

**CITY OF HUMBOLDT, IOWA**

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

**JUNE 30, 2004**

**T. P. ANDERSON & COMPANY, P.C.  
Certified Public Accountants**

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CITY OF HUMBOLDT, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Samuels	Mayor	Jan 2006
Walter Jensen	Council Member	Jan 2008
John Sleiter	Council Member	Jan 2008
Leroy Jorgensen	Council Member	Jan 2008
Darrell Rusher	Council Member	Jan 2006
Harold Entgelmeier	Council Member	Jan 2006
Grant Kleinhenz	Administrator	
Lorie Bennett	City Clerk	Jan 2006
Gloria Christensen	Deputy City Clerk	Jan 2006
Roger Lenning	Zoning Admin. Officer	Jan 2006
Lorie Bennett	Mid-Iowa Regional Housing Authority Representative	Jan 2006
Eric Eide	Attorney	Jan 2006
Mike Worthington	Park Commission	Jan 2008
Bill Sundell	Park Commission	Jan 2008
Kim Jensen	Park Commission	Jan 2006
Mary Reedy	Library Trustee	July 2007
Lois Ann Johnson	Library Trustee	July 2005
Craig Christensen	Library Trustee	July 2007
Lori Curran	Library Trustee	July 2007
Linda Clasen	Library Trustee	July 2005
Bryon Wadsley	Airport Commission	Jan 2005
Dave Dodgen	Airport Commission	Jan 2007
John Cero	Airport Commission	Jan 2008
Robert Dodd	Airport Commission	Jan 2009
Steve Lang	Airport Commission	Jan 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Merris	Planning & Zoning Commission	Jan 2007
Julie Clendenen	Planning & Zoning Commission	Jan 2010
Scott Lerdal	Planning & Zoning Commission	Jan 2009
Scott Curran	Planning & Zoning Commission	Jan 2010
Jay Bancroft	Planning & Zoning Commission	Jan 2008
Steve Sande	Planning & Zoning Commission	Jan 2008
Gordon Seaver	Planning & Zoning Commission	Jan 2009
Dennis Robinson	Planning & Zoning Commission	Jan 2008
Karla Mckibbon	Planning & Zoning Commission	Jan 2009
Gordon Seaver	Zoning Adjustment Board	Jan 2006
Conrad Burgers	Zoning Adjustment Board	Jan 2008
John Van Horn	Zoning Adjustment Board	Jan 2009
Tom Nelson	Zoning Adjustment Board	Jan 2006
Robert Abens	Zoning Adjustment Board	Jan 2007
Mary Carlson	Preservation Board	Jan 2005
Laurie Carlson	Preservation Board	Jan 2005
Marilyn Huntermark	Preservation Board	Jan 2006
Louis Fontana	Municipal Waterworks Chairman	Jan 2010
Scott Mason	Municipal Waterworks Trustee	Jan 2006
Charles Carlson	Municipal Waterworks Trustee	Jan 2008
Grant Kleinhenz	Municipal Waterworks Secretary	Appointed
Dale Behrens	Water Superintendent	

# T.P. ANDERSON & COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

701 SUMNER, SUITE 200  
HUMBOLDT, IOWA 50548  
515-332-3466

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Humboldt, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Humboldt's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U. S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Humboldt as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 10, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for the State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2004, on our consideration of the City of Humboldt’s internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 5 through 11 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Humboldt’s basic financial statements. We have previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which is not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basis financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*T.P. Anderson & Company, P.C.*

September 3, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Humboldt, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities increased 54.8%, or approximately \$1,584,000, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$29,000, bond proceeds increased \$1,210,000 and capital grants increased \$346,000.
- Disbursements increased 29.0%, or approximately \$697,000, in fiscal 2004 from fiscal 2003. Public works, culture and recreation, general government and capital projects disbursements increased approximately \$247,000, \$59,000, \$116,000 and \$266,000, respectively.
- The City's total cash basis net assets increased 30.1%, or approximately \$1,296,000 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased approximately \$1,327,000 and the assets of the business type activities decreased by approximately \$31,000.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets-cash basis. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

## **Basis of Accounting**

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

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

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets is divided into three kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the solid waste and the sanitary sewer system. These activities are financed primarily by user charges.
- Component Units include the waterworks. The activities are financed by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic service. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the solid waste, sewer rental, sewer sinking and sewer reserve funds.

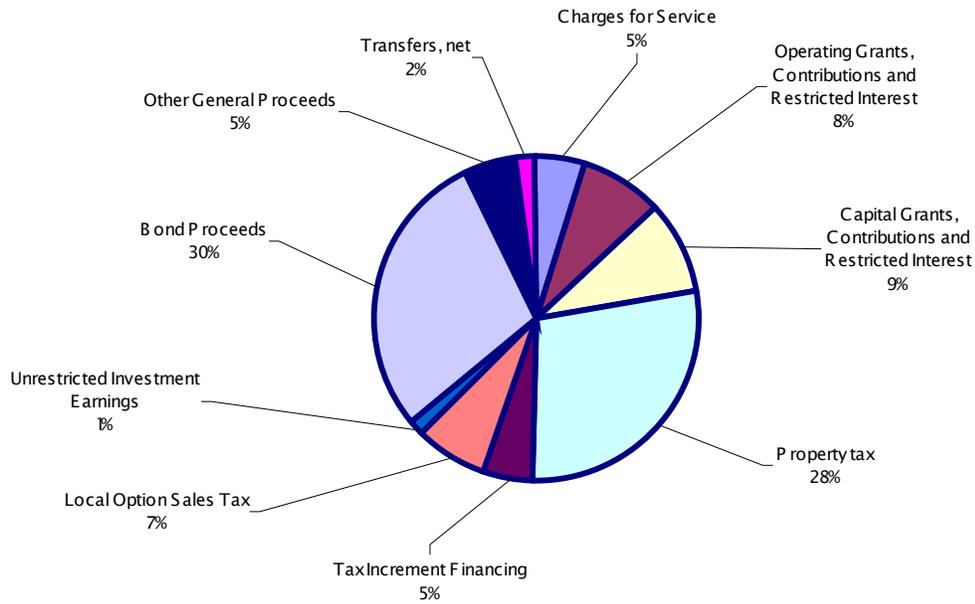
The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

