

CITY OF BOONE

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

JUNE 30, 2021

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CITY OF BOONE

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John L.Slight	Mayor	Jan. 2024
Steven Ray	Mayor Pro tem	Jan. 2024
Greg Piklapp	Council Member	Jan. 2022
David Byrd	Council Member	Jan. 2022
Elijah Stines	Council Member	Jan. 2022
Holly Stecker	Council Member	Jan. 2022
BJ McGinn	Council Member	Jan. 2024
Terry Moorman	Council Member	Jan. 2024
William Skare	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, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boone as of June 30, 2021, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.



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Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Boone's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (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 and 2 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, 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 31 through 39 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 February 12, 2022 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.

February 12, 2022

Basic Financial Statements

CITY OF BOONE
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2021

	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	\$ 4,382,229	\$ 597,740	\$ 41,392	\$ -
Public works	1,840,602	185,198	1,900,922	-
Health and social services	54,000	-	-	-
Culture and recreation	1,479,212	239,852	130,722	-
Community and economic development	281,555	45,882	-	-
General government	1,230,678	10,186	306,378	-
Debt service	833,482	-	-	-
Capital projects	1,735,448	-	121,409	587,524
Total governmental activities	11,837,206	1,078,858	2,500,823	587,524
Business-type activities:				
Water	2,003,774	3,149,460	-	-
Sewer	8,621,000	3,113,975	-	-
Storm Water	240,696	282,401	-	-
Total business-type activities	10,865,470	6,545,836	-	-
Total	\$ 22,702,676	\$ 7,624,694	\$ 2,500,823	\$ 587,524
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Special assessments				
Local option sales tax				
Hotel/motel tax				
Franchise taxes				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts			
Governmental Activities	Business-Type Activities	Total	
\$ (3,743,097)	\$ -	\$ (3,743,097)	
245,518	-	245,518	
(54,000)	-	(54,000)	
(1,108,638)	-	(1,108,638)	
(235,673)	-	(235,673)	
(914,114)	-	(914,114)	
(833,482)	-	(833,482)	
(1,026,515)	-	(1,026,515)	
(7,670,001)	-	(7,670,001)	
-	1,145,686	1,145,686	
-	(5,507,025)	(5,507,025)	
-	41,705	41,705	
-	(4,319,634)	(4,319,634)	
(7,670,001)	(4,319,634)	(11,989,635)	
6,279,379	-	6,279,379	
994,216	-	994,216	
246,688	-	246,688	
12,242	-	12,242	
1,541,272	-	1,541,272	
103,982	-	103,982	
272,064	-	272,064	
64,827	51,059	115,886	
-	6,049,910	6,049,910	
92,322	-	92,322	
(97,987)	97,987	-	
9,509,005	6,198,956	15,707,961	
1,839,004	1,879,322	3,718,326	
13,043,907	5,909,370	18,953,277	
\$ 14,882,911	\$ 7,788,692	\$ 22,671,603	
\$ 474,654	\$ -	\$ 474,654	
1,432,417	-	1,432,417	
737,346	-	737,346	
428,930	1,258,000	1,686,930	
2,579,243	-	2,579,243	
6,419,234	387,072	6,806,306	
2,811,087	6,143,620	8,954,707	
\$ 14,882,911	\$ 7,788,692	\$ 22,671,603	

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2021

	Special Revenue					
	General	Road Use Tax	Group Insurance	Employee Benefit	Local Option Sales Tax	Tax Increment Financing
Receipts:						
Property tax	\$ 3,507,684	\$ -	\$ 1,815,547	\$ 956,148	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	990,900
Other city tax	82,194	-	-	-	1,541,272	-
Licenses and permits	445,390	-	-	-	-	-
Use of money and property	150,767	-	16,434	-	-	-
Intergovernmental	321,393	1,894,874	-	-	-	-
Charges for services	287,377	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Miscellaneous	128,493	-	2,866	24,696	-	-
Total receipts	4,923,298	1,894,874	1,834,847	980,844	1,541,272	990,900
Disbursements:						
Operating:						
Public safety	2,818,254	-	713,817	693,702	114,400	-
Public works	166,615	1,219,760	244,010	146,912	-	-
Health and social services	-	-	-	-	54,000	-
Culture and recreation	884,943	4,525	226,361	127,811	167,499	-
Community and economic development	95,510	-	-	18,814	-	48,731
General government	534,283	-	231,631	41,370	68,014	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	4,499,605	1,224,285	1,415,819	1,028,609	403,913	48,731
Excess (deficiency) of receipts over (under) disbursements	423,693	670,589	419,028	(47,765)	1,137,359	942,169
Other financing sources (uses):						
Operating transfers in	677,096	-	-	218,800	-	-
Operating transfers out	(445,000)	(269,842)	-	-	(609,200)	(927,000)
Total other financing sources (uses)	232,096	(269,842)	-	218,800	(609,200)	(927,000)
Change in cash balances	655,789	400,747	419,028	171,035	528,159	15,169
Cash balances beginning of year	3,425,994	1,031,670	2,969,734	901,943	871,037	722,177
Cash balances end of year	\$ 4,081,783	\$ 1,432,417	\$ 3,388,762	\$ 1,072,978	\$ 1,399,196	\$ 737,346
Cash Basis Fund Balances						
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:						
Urban renewal purposes	-	-	-	-	-	737,346
Debt service	-	-	-	-	-	-
Streets	-	1,432,417	-	-	-	-
Capital projects	-	-	-	-	-	-
Other purposes	-	-	3,388,762	1,072,978	1,399,196	-
Unassigned	4,081,783	-	-	-	-	-
Total cash basis fund balances	\$ 4,081,783	\$ 1,432,417	\$ 3,388,762	\$ 1,072,978	\$ 1,399,196	\$ 737,346

See notes to financial statements.

