

CITY OF HUMBOLDT, IOWA

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

JUNE 30, 2005

**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
Jim Vermeer	Council Member	Jan 2006
Lorie Bennett	Administrator	
Gloria Christensen	City Clerk	Jan 2006
Andrea Vinsand	Deputy City Clerk	Jan 2006
Roger Lenning	Zoning Admin. Officer	Jan 2006
Gloria Christensen	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 2011
Dave Dodgen	Airport Commission	Jan 2007
John Cero	Airport Commission	Jan 2008
Robert Dodd	Airport Commission	Jan 2009
Ed Allen	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
Vouth Varangkounh	Planning & Zoning Commission	Jan 2009
Dennis Robinson	Planning & Zoning Commission	Jan 2008
Karla Mckibbon	Planning & Zoning Commission	Jan 2009
Scott Lerdal	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 2008
Laurie Carlson	Preservation Board	Jan 2008
Marilyn Huntermark	Preservation Board	Jan 2006
Louis Fontana	Municipal Waterworks Chairman	Jan 2010
Russell Christensen	Municipal Waterworks Trustee	Jan 2006
Charles Carlson	Municipal Waterworks Trustee	Jan 2008
Lorie Bennett	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, 2005, 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 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 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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2005, 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 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 internal control over financial reporting or compliance. That report is 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 and 24 through 25 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 required 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 three years ended June 30, 2004(which are not presented herein) and expressed an unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, 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.

August 31, 2005

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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 27%, or approximately \$1,196,000, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$101,000 and bond proceeds increased \$1,430,000.
- Disbursements increased 75%, or approximately \$2,327,000, in fiscal 2005 from fiscal 2004. Capital projects disbursements increased approximately \$2,305,000.
- The City's total cash basis net assets decreased 1%, or approximately \$35,000 from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased approximately \$196,000 and the assets of the business type activities decreased by approximately \$231,000.

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

The cash basis 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 cash basis financial statement 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.

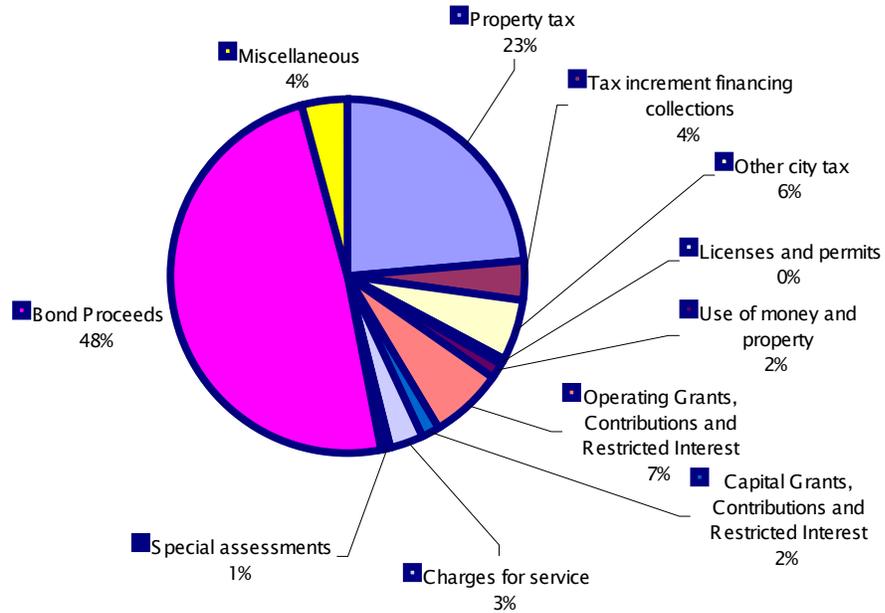
The required cash basis financial statement for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

