Airport Commission did not have minutes of the meetings prepared for its meetings during the year.

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

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

CITY OF BOONE
Schedule of Findings

- II-G-15 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-15 Revenue Notes and Bonds – No instances of non-compliance with the requirements of the water and sewer revenue bond resolutions were noted.
- II-I-15 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-15 Financial Condition – At June 30, 2015 the City had deficit balances in the following accounts:

Special Revenue:	
FEMA Funding	(39,455)
TIF LMI	(20,027)
Debt Service:	
Special Assessment Bonds	(1,598,807)
Capital Projects:	
Grade Separation	(168,112)
Apron Reconstruction	(28,592)
Low Head Dam	(11,746)
RUT Equipment	(1,506)
T-Hangar Expansion	(41,514)
S. Marshall Reconstruction	(279,401)
Miscellaneous Projects	(201,473)

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

The following insurance policies were in force at June 30, 2015:

EMC Insurance Companies	General Liability: Each Occurrence	\$1,000,000
EMC Insurance Companies	Automobile Liability: Each Accident automobile physical damage: comprehensive and collision	\$1,000,000 per occurrence
EMC Insurance Companies	Commercial Umbrella: Covers General, Auto, Official, Property and Workers Compensation Each Occurrence	\$10,000,000
EMC Insurance Companies	Official Liability: Each claim	\$1,000,000
EMC Insurance Companies	Property Coverage: Actual cash value, replacement cost or an agreed amount	\$54,297,153
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)	\$500,000
Old Republic Insurance Company	Airport comprehensive general liability: Each occurrence and aggregate:	\$3,000,000
EMC Insurance Companies	Law enforcement liability	\$1,000,000

CITY OF BOONE
Schedule of Findings

Statistical Information

Description	Amount
Customers served at June 30, 2015	5,251
Sewer rates in effect at June 30, 2015:	
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.