Exhibit B

Mary Garvey	Debt Service		Capital Projects	Permanent Cemetery Perpetual Care	Other Nonmajor Governmental Funds	Total
	General Obligation Bonds/Notes	Special Assessment Bonds				
\$ -	\$ 246,688	\$ -	\$ -	\$ -	\$ -	\$ 6,526,067
-	-	-	-	-	3,316	994,216
-	-	-	-	-	103,982	1,727,448
-	-	-	-	-	-	445,390
-	-	-	34,134	-	80,361	281,696
-	-	-	366,800	-	306,378	2,889,445
-	-	-	-	-	63,422	350,799
-	-	12,242	-	-	-	12,242
1,220	-	-	260,476	3,625	125,518	546,894
1,220	246,688	12,242	661,410	3,625	682,977	13,774,197
-	-	-	-	-	42,056	4,382,229
-	-	-	-	-	63,305	1,840,602
-	-	-	-	-	-	54,000
22,422	-	-	-	-	45,651	1,479,212
-	-	-	-	-	118,500	281,555
-	-	-	-	-	355,380	1,230,678
-	833,482	-	-	-	-	833,482
-	-	-	1,735,448	-	-	1,735,448
22,422	833,482	-	1,735,448	-	624,892	11,837,206
(21,202)	(586,794)	12,242	(1,074,038)	3,625	58,085	1,936,991
-	594,695	100,000	1,069,571	-	10,000	2,670,162
-	-	-	(165,729)	-	(351,378)	(2,768,149)
-	594,695	100,000	903,842	-	(341,378)	(97,987)
(21,202)	7,901	112,242	(170,196)	3,625	(283,293)	1,839,004
24,090	421,029	(1,461,275)	2,749,439	471,029	917,040	13,043,907
\$ 2,888	\$ 428,930	\$ (1,349,033)	\$ 2,579,243	\$ 474,654	\$ 633,747	\$ 14,882,911
\$ -	\$ -	\$ -	\$ -	\$ 474,654	\$ -	\$ 474,654
-	-	-	-	-	-	737,346
-	428,930	-	-	-	-	428,930
-	-	-	-	-	-	1,432,417
-	-	-	2,579,243	-	-	2,579,243
2,888	-	-	-	-	555,410	6,419,234
-	-	(1,349,033)	-	-	78,337	2,811,087
\$ 2,888	\$ 428,930	\$ (1,349,033)	\$ 2,579,243	\$ 474,654	\$ 633,747	\$ 14,882,911

CITY OF BOONE
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2021

Exhibit C

	Enterprise Funds			
	Water	Sewer	Non-Major Storm Water	Total
Operating receipts:				
Use of money and property	\$ 16,410	\$ 34,649	\$ -	\$ 51,059
Charges for services	3,149,460	3,113,975	282,401	6,545,836
Total operating receipts	3,165,870	3,148,624	282,401	6,596,895
Operating disbursements:				
Business-type activities	1,991,234	1,491,697	240,696	3,723,627
Total operating disbursements	1,991,234	1,491,697	240,696	3,723,627
Excess of operating receipts over operating disbursements	1,174,636	1,656,927	41,705	2,873,268
Non-operating (disbursements):				
Debt service	(12,540)	(7,129,303)	-	(7,141,843)
Excess of receipts over disbursements	1,162,096	(5,472,376)	41,705	(4,268,575)
Bond proceeds	-	6,049,910	-	6,049,910
Transfers in	-	802,000	-	802,000
Transfers out	(346,000)	(354,718)	(3,295)	(704,013)
Change in cash balances	816,096	1,024,816	38,410	1,879,322
Cash balances beginning of year	3,109,134	2,380,228	420,008	5,909,370
Cash balances end of year	\$3,925,230	\$3,405,044	\$ 458,418	\$7,788,692
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 578,000	\$ 680,000	\$ -	\$ 1,258,000
Customer deposits	387,072	-	-	387,072
Unrestricted	2,960,158	2,725,044	458,418	6,143,620
Total cash basis fund balances	\$3,925,230	\$3,405,044	\$ 458,418	\$7,788,692

See notes to financial statements.