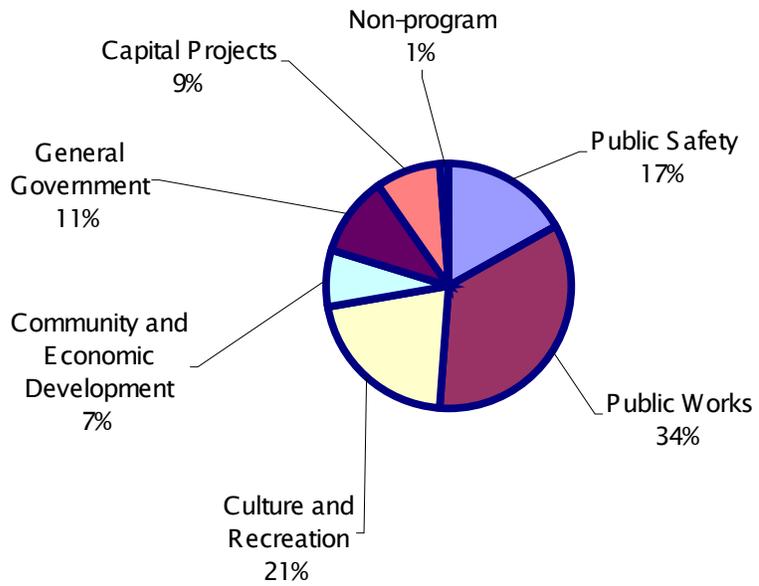
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$2.898 million to \$4.225 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 217	159
Operating grants, contributions and restricted interest	372	492
Capital grants, contributions and restricted interest	410	64
General receipts:		
Property tax	1,227	1,198
Tax increment financing	206	246
Local option sales tax	320	228
Unrestricted investment earnings	60	91
Bond proceeds	1,315	104
Other general receipts	232	268
Transfers, net	86	11
Total receipts and transfers	<u>4,445</u>	<u>2,861</u>
Disbursements:		
Public safety	524	554
Public works	1,063	816
Culture and recreation	657	598
Community and economic development	227	188
General government	329	213
Capital projects	282	0
Non program	36	36
Total disbursements	<u>3,118</u>	<u>2,405</u>
Increase in cash basis net assets	1,327	456
Cash basis net assets beginning of year	<u>2,898</u>	<u>2,442</u>
Cash basis net assets end of year	<u>\$ 4,225</u>	<u>2,898</u>

## Receipts by Source



## Disbursements by Function



The City’s total receipts for governmental activities increased by 54.8%, or \$1,568,000. The total cost of all programs and services increased by approximately \$697,000, or 29.0%, with no new programs added this year. The significant increase in receipts was primarily the result of bond proceeds received from the issuance of general obligation bonds used to finance the Sumner Avenue reconstruction project.

The cost of all governmental activities this year was \$3.102 million compared to 2.405 million last year. However, as shown in the Statement of Activities and Net Assets on pages 15, the amount taxpayers ultimately financed for these activities was only 2.103 million because some of the cost was paid by those directly benefited from the programs (217,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$781,000). Overall, the City’s governmental activities receipts, including intergovernmental aid and fees for service, increased in 2004 from approximately \$651,000 to approximately \$998,000. The City paid for the remaining “public benefit” portion of governmental activities with approximately \$2,103,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest, general entitlements, and bond proceeds.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 315	387
Sewer rental	713	717
Other	3	3
General receipts:		
Unrestricted interest on investments	16	23
Transfers, net	6	-
Total receipts	1,053	1,130
Disbursements and transfers:		
Solid waste	370	238
Sewer rental	373	318
Sewer sinking	338	338
Other	3	2
Transfers	-	11
Total disbursements and transfers	1,084	907
Increase (decrease) in cash balance	(31)	223
Cash basis net assets beginning of year	1,407	1,184
Cash basis net assets end of year	\$ 1,376	1,407