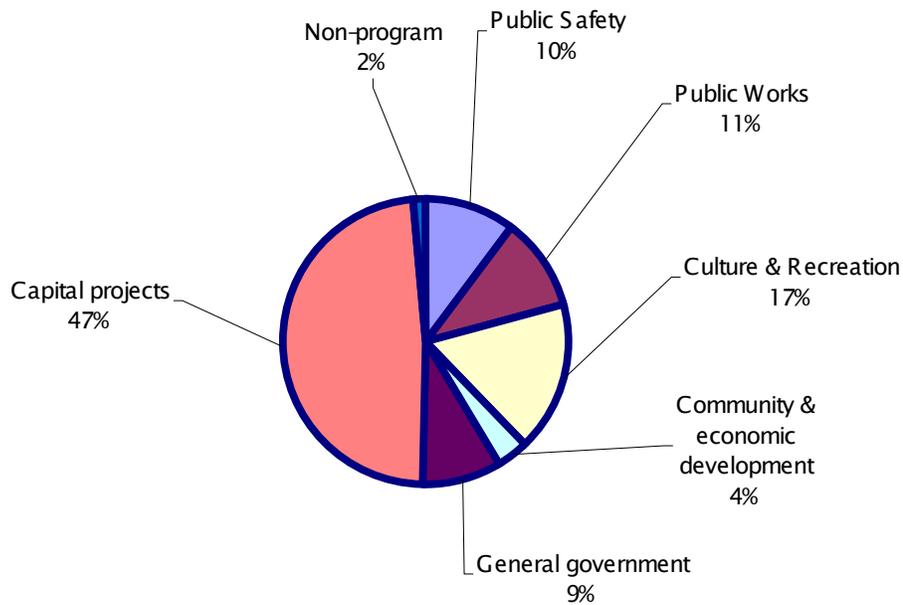
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$4.2 million to \$4.4 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 171	217
Operating grants, contributions and restricted interest	379	372
Capital grants, contributions and restricted interest	96	410
General receipts:		
Property tax	1,328	1,227
Tax increment financing	201	206
Local option sales tax	328	320
Unrestricted investment earnings	86	60
Bond proceeds	2,745	1,315
Other general receipts	307	232
Transfers, net	-	86
Total receipts and transfers	<u>5,641</u>	<u>4,445</u>
Disbursements:		
Public safety	547	524
Public works	568	1,063
Culture and recreation	909	657
Community and economic development	197	227
General government	483	329
Capital projects	2,587	282
Non program	81	36
Transfers, net	73	
Total disbursements	<u>5,445</u>	<u>3,118</u>
Increase in cash basis net assets	196	1,327
Cash basis net assets beginning of year	<u>4,225</u>	<u>2,898</u>
Cash basis net assets end of year	<u>\$ 4,421</u>	<u>4,225</u>

Receipts by Source



Disbursements by Function



The City’s total receipts for governmental activities increased by 27%, or \$1,196,000. The total cost of all programs and services increased by approximately \$2,327,000, or 75%, 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 to be used to construct the new Aquatic Center.

The cost of all governmental activities this year was \$5.4 million compared to 3.1 million last year. However, as shown in the Statement of Activities and Net Assets on pages 12, the amount taxpayers ultimately financed for these activities was only 4.7 million because some of the cost was paid by those directly benefited from the programs (\$171,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$475,000). Overall, the City’s governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2005 from approximately \$998,000 to approximately \$646,000. The City paid for the remaining “public benefit” portion of governmental activities with approximately \$1,856,000 in tax (some of which could only be used for certain programs), \$2,745,257 in bond proceeds, and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 302	315
Sewer rental	717	716
General receipts:		
Miscellaneous	9	-
Unrestricted interest on investments	15	16
Transfers, net	6	6
Total receipts	<u>1,049</u>	<u>1,053</u>
Disbursements and transfers:		
Solid waste	274	370
Sewer rental	668	376
Sewer sinking	337	338
Total disbursements and transfers	<u>1,279</u>	<u>1,084</u>
Increase (decrease) in cash balance	(230)	(31)
Cash basis net assets beginning of year	<u>1,375</u>	<u>1,406</u>
Cash basis net assets end of year	<u>\$ 1,145</u>	<u>1,375</u>

Total business type activities receipts for the fiscal year were \$1.049 million compared to \$1.053 million last year. The cash balance decreased by approximately \$230,000 from the prior year due to two large lift station projects.