CITY OF BOONE

Exhibit D

Statement of Cash Receipts, Disbursements and Changes in Cash Balances

Fiduciary Funds

As of and for the year ended June 30, 2021

	Miles of Lights	Swim Team	Fireworks	Downtown Beautification
Receipts:				
Miscellaneous	\$ 620	\$ -	\$ 3,335	\$ 1,050
Total receipts	620	-	3,335	1,050
Disbursements:				
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Total disbursements	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	620	-	3,335	1,050
Cash balances beginning of year	811	240	(3,403)	724
Cash balances end of year	\$ 1,431	\$ 240	\$ (68)	\$ 1,774
Cash Basis Fund Balances				
Restricted for:				
Private purpose trust funds	\$ 1,431	\$ 240	\$ (68)	\$ 1,774
Total cash basis fund balances	\$ 1,431	\$ 240	\$ (68)	\$ 1,774

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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in budget certified to the City Council in March 2020.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

Note 2 – Cash and Pooled Investments

The City's deposits in banks at June 30, 2021, 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, 2021, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government and Agencies Securities	\$1,133,095	\$1,214,042
Money Market Accounts	17,280	17,280
Certificates of Deposit	<u>1,768,380</u>	<u>1,768,380</u>
	<u>\$2,918,755</u>	<u>\$2,999,702</u>

CITY OF BOONE
Notes to Financial Statements

Note 2 – Cash and Pooled Investments (continued)

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

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

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$77,826. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Note 3 – Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Due Within One Year
General obligation bonds:					
Essential corp purpose	\$ 315,000	\$ -	\$ 105,000	\$ 210,000	\$ 105,000
Essential corp purpose	1,730,000	-	335,000	1,395,000	340,000
Total	<u>\$ 2,045,000</u>	<u>\$ -</u>	<u>\$ 440,000</u>	<u>\$ 1,605,000</u>	<u>\$ 445,000</u>
General obligation notes:					
Capital loan note	2,980,000	-	270,000	2,710,000	275,000
Total	<u>\$ 2,980,000</u>	<u>\$ -</u>	<u>\$ 270,000</u>	<u>\$ 2,710,000</u>	<u>\$ 275,000</u>
Revenue notes:					
Sewer revenue cap loan notes	496,000	-	288,000	208,000	208,000
Sewer revenue cap loan notes	6,635,000	-	6,635,000	-	-
Sewer revenue cap loan notes	-	5,840,000	-	5,840,000	675,000
Water revenue cap loan notes	72,000	-	6,000	66,000	6,000
Water revenue cap loan notes	5,000	-	5,000	-	-
Total	<u>\$ 7,208,000</u>	<u>\$ 5,840,000</u>	<u>\$ 6,934,000</u>	<u>\$ 6,114,000</u>	<u>\$ 889,000</u>

General Obligation Bonds and Notes

A summary of the City's June 30, 2021 general obligation bonds and notes payable is as follows:

CITY OF BOONE
Notes to Financial Statements

Note 3 – Bonds and Notes Payable (continued)

Year Ending June 30,	General Obligation Bonds								
	Essential Corp Purpose Issued May 24, 2013			Essential Corp Purpose Issued September 1, 2015			Total GO Bonds		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	1.45%	\$ 105,000	\$ 3,150	2.55%	\$ 340,000	\$ 36,998	\$ 445,000	\$ 40,148	\$ 485,148
2023	1.55%	105,000	1,628	2.55%	345,000	28,328	450,000	29,956	479,956
2024		-	-	2.70%	350,000	19,530	350,000	19,530	369,530
2025		-	-	2.80%	360,000	10,080	360,000	10,080	370,080
Total		<u>\$ 210,000</u>	<u>\$ 4,778</u>		<u>\$1,395,000</u>	<u>\$ 94,936</u>	<u>\$1,605,000</u>	<u>\$ 99,714</u>	<u>\$1,704,714</u>

General Obligation Notes				
Year Ending June 30,	Capital Loan Note Issued June 1, 2020			
	Interest Rates	Principal	Interest	Total
2022	2.00%	\$ 275,000	\$ 54,200	\$ 329,200
2023	2.00%	285,000	48,700	333,700
2024	2.00%	295,000	43,000	338,000
2025	2.00%	300,000	37,100	337,100
2026	2.00%	285,000	31,100	316,100
2027	2.00%	305,000	25,400	330,400
2028	2.00%	310,000	19,300	329,300
2029	2.00%	325,000	13,100	338,100
2030	2.00%	330,000	6,600	336,600
Total		<u>\$ 2,710,000</u>	<u>\$ 278,500</u>	<u>\$ 2,988,500</u>

On May 1, 2013, the City issued \$2,090,000 of general obligation bonds with an interest rate ranging from 0.30% to 1.55% per annum. The bonds were issued for new equipment, street improvements, water tower painting, lime removal from water system, and cemetery improvements. During the year ended June 30, 2021, the City paid \$105,000 of principal and \$4,463 of interest on the bonds.

On September 1, 2015, the City issued \$3,165,000 of general obligation bonds with an interest rate ranging from 1.50% to 2.80% per annum. The bonds were issued for equipment leasing, public works building improvements, and street improvements and maintenance. During the year ended June 30, 2021, the City paid \$335,000 of principal and \$44,535 of interest on the bonds.