Total business type activities receipts for the fiscal year were \$1.047 million compared to \$1.130 million last year. The decrease is due in large part to the reduction of landfill assessments from \$6.50 to \$4.00 per month. The cash balance decreased by approximately \$31,000 from the prior year due to the reduction in the landfill assessment charges, the purchase of a garbage truck, and the purchase of a garbage scooter. Total disbursements and transfers for the fiscal year increased by 19.5% to a total of \$1.084 million.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As The City of Humboldt completed the year, its governmental funds reported a combined fund balance of \$4,225,293, and increase of more than \$1,327,000 above last year's total of \$2,898,179. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$93,934 from the prior year to \$1,068,348. The City intends to use these receipts to help offset future property tax increases.
- The Road Use Tax Fund cash balance decreased by \$202,945 to \$260,611 during the fiscal year. The decrease is due to the large street projects undertaken during the year.
- The Urban Renewal Tax Increment Fund was established to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$117,923, an increase of \$17,216 from the previous year. These proceeds will be used for various construction and refurbishing projects within the urban renewal district. The bonds and interest will be redeemed with incremental property tax generated from the increased taxable valuation in the district.
- The Employee Benefit Fund decreased by \$126,636 to \$263,830 during the fiscal year. This decrease was planned for by management. The city asked for less property tax during the year in order to use some of the excess cash that had been accumulated.
- The Local Option Sales Tax Fund increased \$225,421 to \$453,206 during the fiscal year. The city did not need to use large portions of this cash during the year as anticipated projects and expenses had not materialized by the end of the year.
- The Capital Projects Downtown Fund is new in the current year. It was established to account for the receipts and disbursements related to the Sumner Avenue reconstruction Project. The ending fund balance was generated by \$1,315,000 of bond proceeds and \$266,000 of transfers in from other funds.
- The Louthan Fund earned \$14,574 of interest during the year increasing the fund balance to \$598,114.

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

- The Solid Waste Fund cash balance decreased by \$52,407 to \$430,018, due primarily to the reduction in the landfill assessment charges along with the purchase of a garbage truck and scooter.
- The Sewer Fund cash balance increased by \$22,712 to \$526,660, due primarily to regular operations.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget three times. The first amendment was approved on July 21, 2003 and resulted in an increase in operating disbursements of \$146,000. \$30,000 of the increase was for the culture and recreation function and was to pay for a skate park and a recreation study conducted by the University of Northern Iowa. \$116,000 of the increase was for the business type enterprise (Sewer) and was to pay additional lift station construction costs. The second amendment was approved September 15, 2003 and decreased expenditures \$53,230. The decreases were implemented in anticipation of decreases in state funding for the year. The third amendment was approved on May 3, 2004 and increased expenditures by \$761,355. A significant portion of this increase (\$709,115) was for the capital projects function in anticipation of work beginning on the Sumner Avenue reconstruction project. The city also increased budgeted receipts with the second by \$1,396,881. \$1,299,471 of this increase was to come from bond proceeds used to finance the Sumner Avenue reconstruction project.

**DEBT ADMINISTRATION**

At June 30, 2004, the City had approximately \$5,989,000 in bonds and other long-term debt, compared to approximately \$5,089,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2004	2003
General obligation bonds	\$ 1,315	-
Special assessment bonds and notes	143	188
Urban renewal tax increment financing revenue bonds	547	674
Revenue notes	3,984	4,227
<b>Total</b>	<b>\$ 5,989</b>	<b>5,089</b>

Debt increased as a result of issuing general obligation bonds for the Sumner Avenue reconstruction project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$2,005,000 is significantly below its constitutional debt limit of \$9.1 million.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The City of Humboldt’s total tax levy has been on a decreasing trend for the past several years. In Fiscal Year 1998, the City’s total tax levy was \$12.6037 / \$1,000 assessed value, and in Fiscal Year 2005, the adopted budget has a total tax levy of \$11.32465/1,000 assessed value.

During the same period from FY 98 to FY 2005, the City experienced a noticeable increase in assessed valuations from \$121,848,399 to \$191,339,659, or 56%, attributable to the growing residential base, the expansions of current industries, new industries to the City and an increase in commercial and industrial valuations completed by the Humboldt County Assessor.

The Council approved the Fiscal Year 2005 budget with the knowledge that the Sumner Avenue & 6<sup>th</sup> Street Improvement Project would be completed during the fiscal year. That project was included in the budgets of both FY 2004 and FY 2005. FY 2006 will only see the budget increases due to payment of general obligation note that was issued for the payment of the project.

Fiscal Year 2005 shows \$7,089,200 of anticipated expenditures, which includes \$2,647,385 in expenses associated with the Sumner Avenue & 6<sup>th</sup> Street Improvement Project. This represents an increase of \$1,955,474 from the budgeted expenditures of \$5,133,726 for Fiscal Year 2004.

Anticipated Revenues for FY 2005 are \$6,354,726. This is an increase of \$1,072,156 from the budgeted revenues of \$5,282,570 for fiscal Year 2004, due primarily to financing for the Sumner Avenue & 6<sup>th</sup> Street Improvement Project and the Municipal Building renovation.

The Council approved a 2.4% wage increases for all the City of Humboldt employees, effective July 1, 2004. There are no anticipated user rates increases for the enterprise funds during Fiscal Year 2005.

The residents of the City of Humboldt voted to approve a bond issue not to exceed \$2.5 Million for the construction of new aquatics center to begin during Fiscal Year 2005. The Park Board, Mayor, Council, and staff will be developing a design, plans and specifications for the aquatics center in upcoming months to construct the facility.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Humboldt's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Lorie Bennett , City Clerk, 29 5<sup>th</sup> Street South, Humboldt, Iowa 50548.