Total disbursements and transfers for the fiscal year increased by 17.9% to a total of \$1.279 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Humboldt completed the year, its governmental funds reported a combined fund balance of \$4,421,022, and increase of \$195,724 above last year’s total of \$4,225,295. 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 decreased \$121,822 from the prior year to \$946,526. The City completed a major renovation to the municipal building that was a major reason for the decrease in the fund balance.

- The Road Use Tax Fund cash balance increased by \$27,146 to \$287,757 during the fiscal year. The increase is due to few major street projects apart from the Sumner Avenue capital project being completed.
- The Local Option Sales Tax Fund decreased \$153,755 to \$299,451 during the fiscal year. The city used much of this money to complete the Sumner Avenue capital project during the year.
- The Capital Projects Downtown Fund decreased \$1.152 million during the year as the project was progressing and payments to the contractors were being made.
- The Capital Projects Aquatic Center is new in FY'05 and increased \$1.843 million. The increase is due to the issuance of \$2.5 million in bonds to pay for the project while the project itself was in the very beginning stages.
- The Louthan Fund transferred \$144,762 to the General Fund to assist in paying for expenses related to the construction of the Humboldt Family Aquatic Center. The transferred funds were the expendable portion of the fund and reduced the fund balance to \$465,760.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Solid Waste Fund cash balance increased by \$40,001 to \$470,019 due primarily to regular operations. The City is planning on purchasing a garbage truck in the future and is accumulating funds sufficient to pay for it.
- The Sewer Fund cash balance decreased by \$270,247 to \$675,243 at June 30, 2005. The City completed two large lift station projects during the year and has since increased rates slightly

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 16, 2005 and resulted in an increase in operating disbursements of \$1,644,694. The increased expenditures were expected to be largely in capital projects (\$750,000) such as the aquatic center. Culture and recreation and general government budgeted expenditures were also increased \$359,450 and 261,544 respectively. The city also increased budgeted receipts by \$3,336,028. \$2.5 million of this increase was to come from bond proceeds used to finance the Humboldt Family Aquatic Center.

DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$8.108 million in bonds and other long-term debt, compared to approximately \$5.989 million last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2005	2004
General obligation bonds	\$ 3,555	1,315
Special assessment bonds and notes	141	143
Urban renewal tax increment financing revenue bonds	651	547
Revenue notes	3,761	3,984
Total	\$8,109	5,989

Debt increased as a result of issuing \$2.5 million in general obligation bonds for the Aquatic Center capital project and the \$210 thousand in TIF bonds issued for the sewer and water main extension.

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 \$4,206,000 is significantly below its constitutional debt limit of \$9.2 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Humboldt's total assessed valuation increased from \$191,339,659 on January 1, 2003 to \$195,030,234 on January 1, 2004, an increase of 1.93%. The City's taxable valuation, however, increased from \$117,502,204 in FY 04-05 to \$119,589,378 in FY 05-06 or 1.78%. The residential rollback also increased significantly again from 47.9642% to 48.4558%. The increase in the taxable valuations has a slight positive impact and results in the \$8.10 / \$1,000 General levy revenues increasing \$16,906 from the previous year. The City proposed an increase in the total tax levy of \$0.70549 / \$1,000, from \$11.32465 in FY 04-05 to \$12.03014 in FY 05-06.

In the past three budget years, we have been able to maintain our total tax levy by using down some fund balances. In perspective, this will only be the third year in the past eleven years that the total tax levy has increased. Continued additional industrial development, new housing construction, the gradual reduction in the residential tax abatements, and the retirement of TIF debt will assist the City in increasing taxable valuations in the coming years.

The Council approved the Fiscal Year 2006 budget without a contract awarded for the Humboldt Family Aquatics Center project. After the budget was approved, a contract was awarded for the construction of the FAC. The necessary documents were approved by the Council and allowed the County Auditor to levy for the bond issue of \$2.5 million.