On June 1, 2020, the City issued \$2,980,000 of general obligation refunding capital loan notes with an interest rate of 2.00% per annum. The notes were issued currently refund a prior general obligation notes issued in May 2011. During the year ended June 30, 2021, the City paid \$270,000 of principal and \$59,434 of interest on the notes. The outstanding principal balance on the notes at June 30, 2021 is 2,710,000.

CITY OF BOONE
Notes to Financial Statements

Note 3 – Bonds and Notes Payable (continued)

Revenue Notes

Year Ending June 30,	Water Issued February 1, 2010			Sewer Issued May 1, 2012			Sewer Issued May 2021		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.75%	\$ 6,000	\$ 1,155	2.05%	\$ 208,000	\$ 4,264	2.00%	\$ 675,000	\$ 123,289
2023	1.75%	7,000	1,050		-	-	2.00%	695,000	103,300
2024	1.75%	7,000	928		-	-	2.00%	710,000	89,400
2025	1.75%	7,000	805		-	-	2.00%	725,000	75,200
2026	1.75%	7,000	683		-	-	2.00%	735,000	60,700
2027	1.75%	8,000	560		-	-	2.00%	750,000	46,000
2028	1.75%	8,000	420		-	-	2.00%	765,000	31,000
2029	1.75%	8,000	280		-	-	2.00%	785,000	15,700
2030	1.75%	8,000	140		-	-		-	-
Total		<u>\$ 66,000</u>	<u>\$ 6,021</u>		<u>\$ 208,000</u>	<u>\$ 4,264</u>		<u>\$ 5,840,000</u>	<u>\$ 544,589</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 889,000	\$128,708	\$1,017,708
2023	702,000	104,350	806,350
2024	717,000	90,328	807,328
2025	732,000	76,005	808,005
2026	742,000	61,383	803,383
2027	758,000	46,560	804,560
2028	773,000	31,420	804,420
2029	793,000	15,980	808,980
2030	8,000	140	8,140
Total	<u>\$6,114,000</u>	<u>\$554,874</u>	<u>\$6,668,874</u>

Water Revenue Notes

On February 1, 2010, the City issued \$130,000 of water revenue capital loan notes with an interest rate of 1.75% per annum. Proceeds from the notes provided financing for the costs of improvements to the municipal water utility. The notes are payable solely from water customer net receipts and are payable through June 2030. During the year ended June 30, 2021, the City paid \$6,000 of principal and \$1,260 of interest on the notes.

On February 1, 2010, the City issued \$70,000 of water revenue capital loan notes with an interest rate of 3.00% per annum. Proceeds from the notes provided financing for the costs of improvements to the municipal water utility. The notes are payable solely from water customer net receipts and the note was paid off June 2021. During the year ended June 30, 2021, the City paid \$5,000 of principal and \$88 of interest on the notes.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$130,000 in water revenue capital loan notes issued in February 2010. 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 \$72,021. For the current year, principal and interest paid and total customer net receipts were \$12,348 and \$1,174,636, respectively.

CITY OF BOONE
Notes to Financial Statements

Note 3 – Bonds and Notes Payable (continued)

Sewer Revenue Notes

On May 1, 2012, the City issued \$4,639,000 of sewer revenue capital loan notes with an interest rate of 2.05% per annum. Proceeds from the notes provided financing for the costs of improvements to the sanitary sewer, a new sludge press and refunding any outstanding project notes for such project. The notes are payable solely from sewer customer net receipts and are payable through June 2022. During the year ended June 30, 2021, the City paid \$288,000 of principal and \$10,168 of interest on the notes.

On December 1, 2016, the City issued \$9,025,000 of sewer revenue capital loan notes with an interest rate of 2.25% per annum. Proceeds from the notes provided refunding of outstanding sewer notes. The notes are payable solely from sewer customer net receipts and was refinanced in May 2021. During the year ended June 30, 2021, the City paid \$6,635,000 of principal and \$149,288 of interest on the notes.

On May 1, 2021, the City issued \$5,840,000 of sewer revenue capital loan notes with an interest rate of 2.00% per annum. Proceeds from the notes provided refunding of outstanding sewer notes. The notes are payable solely from sewer customer net receipts and are payable through June 2029.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,639,000 in sewer revenue capital loan notes issued in May 2012 and \$5,840,000 in sewer revenue capital loan notes issued in May 2021. The notes are payable solely from sewer customer net receipts and are payable through 2029. Annual principal and interest payments on the notes are expected to require less than 61 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$6,596,853. For the current year, principal and interest paid and total customer net receipts were \$7,082,456 and \$1,656,927, respectively.

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

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

Note 4 – Iowa Public Employees Retirement System (IPERS)

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

CITY OF BOONE
Notes to Financial Statements

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

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

CITY OF BOONE
Notes to Financial Statements

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$228,125.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$1,998,418 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.0284483%, which was a decrease of 0.000553% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$320,101, \$402,148, and \$220,612 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage Growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

CITY OF BOONE
Notes to Financial Statements

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	<u>3.0</u>	3.11
Total	<u>100%</u>	

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 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City's proportionate share of the net pension liability	\$ 3,397,545	\$ 1,998,418	\$ 825,355

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

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

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

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

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

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

CITY OF BOONE
Notes to Financial Statements

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

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

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

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

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

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

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2021.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.31% for the year ended June 30, 2021.