## **Basic Financial Statements**

CITY OF HUMBOLDT, IOWA

Exhibit A

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Receipts				Net(Disbursements)Receipts and Changes in Cash Basis Net Assets			Component Units
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total	
<b>Primary Government</b>								
Governmental activities:								
Public safety	\$ 524,462	42,009	-	-	(482,453)	-	(482,453)	-
Public works	1,062,772	4,611	370,796	389,541	(297,824)	-	(297,824)	-
Culture and recreation	656,507	170,634	1,500	-	(484,373)	-	(484,373)	-
Community and economic development	227,172	-	-	-	(227,172)	-	(227,172)	-
General government	329,142	-	-	-	(329,142)	-	(329,142)	-
Capital projects	281,501	-	-	19,608	(261,893)	-	(261,893)	-
Non program	35,901	-	-	-	(35,901)	-	(35,901)	-
<b>Total governmental activities</b>	<b>3,117,457</b>	<b>217,254</b>	<b>372,296</b>	<b>409,149</b>	<b>(2,118,758)</b>	<b>-</b>	<b>(2,118,758)</b>	<b>-</b>
Business type activities								
Solid waste	370,443	314,958	-	-	-	(55,485)	(55,485)	-
Sewer	714,473	716,422	-	-	-	1,949	1,949	-
<b>Total business type activities</b>	<b>1,084,916</b>	<b>1,031,380</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53,536)</b>	<b>(53,536)</b>	<b>-</b>
<b>Total primary government</b>	<b>4,202,373</b>	<b>1,248,634</b>	<b>372,296</b>	<b>409,149</b>	<b>(2,118,758)</b>	<b>(53,536)</b>	<b>(2,172,294)</b>	<b>-</b>
<b>Component units:</b>								
Water	\$ 591,449	641,217	-	-	-	-	-	49,768
<b>Total component units</b>								
<b>General Receipts:</b>								
Property tax levied for:								
General purposes					\$ 1,226,613	-	1,226,613	-
Tax increment financing					206,434	-	206,434	-
Local option sales tax					320,048	-	320,048	-
Unrestricted interest on investments					59,641	15,994	75,635	-
Bond Proceeds					1,315,000	-	1,315,000	-
Miscellaneous					231,606	-	231,606	-
Transfers					86,530	6,173	92,703	(92,703)
<b>Total general receipts and transfers</b>					<b>3,445,872</b>	<b>22,167</b>	<b>3,468,039</b>	<b>(92,703)</b>
Change in cash basis net assets					1,327,114	(31,369)	1,295,745	(42,935)
Cash beginning of year					2,898,179	1,406,877	4,305,056	468,409
Cash end of year					<b>4,225,293</b>	<b>1,375,508</b>	<b>5,600,801</b>	<b>425,474</b>
<b>Cash Basis Net Assets:</b>								
Restricted								
Streets					260,111	-	260,111	-
Capital projects					1,319,079	-	1,319,079	-
Debt Service					142,308	409,561	551,869	-
Other Purposes					1,435,447	-	1,435,447	-
Unrestricted					1,068,348	965,947	2,034,295	425,474
					<b>\$ 4,225,293</b>	<b>1,375,508</b>	<b>5,600,801</b>	<b>425,474</b>

See Notes to Financial Statements

CITY OF HUMBOLDT, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE			
	General	Road Use Tax	Local Option Sales Tax	Capital Projects
<b>Receipts:</b>				
Property tax	\$ 1,093,862	-	-	-
Tax increment financing collections	-	-	-	-
Other city tax	-	-	320,048	-
Licenses and permits	19,061	-	-	-
Use of money and property	49,013	-	-	19,608
Intergovernmental	405,970	370,796	-	-
Charges for service	198,875	-	-	-
Special assessments	-	-	-	-
Miscellaneous	44,978	-	-	-
Total receipts	1,811,759	370,796	320,048	19,608
<b>Disbursements:</b>				
<b>Operating:</b>				
Public Safety	421,405	-	-	-
Public Works	435,793	498,347	-	-
Culture & Recreation	557,014	-	-	-
Community & economic development	37,954	-	-	-
General government	293,951	-	-	-
Capital projects	-	-	-	281,501
Non-program	-	-	-	-
Total Disbursements	1,746,117	498,347	-	281,501
Excess of receipts over disbursements	65,642	(127,551)	320,048	(261,893)
<b>Other financing sources (uses):</b>				
Bond proceeds	-	-	-	1,315,000
Operating transfers in	28,292	6,144	-	265,972
Operating transfers out	-	(81,538)	(94,627)	-
Total other financing sources (uses)	28,292	(75,394)	(94,627)	1,580,972
Net change in cash balances	93,934	(202,945)	225,421	1,319,079
Cash balances beginning of year	974,414	463,556	227,785	-
Cash balances end of year	\$ 1,068,348	260,611	453,206	1,319,079
<b>Cash Basis Fund Balances</b>				
<b>Unreserved:</b>				
General fund	1,068,348	-	-	-
Special revenue funds	-	260,611	453,206	-
Capital projects fund	-	-	-	1,319,079
Debt service fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 1,068,348	260,611	453,206	1,319,079

See Notes of Financial Statements

Exhibit B

Permanent Louthan	Other Nonmajor Governmental Funds	Total
-	132,751	1,226,613
-	206,434	206,434
-	-	320,048
-	-	19,061
14,574	1,031	84,226
-	-	776,766
-	-	198,875
-	58,780	58,780
-	107,260	152,238
14,574	506,256	3,043,041
-	103,057	524,462
-	128,632	1,062,772
-	99,493	656,507
-	189,218	227,172
-	35,191	329,142
-	-	281,501
-	35,901	35,901
-	591,492	3,117,457
14,574	(85,236)	(74,416)
-	-	1,315,000
-	-	300,408
-	(37,713)	(213,878)
-	(37,713)	1,401,530
14,574	(122,949)	1,327,114
583,540	648,884	2,898,179
598,114	525,935	4,225,293
-	-	1,068,348
134,789	383,627	1,232,233
-	-	1,319,079
-	142,308	142,308
463,325	-	463,325
598,114	525,935	4,225,293