Fiscal Year 2006 shows \$4,541,155 of anticipated expenditures, which does not include bond issue payments for the FAC, estimated at \$3,200,000. This represents a decrease of \$2,548,045 from the budgeted expenditures of \$7,089,200 for Fiscal Year 2005 (which included \$2,647,385 in expenses associated with the Sumner Avenue & 6th Street Improvement Program).

Anticipated revenues for FY 2006 are \$4,634,908. This is a decrease of \$1,719,818 from the budgeted revenues of \$6,354,726 for Fiscal Year 2005, due primarily to financing received for the Sumner Avenue & 6th Street Improvement and the Municipal Building Renovation Projects during FY 2005.

The Council approved a 2.4% wage increase for all City of Humboldt employees, effective July 1, 2005. User rates for water and sewer also increased during Fiscal Year 2006.

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 Gloria Christiansen, City Clerk, 29 5th 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, 2005

Functions/Programs	Program Receipts				Net(Disbursements)Receipts and Changes in Cash Basis Net Assets			Component Units
	Disbursements	Charges for Service	Operating Grants		Governmental Activities	Business type Activities	Total	
			Contributions and Restricted Interest	Contributions and Restricted Interest				
Primary Government								
Governmental activities:								
Public safety	\$ 546,850	38,540	-	-	(508,310)	-	(508,310)	-
Public works	568,214	-	370,166	96,314	(101,734)	-	(101,734)	-
Culture and recreation	908,965	132,158	-	-	(776,807)	-	(776,807)	-
Community and economic development	196,717	-	-	-	(196,717)	-	(196,717)	-
General government	483,523	-	8,713	-	(474,810)	-	(474,810)	-
Capital projects	2,587,037	-	-	-	(2,587,037)	-	(2,587,037)	-
Non program	80,884	-	-	-	(80,884)	-	(80,884)	-
Total governmental activities	5,372,190	170,698	378,879	96,314	(4,726,299)	-	(4,726,299)	-
Business type activities								
Solid waste	274,327	301,976	9,446	-	-	37,095	37,095	-
Sewer	1,005,167	717,222	-	-	-	(287,945)	(287,945)	-
Total business type activities	1,279,494	1,019,198	9,446	-	-	(250,850)	(250,850)	-
Total primary government	6,651,684	1,189,896	388,325	96,314	(4,726,299)	(250,850)	(4,977,149)	-
Component units:								
Water	\$ 913,166	640,805	-	-	-	-	-	(272,361)
Total component units	913,166	640,805	-	-	-	-	-	(272,361)
General Receipts:								
Property tax levied for:								
General purposes					\$ 1,328,024	-	1,328,024	-
Tax increment financing					200,480	-	200,480	-
Local option sales tax					327,835	-	327,835	-
Unrestricted interest on investments					81,801	14,604	96,405	3,715
Bond Proceeds					2,745,257	-	2,745,257	-
Miscellaneous					311,138	-	311,138	12,548
Transfers					(72,512)	6,000	(66,512)	66,512
Total general receipts and transfers					4,922,023	20,604	4,942,627	82,775
Change in cash basis net assets					195,724	(230,246)	(34,522)	(189,586)
Cash beginning of year					4,225,298	1,375,508	5,600,806	425,474
Cash end of year					4,421,022	1,145,262	5,566,284	235,888
Cash Basis Net Assets:								
Restricted								
Streets					287,757	-	287,757	-
Capital projects					2,010,672	-	2,010,672	-
Debt Service					-	412,584	412,584	-
Other Purposes					1,176,067	-	1,176,067	-
Unrestricted					946,526	732,678	1,679,204	235,888
					\$ 4,421,022	1,145,262	5,566,284	235,888