The City's contributions to MFPRSI for the year ended June 30, 2021 was \$446,196.

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

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2021.

CITY OF BOONE
Notes to Financial Statements

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

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$3,550,162 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2020, the City's proportion was 0.541244% which was a decrease of .024860% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$801,862, \$709,446, and \$262,021, respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00%
Salary increases	3.75 to 15.11%, including inflation
Investment rate of return	7.50%, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 through June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap	7.49%
Small cap	8.1
International large cap	7.2
Emerging markets	7.9
Global infrastructure	7.5
Private non-core real estate	11.5
Private credit	6.4
Private equity	10.8
Core plus fixed income	4.0
Private core real estate	7.2

CITY OF BOONE
Notes to Financial Statements

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

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

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

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
City’s proportionate share of the net pension liability	\$ 6,621,382	\$ 4,316,964	\$ 2,408,173

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

Note 6 – Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. 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 \$902 for single coverage and \$2,191 for family coverage for traditional health insurance and \$704 for single coverage and \$1,710 for family coverage for the health savings account insurance option. For the year ended June 30, 2021, the City contributed \$1,633,487 and plan members eligible for benefits contributed \$67,632 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Boone and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>69</u>
Total	<u>72</u>

Note 7 – Pending Litigation

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

CITY OF BOONE
Notes to Financial Statements

Note 8 – 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, 2021, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 277,000
Sick leave	<u>1,721,000</u>
Total	<u>\$1,998,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

Note 9 – Related Party Transactions

The City had business transactions between the City and City officials, totaling \$27,749 during the year ended June 30, 2021.

Note 10 – Industrial Development Revenue Bonds

The City has issued a total of \$2,700,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which approximately \$1,476,000 is outstanding at June 30, 2021. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

Note 11 – Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 – Deficit Balances

At June 30, 2021 the City had a deficit balance in the following account:

Special Revenue:	
FEMA Funding	\$ (253,511)
Debt Service:	
Special Assessment Bonds	\$ (1,349,033)

The FEMA funding deficit is a result of the costs being incurred before the funding has been received. Both deficits will be addressed on an ongoing basis.

Note 13 – Development Agreements

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

During the year ended June 30, 2021, the City rebated \$48,731 of incremental tax to the developers.

CITY OF BOONE
Notes to Financial Statements

Note 14 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund:	General Fund:	
General	Family Resource	\$ 10,000
	Hotel/Motel Tax	35,000
	COVID-19	301,378
	Enterprise:	
	Sewer	330,718
		\$ <u>677,096</u>
	General Fund:	
Art Commission	General	\$ <u>5,000</u>
Special Revenue:	Special Revenue:	
Employee Benefit	Local Option Sales Tax	\$ <u>218,800</u>
	General Fund:	
Police Trust	COVID-19	\$ <u>5,000</u>
Debt Service:	Special Revenue:	
General Obligation	Local Option Sales Tax	\$ 178,400
Bonds/Notes	Tax Increment Financing	125,000
	Road Use Tax	43,000
	Enterprise:	
	Water	221,000
	Sewer	24,000
	Storm Water Utility	3,295
		\$ <u>594,695</u>
	General Fund:	
Special Assessment Bonds	General	\$ <u>100,000</u>
Capital Projects:	General Fund:	
	General	\$ <u>340,000</u>
	Special Revenue:	
	Road Use Tax	\$ <u>226,842</u>
	Local Option Sales Tax	\$ <u>212,000</u>
	Capital Projects:	\$ <u>165,729</u>
	Enterprise:	
	Water	\$ <u>125,000</u>
Enterprise:	Special Revenue:	
Sewer	Tax Increment Financing	\$ <u>802,000</u>
Total		\$ <u>3,472,162</u>

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

Note 15 – COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to business across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Boone remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Boone. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Boone.

CITY OF BOONE
Notes to Financial Statements

Note 16 – Construction Contracts

The City has entered into various contracts totaling approximately \$3,028,000. The unpaid contract balance as of June 30, 2021 totaled approximately \$1,676,000, which will be paid as work on the projects progress, primarily from grants.

Note 17 – Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2021, the City abated \$639,005 of property tax under the urban renewal and economic development projects.

Note 18 – Subsequent Events

The City has evaluated all subsequent events through February 12, 2022, the date the financial statements were available to be issued.