## CITY OF HUMBOLDT, IOWA

Exhibit C

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
 PROPRIETARY FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	Solid Waste	Sewer	Total
Operating receipts:			
Charges for service	\$ 302,363	698,954	1,001,317
Miscellaneous		17,468	17,468
Total operating receipts	302,363	716,422	1,018,785
Operating disbursements:			
Business type activities	370,443	714,473	1,084,916
Total operating disbursements	370,443	714,473	1,084,916
Excess of operating receipts over operating disbursements	(68,080)	1,949	(66,131)
Non-operating receipts:			
Intergovernmental	12,595	-	12,595
Interest on investments	2,905	13,089	15,994
Total non-operating receipts	15,500	13,089	28,589
Excess of receipts and non-operating receipts over disbursements	(52,580)	15,038	(37,542)
Other financing sources (uses):			
Operating transfers in	173	6,000	6,173
Total other financing sources (uses)	173	6,000	6,173
Net change in cash balances	(52,407)	21,038	(31,369)
Cash balances beginning of year	482,425	924,452	1,406,877
Cash balances end of year	\$ 430,018	945,490	1,375,508
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	-	409,561	409,561
Unreserved	430,018	535,929	965,947
Total cash basis fund balances	\$ 430,018	945,490	1,375,508

See Notes of Financial Statements

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of Significant Accounting Policies**

The City of Humboldt is a political subdivision of the State of Iowa located in Humboldt County. It was first incorporated in 1869 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, culture, recreation, community and economic development and general government services. The City also provides water, sewer, utilities and landfill services for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Humboldt has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all other 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.

These financial statements present the City of Humboldt (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. Audited financial statements of the individual component unit can be obtained from the City of Humboldt's offices.

Discrete Component Unit - The Humboldt Municipal Waterworks is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Municipal Waterworks is governed by a three-member board appointed by the City Council and the Waterworks' operating budget is subject to the approval of the City Council.

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: Humboldt County Conference Board, Humboldt County

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of Significant Accounting Policies - continued**

Emergency Management Commission, Humboldt County Joint E911 Service Board, Law Enforcement Center Commission, The North Central Iowa Solid Waste Agency, Humboldt County Landfill, and MIDAS Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets – Cash Basis reports information on all 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.

This Statement of Activities and Net Assets Cash Basis presents the City’s nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary 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.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of Significant Accounting Policies - continued**

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax (LOST) Fund is utilized to account for the local option sales tax receipts and disbursements.

Capital Projects:

The Capital Projects Downtown Fund is used to account for receipts and disbursements on the reconstruction project of the main street and adjacent sidewalks.

Permanent Fund:

The Louthan Fund is a donor-restricted permanent fund established to benefit youth activity in Humboldt. The original amount contributed by the donor (\$463,325) is not available for expenditure and is classified as permanent fund balance on exhibit B. The accumulated earnings available for expenditure in accordance with the donor's intentions (\$134,789) is classified as special revenue fund balance on exhibit B.

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste disposal system.

The Sewer Fund accounts for operation and maintenance of the City's wastewater treatment and sanitary sewer system and includes the sinking funds which have a \$39,790 balance and account for the payment of interest and principal on the City's 2001 Wastewater Revenue Bonds and the reserve funds which have a balance of \$369,771 and are required by the SRF loan. The funds may be utilized to pay principal or interest on the SRF loan and for additional improvements, extensions or reports to the system.

C. Measurement Focus and Basis of Accounting

The City of Humboldt 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 the U.S. generally accepted accounting principals.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

**(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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. See Note 11 regarding budget over expenditure.

**(2) Cash and Investments**

The City's deposits at June 30, 2004 (which include certificates of deposit totaling \$2,540,432) 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; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

Interest received on cash balances of the City of Humboldt amounted to \$95,244 for the year ended June 30, 2004. These discretely presented component unit had interest of \$6,472 for the year ended June 30, 2004. These receipts are included under Use of Money and Property for Governmental Funds and Interest on Investments for proprietary activities.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation, urban renewal tax increment financing revenue bonds, revenue notes and other long-term debt are as follows:

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(3) Bonds and Notes Payable - continued

Year Ending	General Obligation		Urban Renewal Tax Increment (TIF) Revenue Bonds		Revenue Notes		Other Long Term Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	260,000	37,083	103,544	28,133	233,453	230,390	58,883	9,991	655,880	231,431
2006	270,000	31,623	71,418	23,324	199,000	147,039	15,409	5,869	555,827	207,855
2007	275,000	24,873	71,226	19,713	207,000	139,239	19,329	4,790	572,555	188,614
2008	280,000	17,035	77,749	16,076	215,000	131,124	10,418	3,437	583,167	167,672
2009	230,000	7,935	79,378	12,091	223,000	122,696	10,418	2,708	542,796	145,430
2010	-	-	74,159	8,041	232,000	113,954	10,418	1,979	316,577	123,974
2011	-	-	70,000	4,025	241,000	104,860	10,418	1,250	321,418	110,135
2012	-	-	-	-	251,000	95,413	7,432	520	258,432	95,933
2013	-	-	-	-	261,000	85,574	-	-	261,000	85,574
2014	-	-	-	-	270,000	75,342	-	-	270,000	75,342
2015	-	-	-	-	281,000	64,758	-	-	281,000	64,758
2016	-	-	-	-	292,000	53,743	-	-	292,000	53,743
2017	-	-	-	-	304,000	42,297	-	-	304,000	42,297
2018	-	-	-	-	316,000	30,380	-	-	316,000	30,380
2019	-	-	-	-	328,000	17,993	-	-	328,000	17,993
2020	-	-	-	-	131,000	5,135	-	-	131,000	5,135
	1,315,000	118,549	547,474	111,403	3,984,453	1,385,770	142,725	30,544	5,989,652	1,646,266

The Urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the services tax revenue bonds include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sinking fund for the purpose of making the note principal and interest payments when due.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

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

- (c) Additional monthly transfers of 25% of the monthly sinking fund deposit to sewer revenue reserve fund shall be made until the maximum principal and interest due in any year under the loan has been accumulated, approximately \$347,000. This fund is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system. The minimum required balance had been accumulated at June 30, 2004.
- (d) Additional monthly transfers of \$300 to the sewer improvement fund until the fund accumulates \$5,000. This fund is restricted for the purpose of paying for principal and interest on the revenue notes when the sinking and reserve accounts do not have sufficient funds. The required balance of \$5,000 had been accumulated at June 30, 2004.

**(4) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93 and 8.90 respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, and the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004 2003 and 2002 were \$62,540, \$63,180, and \$63,358 respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate vacation and sick leave hours for subsequent use. Earned vacation is paid when used or when employment is terminated. Personal hours are not paid upon termination of employment. Sick leave is paid when used or upon retirement up to 15 days given that an employee has been a regular full time or regular part time employee of the City of Humboldt for at least 10 consecutive years immediately prior to retirement. Employees may convert up to twenty-four hours of sick leave to eight hours of vacation for every six months, January to June and July to December in which no sick leave is utilized. This conversion of sick leave to vacation shall not be allowed if it results in the employee's cumulative total of sick leave to be less than eighty hours.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(5) **Compensated Absences - continued**

These accumulations are not recognized as expenditures by the City until they are paid. The City's approximate maximum liability for unrecognized accrued employee benefits, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u> <u>6-30-04</u>
Sick pay & personal days	\$309,539
Vacation pay	<u>48,734</u>
TOTAL	<u>\$358,273</u>

The City by resolution sets the rules for sick pay as follows:

1 and ½ days per month with a maximum of 120 days accumulation.

The City by resolution sets the rules for vacation policy as follows:

After one calendar year of employment	5 days
After two consecutive calendar years of employment	10 days
After eight consecutive calendar years of employment	15 days
After sixteen consecutive calendar years of employment	20 days

Vacation must be used in the year following the year earned except that no more than 5 days may be carried into the following year.

(6) **Contracts**

The City prior to December 31, 1995 contracted with the Humboldt County Landfill Commission for landfill use for solid waste disposal for residences and businesses within the City. Effective December 31, 1995 the City withdrew from the Humboldt County Landfill. The City will continue to be liable for their share of post closure costs that amounted to \$4,441 for the year ended June 30, 2004. The City will have an estimated annual liability of approximately \$5,000 for the post-closure costs which will last for approximately 25 years.

Due to the withdrawal from Humboldt County Landfill, the City has entered into an agreement with the North Central Solid Waste Agency for solid waste disposal. Total payments by the City under this agreement for the year ended June 30, 2004 were \$24,807.

The City has also contracted the Humboldt County Public Safety Commission for use of the law enforcement center building. For the year ended June 30, 2004, the City paid \$65,027 pursuant to this agreement. The City has also contracted with a private contractor for the operation and maintenance of the municipal sewer plant for the three years ended December 31, 2004. Payments under this contract totaled \$138,507 for the year.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

**(7) Interfund Transfers**

The detail of interfund transfers, for the year ended June 30, 2004 is as follows:

Transfer In	Transfer From	Amount
General	Special Revenue Fund Emergency	\$ 28,292
Special Revenue Fund Road Use Tax	Special Revenue Fund LOST	6,144
Capital Project Fund	Special Revenue Fund Road Use Tax	81,538
	LOST	88,483
	Debt Service	9,420
	Component Unit Water	86,531
		<u>\$ 265,972</u>
Enterprise Funds Solid Waste	Component Unit Water	173
Enterprise Funds Sewer	Component Unit Water	6,000

**(8) Risk Management**

The City of Humboldt 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City of Humboldt also self-insures a portion of its employees' health insurance. The City uses a third party administrator to determine appropriate claims. At June 30, 2004, there were no unpaid claims due.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

**(9) Property Taxes**

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Humboldt. Property taxes become liens on property as of July 1, 2003 and are payable in September and March of the fiscal year. The valuation for the taxes was based on January 1, 2002 assessed property valuations, and are based on a certified budget from March of 2003.

**(10) Accounting Change and Restatements**

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences*, were implemented for the year ended June 30, 2004. These statements create new basis financial statements for reporting the City’s financial activities. These financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City’s governmental and business type activities.

**(11) Budget Over Expenditure**

The City over expended the community and economic development function for the year.