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, 2005

	SPECIAL REVENUE			Capital
	General	Road Use Tax	Local Option Sales Tax	Sumner Avenue
Receipts:				
Property tax	\$ 1,087,764	-	-	-
Tax increment financing collections	-	-	-	-
Other city tax	-	-	327,835	-
Licenses and permits	17,057	-	-	-
Use of money and property	65,948	-	-	6,650
Intergovernmental	101,577	370,166	-	-
Charges for service	170,698	-	-	-
Special assessments	-	-	-	-
Miscellaneous	30,380	-	-	51,204
Total receipts	1,473,424	370,166	327,835	57,854
Disbursements:				
Operating:				
Public Safety	441,025	-	-	-
Public Works	181,728	308,650	-	-
Culture & Recreation	842,842	-	-	-
Community & economic development	45,525	-	-	-
General government	423,141	-	-	-
Capital projects	-	-	-	2,050,674
Non-program	-	-	-	-
Total Disbursements	1,934,261	308,650	-	2,050,674
Excess of receipts over disbursements	(460,837)	61,516	327,835	(1,992,820)
Other financing sources (uses):				
Bond proceeds	-	-	-	35,257
Operating transfers in	384,015	-	-	805,756
Operating transfers out	(45,000)	(34,370)	(481,590)	(5)
Total other financing sources (uses)	339,015	(34,370)	(481,590)	841,008
Net change in cash balances	(121,822)	27,146	(153,755)	(1,151,812)
Cash balances beginning of year	1,068,348	260,611	453,206	1,319,084
Cash balances end of year	\$ 946,526	287,757	299,451	167,272
Cash Basis Fund Balances				
Unreserved:				
General fund	946,526	-	-	-
Special revenue funds	-	287,757	299,451	-
Capital projects fund	-	-	-	167,272
Debt service fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 946,526	287,757	299,451	167,272

See Notes of Financial Statements

Exhibit B

Projects			
Humboldt Family Aquatic Center	Permanent Louthan	Other Nonmajor Governmental Funds	Total
-	-	240,260	1,328,024
-	-	200,480	200,480
-	-	-	327,835
-	-	-	17,057
-	12,408	1,009	86,015
-	-	3,450	475,193
-	-	-	170,698
-	-	48,024	48,024
51,047	-	109,212	241,843
51,047	12,408	602,435	2,895,169
-	-	105,825	546,850
-	-	77,836	568,214
-	-	66,123	908,965
-	-	151,192	196,717
-	-	60,382	483,523
534,869	-	1,494	2,587,037
-	-	80,884	80,884
534,869	-	543,736	5,372,190
(483,822)	12,408	58,699	(2,477,021)
2,500,000	-	210,000	2,745,257
35,000	-	-	1,224,771
(207,778)	(144,762)	(383,778)	(1,297,283)
2,327,222	(144,762)	(173,778)	2,672,745
1,843,400	(132,354)	(115,079)	195,724
-	598,114	525,935	4,225,298
1,843,400	465,760	410,856	4,421,022
-	-	-	946,526
-	2,435	410,856	1,000,499
1,843,400	-	-	2,010,672
-	-	-	-
-	463,325	-	463,325
1,843,400	465,760	410,856	4,421,022

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	\$ 301,271	705,534	1,006,805
Miscellaneous	705	11,688	12,393
Total operating receipts	<u>301,976</u>	<u>717,222</u>	<u>1,019,198</u>
Operating disbursements:			
Business type activities	274,327	1,005,167	1,279,494
Total operating disbursements	<u>274,327</u>	<u>1,005,167</u>	<u>1,279,494</u>
Excess of operating receipts over operating disbursements	27,649	(287,945)	(260,296)
Non-operating receipts:			
Intergovernmental	9,446	-	9,446
Interest on investments	2,906	11,698	14,604
Total non-operating receipts	<u>12,352</u>	<u>11,698</u>	<u>24,050</u>
Excess of receipts and non-operating receipts over disbursements	40,001	(276,247)	(236,246)
Other financing sources (uses):			
Operating transfers in	-	6,000	6,000
Total other financing sources (uses)	<u>-</u>	<u>6,000</u>	<u>6,000</u>
Net change in cash balances	40,001	(270,247)	(230,246)
Cash balances beginning of year	<u>430,018</u>	<u>945,490</u>	<u>1,375,508</u>
Cash balances end of year	<u>\$ 470,019</u>	<u>675,243</u>	<u>1,145,262</u>
Cash Basis Fund Balances			
Reserved for debt service	-	412,584	412,584
Unreserved	470,019	262,659	732,678
Total cash basis fund balances	<u>\$ 470,019</u>	<u>675,243</u>	<u>1,145,262</u>

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.