Note 19 – Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

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, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 6,526,067	\$ -	\$ 6,526,067
Tax increment financing collections	994,216	-	994,216
Other city tax	1,727,448	-	1,727,448
Licenses and permits	445,390	-	445,390
Use of money and property	281,696	51,059	332,755
Intergovernmental	2,889,445	-	2,889,445
Charges for services	350,799	6,545,836	6,896,635
Special assessments	12,242	-	12,242
Miscellaneous	546,894	-	546,894
Total receipts	13,774,197	6,596,895	20,371,092
Disbursements:			
Public safety	4,382,229	-	4,382,229
Public works	1,840,602	-	1,840,602
Health and social services	54,000	-	54,000
Culture and recreation	1,479,212	-	1,479,212
Community and economic development	281,555	-	281,555
General government	1,230,678	-	1,230,678
Debt service	833,482	-	833,482
Capital projects	1,735,448	-	1,735,448
Business-type activities	-	10,865,470	10,865,470
Total disbursements	11,837,206	10,865,470	22,702,676
Excess (deficiency) of receipts over disbursements	1,936,991	(4,268,575)	(2,331,584)
Other financing sources, net	(97,987)	6,147,897	6,049,910
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,839,004	1,879,322	3,718,326
Balances beginning of year	13,043,907	5,909,370	18,953,277
Balances end of year	\$ 14,882,911	\$ 7,788,692	\$ 22,671,603

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
\$ 6,229,612	\$ 6,229,612	\$ 296,455
940,000	940,000	54,216
1,419,972	1,419,972	307,476
363,700	363,700	81,690
403,530	403,530	(70,775)
2,543,741	3,757,066	(867,621)
6,472,250	6,472,250	424,385
15,000	15,000	(2,758)
134,700	409,700	137,194
18,522,505	20,010,830	360,262
4,750,066	4,801,566	419,337
1,970,402	1,970,402	129,800
56,200	56,200	2,200
1,723,605	1,748,605	269,393
412,300	412,300	130,745
1,158,470	1,545,470	314,792
843,000	856,000	22,518
1,849,967	2,244,967	509,519
5,122,200	12,292,200	1,426,730
17,886,210	25,927,710	3,225,034
636,295	(5,916,880)	3,585,296
-	7,000,000	(950,090)
636,295	1,083,120	2,635,206
17,724,880	18,953,277	-
\$ 18,361,175	\$ 20,036,397	\$ 2,635,206

CITY OF BOONE

Notes to Other Information – Budgetary Reporting

June 30, 2021

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$8,041,500 and increased budgeted revenues by \$1,488,325. The budget amendments are reflected in the final budgeted amounts.

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

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

Other Information

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0284483%	0.0290008%	0.0268620%	0.0269222%	0.0275709%	0.0292724%	0.0309217%
City's proportionate share of the net pension liability	\$1,998	\$1,679	\$1,700	\$1,793	\$1,735	\$1,446	\$1,226
City's covered payroll	\$2,366	\$2,297	\$2,146	\$2,067	\$2,093	\$2,154	\$2,215
City's proportionate share of the net pension liability as a percentage of its covered payroll	84.45%	73.10%	79.22%	86.74%	82.90%	67.13%	55.35%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

CITY OF BOONE
Schedule of City Contributions

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

Other Information

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 228	\$ 224	\$ 217	\$ 186	\$ 185	\$ 188	\$ 193	\$ 199	\$ 185	\$ 172
Contributions in relation to the statutorily required contribution	(228)	(224)	(217)	(186)	(185)	(188)	(193)	(199)	(185)	(172)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 2,415	\$ 2,366	\$ 2,297	\$ 2,146	\$ 2,067	\$ 2,093	\$ 2,154	\$ 2,215	\$ 2,119	\$ 2,106
Contributions as a percentage of covered-employee payroll	9.44%	9.47%	9.45%	8.67%	8.95%	8.98%	8.96%	8.98%	8.73%	8.17%

See accompanying independent auditor's report.

CITY OF BOONE

Notes to Other Information – Pension Liability IPERS

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

Other Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.5412440%	0.5661040%	0.5558550%	0.5755950%	0.5872090%	0.5914870%	0.5817690%
City's proportionate share of the net pension liability	\$3,550	\$3,371	\$3,260	\$3,376	\$3,672	\$2,779	\$2,109
City's covered payroll	\$1,720	\$1,661	\$1,647	\$1,532	\$1,499	\$1,551	\$1,486
City's proportionate share of the net pension liability as a percentage of its covered payroll	206.40%	202.95%	197.94%	220.37%	244.96%	179.17%	141.92%
Plan fiduciary net position as a percentage of the total pension liability	76.47%	79.94%	81.07%	80.60%	78.20%	83.04%	86.27%

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

See accompanying independent auditor's report.

CITY OF BOONE
Schedule of City Contributions

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

Other Information

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 446	\$ 419	\$ 432	\$ 407	\$ 397	\$ 416	\$ 472	\$ 447	\$ 376	\$ 340
Contributions in relation to the statutorily required contribution	(446)	(419)	(432)	(407)	(397)	(416)	(472)	(447)	(376)	(340)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,763	\$ 1,720	\$ 1,661	\$ 1,647	\$ 1,532	\$ 1,499	\$ 1,551	\$ 1,486	\$ 1,438	\$ 1,385
Contributions as a percentage of covered-employee payroll	25.30%	24.36%	26.01%	24.71%	25.91%	27.75%	30.43%	30.08%	26.15%	24.55%

See accompanying independent auditor's report.