## **Required Supplementary Information**

CITY OF HUMBOLDT, IOWA

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes (Cash Basis)  
in Balances - Budget and Actual  
All Government Funds and Proprietary Funds

REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2004

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
Receipts:				
Property tax	\$ 1,226,613	-		1,226,613
Tax increment financing collections	206,434	-		206,434
Other city tax	320,048	-		320,048
Licenses and permits	19,061	-		19,061
Use of money and property	84,226	15,994		100,220
Intergovernmental	776,766	12,595		789,361
Charges for service	198,875	1,001,317		1,200,192
Special assessments	58,780	-		58,780
Miscellaneous	152,238	17,468		169,706
Total receipts	3,043,041	1,047,374		4,090,415
Disbursements:				
Program				
Public Safety	524,462	-		524,462
Public Works	1,062,772	-		1,062,772
Culture & Recreation	656,507	-		656,507
Community & economic development	227,172	-		227,172
General government	329,142	-		329,142
Capital projects	281,501	-		281,501
Business type activities	-	1,084,916		1,084,916
Non-program	35,901		35,901	-
Total Disbursements	3,117,457	1,084,916	35,901	4,166,472
Excess (deficiency) of receipts over disbursements	(74,416)	(37,542)	(35,901)	(76,057)
Other financing sources (uses)	1,401,530	6,173	-	1,407,703
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	1,327,114	(31,369)	(35,901)	1,331,646
Balance - beginning of year	2,898,179	1,406,877	-	4,148,612
Balance - end of year	\$ 4,225,293	1,375,508	(35,901)	5,480,258

See Accompanying Independent Auditor's Report

Budgeted Amounts

Original	Final	Final to Net Variance
1,183,797	1,183,797	42,816
186,573	186,573	19,861
317,455	362,505	(42,457)
17,025	22,625	(3,564)
129,025	129,025	(28,805)
942,455	867,455	(78,094)
1,111,265	1,146,340	53,852
67,000	67,000	(8,220)
241,985	289,345	(119,639)
4,196,580	4,254,665	(164,250)
575,320	559,395	34,933
1,232,965	1,249,100	186,328
681,222	697,212	40,705
208,073	208,073	(19,099)
663,048	660,858	331,716
-	709,115	427,614
1,117,996	1,248,996	164,080
-	-	-
4,478,624	5,332,749	1,166,277
(282,044)	(1,078,084)	(1,330,527)
-	1,309,471	98,232
(282,044)	231,387	(1,232,295)
4,515,426	4,515,426	(366,814)
4,233,382	4,746,813	(1,599,109)

CITY OF HUMBOLDT, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$854,125. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the community and economic development function.

## **Other Supplementary Information**

CITY OF HUMBOLDT, IOWA

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2004

	Emergency	Community Projects	13A Drainage District
Receipts:			
Property tax	\$ 32,104	-	-
Tax increment financing collections	-	-	-
Other city tax	-	-	-
Licenses and permits	-	-	-
Use of money and property	-	1,031	-
Intergovernmental	-	-	-
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	-	29,897	-
Total receipts	32,104	30,928	-
Disbursements:			
Operating:			
Public Safety	-	-	-
Public Works	-	-	-
Culture & Recreation	-	39,057	-
Community & economic development	-	-	-
General government	-	-	580
Non-program	-	-	-
Total Disbursements	-	39,057	580
Excess of receipts over disbursements	32,104	(8,129)	(580)
Other financing sources (uses):			
Operating transfers out	(28,293)	-	-
Total other financing sources (uses)	(28,293)	-	-
Net change in cash balances	3,811	(8,129)	(580)
Cash balances beginning of year	28,293	97,833	6,493
Cash balances end of year	32,104	89,704	5,913
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	32,104	89,704	5,913
Debt service fund	-	-	-
Total cash basis fund balances	\$ 32,104	89,704	5,913

See Accompanying Independent Auditor's Report

Schedule 1

	Street Assessments	Debt Service	Urban Renewal Tax Increment	Employee Benefits	Total
\$	-	-	-	100,647	132,751
	-	-	206,434	-	206,434
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	1,031
	-	-	-	-	-
	-	-	-	-	-
	58,780	-	-	-	58,780
	-	-	-	77,363	107,260
	58,780	-	206,434	178,010	506,256
	-	-	-	103,057	103,057
	57,991	-	-	70,641	128,632
	-	-	-	60,436	99,493
	-	-	189,218	-	189,218
	-	-	-	34,611	35,191
	-	-	-	35,901	35,901
	57,991	-	189,218	304,646	591,492
	789	-	17,216	(126,636)	(85,236)
	-	(9,420)	-	-	(37,713)
	-	(9,420)	-	-	(37,713)
	789	(9,420)	17,216	(126,636)	(122,949)
	-	151,728	100,707	263,830	648,884
	789	142,308	117,923	137,194	525,935
	789	-	117,923	137,194	383,627
	-	142,308	-	-	142,308
\$	789	142,308	117,923	137,194	525,935