CITY OF BOONE

Notes to Other Information – Pension Liability MFPRSI

Year ended June 30, 2021

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

The 2018 valuation changed postretirement mortality rates to the RP-2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted 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, 2021

Schedule 1

	General										Special Revenue									
	Recreation	Hotel/Motel Tax	Landfill	Tennis	FEMA	COVID19	Green Space	Art Commission	Garden	Family Resource	Unfunded Liability	Emergency	TIF LMI	Police Trust	Fire Trust	Library Trust	Park Trust	Total		
Receipts:																				
Tax increment financing collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	3,316	\$	-	\$	-	\$	3,316
Other city tax		-	103,982		-	-	-	-	-	-	-	-	-	-	-	-	-	-	103,982	
Use of money and property		-	-		-	-	-	-	-	79,985	-	-	-	-	-	376	-	80,361		
Intergovernmental		-	-		-	306,378	-	-	-	-	-	-	-	-	-	-	-	306,378		
Charges for services		-	-	63,422	-	-	-	-	-	-	-	-	-	-	-	-	-	63,422		
Miscellaneous		-	-	-	-	-	130	240	150	-	-	-	-	48,697	14,312	61,989	-	125,518		
Total receipts	-	103,982	63,422	-	-	306,378	130	240	150	79,985	-	-	3,316	48,697	14,312	62,365	-	682,977		
Disbursements:																				
Governmental activities:																				
Public safety		-	-	-	-	-	-	-	-	-	8,476	-	-	26,381	7,199	-	-	42,056		
Public works		-	-	63,305	-	-	-	-	-	-	-	-	-	-	-	-	-	63,305		
Culture and recreation		-	5,000	-	-	-	-	222	-	-	-	-	-	-	-	40,338	91	45,651		
Community and economic development		-	106,000	-	-	-	-	-	-	-	-	-	12,500	-	-	-	-	118,500		
General government		-	-	-	253,511	-	-	-	-	101,869	-	-	-	-	-	-	-	355,380		
Total disbursements	-	111,000	63,305	-	253,511	-	-	222	-	101,869	8,476	-	12,500	26,381	7,199	40,338	91	624,892		
Excess (deficiency) of receipts over (under) disbursements	-	(7,018)	117	-	(253,511)	306,378	130	18	150	(21,884)	(8,476)	-	(9,184)	22,316	7,113	22,027	(91)	58,085		
Other financing sources (uses):																				
Operating transfers in		-	-	-	-	-	-	5,000	-	-	-	-	-	5,000	-	-	-	10,000		
Operating transfers out		-	(35,000)	-	-	(306,378)	-	-	-	(10,000)	-	-	-	-	-	-	-	(351,378)		
Total other financing sources (uses)	-	(35,000)	-	-	-	(306,378)	-	5,000	-	(10,000)	-	-	-	5,000	-	-	-	(341,378)		
Net change in cash balances	-	(42,018)	117	-	(253,511)	-	130	5,018	150	(31,884)	(8,476)	-	(9,184)	27,316	7,113	22,027	(91)	(283,293)		
Cash balances beginning of year	32	200,128	22,206	103	-	-	-	-	-	177,866	145,369	2,109	20,372	82,012	22,104	235,477	9,262	917,040		
Cash balances end of year	\$ 32	\$ 158,110	\$ 22,323	\$ 103	\$(253,511)	\$ -	\$ 130	\$ 5,018	\$ 150	\$ 145,982	\$ 136,893	\$ 2,109	\$ 11,188	\$ 109,328	\$ 29,217	\$ 257,504	\$ 9,171	\$ 633,747		
Cash Basis Fund Balances																				
Restricted for:																				
Other purposes	-	-	-	-	-	-	-	-	-	-	136,893	2,109	11,188	109,328	29,217	257,504	9,171	555,410		
Unassigned	32	158,110	22,323	103	(253,511)	-	130	5,018	150	145,982	-	-	-	-	-	-	-	78,337		
Total cash basis fund balances	\$ 32	\$ 158,110	\$ 22,323	\$ 103	\$(253,511)	\$ -	\$ 130	\$ 5,018	\$ 150	\$ 145,982	\$ 136,893	\$ 2,109	\$ 11,188	\$ 109,328	\$ 29,217	\$ 257,504	\$ 9,171	\$ 633,747		

See accompanying independent auditor's report.