CITY OF HUMBOLDT, IOWA

Schedule 2

SCHEDULE OF INDEBTNESS  
Year Ended June 30, 2004

Obligation	Date Issued	Interest Rate	Amount Original Issue	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation bonds									
Sumner Avenue Project	September 1, 2003	2.10%	1,315,000	\$ -	1,315,000	-	1,315,000	27,812	-
Revenue bonds/notes:									
2001 Wastewater Revenue Bond	August 19, 1999	3.92%	4,847,000	4,117,000	-	175,000	3,942,000	161,386	-
MWW River Crossing	March 28, 2001	4.00%	250,000	110,100	-	67,647	42,453	4,816	-
				4,227,100	-	242,647	3,984,453	166,202	-
Tax Increment Financing Notes									
Jet Company		4.00%		18,682	-	18,682	-	616	-
Humboldt County Development Assoc./Hog Slat, Inc.		4.00%		42,149	-	20,295	21,854	2,305	-
ADF Systems		4.00%		19,104	-	8,635	10,469	1,514	-
Nokomis Machine		4.00%		27,434	-	18,006	9,428	1,327	-
Riverview Heights		5.75%		400,000	-	40,000	360,000	22,528	-
Humboldt Fabrication Controls/RAMCO		4.00%		166,310	-	20,587	145,723	10,058	-
				673,679	-	126,205	547,474	38,348	-
Special Assessments									
1995 Sidewalk Program		7.00%		1,800	-	434	1,366	95	-
West River, Plat II, Paving Project		7.00%		29,692	-	12,095	17,597	2,237	-
Blackbird Addition Street Parking		6.00%		31,101	-	6,307	24,794	1,156	-
Hall Street Improvement Project		6.00%		21,382	-	2,772	18,610	1,162	-
14th Avenue SW Project				104,130		23,772	80,358	6,959	-
				\$ 188,105	-	45,380	142,725	11,609	-

See Accompanying Independent Auditor's Report

CITY OF HUMBOLDT, IOWA

Bond & Note Maturities  
June 30, 2004

Year Ending	Sumner Ave. Project Issued September 1, 2003		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds Issued on Various Dates	
	Interest Rate	Amount	Interest Rate	Amount
2005	2.10%	260,000	5.75-6.00%	103,544
2006	2.50%	270,000	5.75-6.00%	71,418
2007	2.85%	275,000	5.75-6.00%	71,226
2008	3.25%	280,000	5.75-6.00%	77,749
2009	3.45%	230,000	5.75-6.00%	79,378
2010	-	-	5.75-6.00%	74,159
2011	-	-	5.75-6.00%	70,000
2012	-	-		-
2013	-	-		-
2014	-	-		-
2015	-	-		-
2016	-	-		-
2017	-	-		-
2018	-	-		-
2019	-	-		-
2020	-	-		-
		<u>\$ 1,315,000</u>		<u>\$ 547,474</u>

See Accompanying Independent Auditor's Report

Special Assessments		Revenue Notes			
		Water Treatment Issued August 19, 1999		MWW River Crossing Equipment / Improvements Issued March 28, 2001	
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
7.00 %	58,883	3.92%	191,000	4.00%	42,453
7.00 %	15,409	3.92%	199,000	-	-
7.00 %	19,329	3.92%	207,000	-	-
7.00 %	10,418	3.92%	215,000	-	-
7.00 %	10,418	3.92%	223,000	-	-
7.00 %	10,418	3.92%	232,000	-	-
7.00 %	10,418	3.92%	241,000	-	-
7.00 %	7,432	3.92%	251,000	-	-
-	-	3.92%	261,000	-	-
-	-	3.92%	270,000	-	-
-	-	3.92%	281,000	-	-
-	-	3.92%	292,000	-	-
-	-	3.92%	304,000	-	-
-	-	3.92%	316,000	-	-
-	-	3.92%	328,000	-	-
-	-	3.92%	131,000	-	-
	<u>\$ 142,725</u>		<u>\$ 3,942,000</u>		<u>\$ 42,453</u>

CITY OF HUMBOLDT, IOWA

Schedule 4

Schedule of Receipts by Source and Disbursements by Function  
 All Governmental Funds  
 For the Last Two Years

	2004	2003
Receipts:		
Property tax	\$ 1,226,613	1,197,431
Tax increment financing collections	206,434	246,322
Other city tax	320,048	227,785
Licenses and permits	19,061	20,068
Use of money and property	84,226	98,570
Intergovernmental	776,766	555,983
Charges for service	198,875	158,819
Special assessments	58,780	28,660
Miscellaneous	152,238	212,139
Total receipts	3,043,041	2,745,777
Disbursements:		
Operating:		
Public Safety	524,462	553,851
Public Works	1,062,772	816,129
Culture & Recreation	656,507	597,811
Community & economic development	227,172	187,679
General government	329,142	213,084
Capital projects	281,501	-
Non-program	35,901	36,542
Total Disbursements	\$ 3,117,457	2,405,096

See Accompanying Independent Auditor's Report

# T.P. ANDERSON & COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

701 SUMNER, SUITE 200

HUMBOLDT, IOWA 50548

515-332-3466

## Independent Auditor's Report on Compliance And on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Humboldt, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. As described in Note 10, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*.

### Compliance

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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. Prior year statutory comments have been resolved except for III-A-04.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However; we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we believe the reportable condition described at II-A-04 is a material weakness. Prior year reportable conditions have all been resolved except II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Humboldt and other parties to whom the City of Humboldt may report. This report is not intended for and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Humboldt during the course of our audit. Should you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*T.P. Anderson & Company, P.C.*

September 3, 2004

City of Humboldt, Iowa

Schedule of Findings

Year Ended June 30, 2004

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

- (a) An unqualified opinion was issued on financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principals.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Humboldt, Iowa

Schedule of Findings

Year Ended June 30, 2004

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-04      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt function and the recording of the cash receipts is on occasion handled by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Humboldt, Iowa

Schedule of Findings

Year Ended June 30, 2004

**Part III: Other Findings Related to Statutory Reporting:**

III-A-04 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

III-B-04 Certified Budget - Disbursements in the community and economic development function exceeded the amount budgeted for the year ended June 30, 2004.

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-C-04 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-D-04 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-E-04 Business Transactions - No business transactions between the City and its officials or employees were noted.

III-F-04 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 insure that the coverage is adequate for current operations.

III-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-H-04 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-I-04 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.