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

Schedule 2

For the Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Receipts:										
Property and other City tax	\$ 8,253,515	\$ 7,691,037	\$ 7,386,967	\$ 7,256,262	\$ 7,068,322	\$ 6,810,201	\$ 6,777,853	\$ 6,611,749	\$ 6,257,200	\$ 6,037,179
Tax increment financing collections	994,216	720,937	752,556	613,494	642,594	893,784	808,576	899,033	1,148,408	1,449,319
Licenses and permits	445,390	445,953	448,006	423,783	410,353	327,144	251,912	220,406	218,443	240,914
Use of money and property	281,696	262,586	299,616	353,819	351,005	272,888	381,831	500,293	359,164	327,314
Intergovernmental	2,889,445	2,211,277	2,317,061	3,424,001	2,348,481	2,430,074	1,656,200	2,753,192	2,249,000	2,980,183
Charges for services	350,799	314,704	375,303	225,289	178,541	174,777	177,188	230,515	215,685	241,385
Special assessments	12,242	15,309	17,861	24,487	50,423	37,274	29,062	42,221	73,574	81,407
Miscellaneous	546,894	463,316	554,443	371,036	302,513	450,969	354,923	398,626	350,809	448,414
Total	13,774,197	12,125,119	12,151,813	12,692,171	11,352,232	11,397,111	10,437,545	11,656,035	10,872,283	11,806,115
Disbursements:										
Operating:										
Public safety	4,382,229	4,809,906	4,214,403	3,861,410	3,847,756	3,634,110	3,706,725	3,667,645	3,550,584	3,335,753
Public works	1,840,602	1,861,840	1,842,693	1,787,750	1,755,289	1,712,775	1,686,783	1,721,043	1,576,572	2,035,306
Health and social services	54,000	51,700	54,700	52,500	52,500	51,750	53,066	50,585	46,650	46,750
Culture and recreation	1,479,212	1,546,247	1,640,093	1,573,484	1,606,540	1,370,453	1,508,581	1,369,614	1,379,171	1,374,025
Community and economic developm	281,555	237,637	404,719	333,877	179,008	203,550	258,671	167,294	249,472	307,922
General government	1,230,678	891,265	1,029,297	825,955	813,845	721,852	704,597	715,389	800,333	864,395
Debt service	833,482	4,078,326	1,025,772	1,572,938	1,575,535	2,271,346	2,135,797	2,129,816	1,994,993	2,313,355
Capital projects	1,735,448	1,649,407	2,446,433	1,833,151	1,631,072	3,435,048	823,655	2,655,283	2,853,611	2,438,395
Total	\$ 11,837,206	\$ 15,126,328	\$ 12,658,110	\$ 11,841,065	\$ 11,461,545	\$ 13,400,884	\$ 10,877,875	\$ 12,476,669	\$ 12,451,386	\$ 12,715,901

See accompanying independent auditor's report.

HOUSTON & SEEMAN, P.C.
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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, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 12, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Boone's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-21 to be a material weakness.



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Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Boone. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

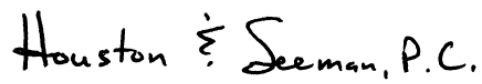
The City of Boone's Responses to Findings

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.

February 12, 2022

CITY OF BOONE
Schedule of Findings
Year ended June 30, 2021

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

- I-A-21 Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – One individual in the City performs many of the accounting functions.

Cause – The city has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF BOONE
Schedule of Findings
Year ended June 30, 2021

Part II: Other Findings Related to Statutory Reporting:

- II-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 did not exceeded the amounts budgeted.
- II-B-21 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-21 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-21 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>
Zehner Safety, Inc. Owned by Chip Zehner City Finance Officer	Purchase Fire Supplies	\$ 512
Stecker Concrete, Inc, Owned by Chad Stecker, Spouse of City Council Member Holly Stecker	Concrete Services	24,500
Kim Meiman Spouse of Julie Meiman, Employee	Mowing Services	1,504
Elmquist Towing Company Part-Owned by Ondrea Elmquist City Finance Officer	Towing Services	1,233

The transaction with Stecker Concrete, Inc. does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Kim Meiman, Chip Zehner and Ondrea Elmquist do not represent a conflict of interest since the transactions did not exceed the \$6,000 limit set by the Code of Iowa.

- II-E-21 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-21 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-G-21 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- II-H-21 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.

CITY OF BOONE
Schedule of Findings
Year ended June 30, 2021

- II-I-21 Revenue Notes and Bonds – No instances of non-compliance with the requirements of the water and sewer revenue bond resolutions were noted.
- II-J-21 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-K-21 Financial Condition – At June 30, 2021 the City had a deficit balance in the following account:

Special Revenue:

FEMA Funding	\$ (253,511)
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Debt Service:

Special Assessment Bonds	\$(1,461,275)
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Recommendation – The City should evaluate the reason for the deficit and investigate alternatives to eliminate the deficit in order to return the account to a sound financial position.

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

CITY OF BOONE
Schedule of Findings
Year ended June 30, 2021

The following insurance policies were in force at June 30, 2021:

EMC Insurance Companies	General Liability: Each Occurrence	\$2,000,000
EMC Insurance Companies	Automobile Liability: Each Accident automobile physical damage: comprehensive and collision	\$2,000,000 per occurrence
EMC Insurance Companies	Commercial Umbrella: Covers General, Auto, Official, Property and Workers Compensation Each Occurrence	\$9,000,000
EMC Insurance Companies	Official Liability: Each claim	\$2,000,000
EMC Insurance Companies	Property Coverage: Actual cash value, replacement cost or an agreed amount	\$64,516,923
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
Travelers Insurance	Public officials/employees Blanket bond (theft)	\$650,000
Insurance Management Group	Airport comprehensive general liability: Each occurrence and aggregate:	\$5,000,000
EMC Insurance Companies	Law enforcement liability	\$2,000,000
CFC Underwriting	Cyber liability	\$1,000,000

CITY OF BOONE
Schedule of Findings
Year ended June 30, 2021

Statistical Information

Description	Amount
Customers served at June 30, 2021	5,357
Sewer rates in effect at June 30, 2021:	
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.