The Capital Projects Aquatic Center Fund is used to account for receipts and disbursements on the construction of the Humboldt Family Aquatic Center.

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 (\$2,435) 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 Sewer Fund also includes \$5,000 in a Sewer Improvement fund as required by the 2001 Wastewater Revenue Bonds. 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.

(2) **Cash and Investments**

The City's deposits at June 30, 2005 (which include certificates of deposit totaling \$4,737,186) 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.

The City had no investments as of June 30, 2005.

Interest Rate Risk

The City's investment policy limits investment of operating funds (fund expected to be expended in the current budget year or within 15 months of receipt) in 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.

Interest received on cash balances of the City of Humboldt amounted to \$96,405 for the year ended June 30, 2005. These discretely presented component unit had interest of \$3,715 for the year ended June 30, 2005. These receipts are included under Use of Money and Property for Governmental Funds and Interest on Investments for proprietary activities.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(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:

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
2006	390,000	101,623	109,781	29,422	188,000	147,431	44,633	9,374	732,414	287,850
2007	410,000	97,463	111,226	24,923	197,000	140,062	23,456	6,325	741,682	268,773
2008	420,000	91,120	117,749	20,226	204,000	132,339	14,193	4,758	755,942	248,443
2009	375,000	80,558	124,378	15,061	212,000	124,342	14,193	3,840	725,571	223,801
2010	145,000	70,560	118,391	9,541	221,000	116,032	14,193	2,922	498,584	199,055
2011	150,000	67,155	70,000	4,025	229,000	107,369	14,193	1,831	463,193	180,380
2012	160,000	63,270	-	-	238,000	98,392	8,727	913	406,727	162,575
2013	165,000	58,695	-	-	248,000	89,062	3,775	377	416,775	148,134
2014	170,000	53,600	-	-	256,000	79,341	3,771	189	429,771	133,130
2015	175,000	47,970	-	-	267,000	69,306	-	-	442,000	117,276
2016	185,000	41,293	-	-	277,000	58,839	-	-	462,000	100,132
2017	190,000	34,425	-	-	289,000	47,981	-	-	479,000	82,406
2018	200,000	26,970	-	-	300,000	36,652	-	-	500,000	63,622
2019	205,000	18,690	-	-	311,000	24,892	-	-	516,000	43,582
2020	215,000	9,675	-	-	324,000	12,701	-	-	539,000	22,376
	<u>3,555,000</u>	<u>863,067</u>	<u>651,525</u>	<u>103,198</u>	<u>3,761,000</u>	<u>1,284,741</u>	<u>141,134</u>	<u>30,529</u>	<u>8,108,659</u>	<u>2,281,535</u>

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, 2005.
- (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, 2005.

(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 6.16% and 9.23% respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, and the contribution rates for police employees and the City were 6.04% and 9.04%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$68,695, \$62,540, and \$62,180 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>6-30-05</u>
Sick pay & personal days	\$335,724
Vacation pay	<u>48,376</u>
TOTAL	<u>\$384,100</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 \$5,329 for the year ended June 30, 2005. 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, 2005 were \$23,259.

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, 2005, the City paid \$71,046 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, 2005. Payments under this contract totaled \$141,195 for the year.

The City entered into a contract to construct a new Aquatic Center during the year. The total contract price for the project is \$3.29 million of which \$2.82 million was yet to be paid as of June 30, 2005.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2005 is as follows:

Transfer In	Transfer From	Amount
General	Special Revenue Fund	
	Emergency	31,471
	Louthan	144,761
	Capital Projects Fund	
	Sumner Ave	5
	Aquatic Center	207,778
		<u>384,015</u>
Capital Project Fund		
Sumner Ave	General	10,000
	Special Revenue Fund	
	Road Use Tax	28,370
	LOST	481,590
	Debt Service	142,308
	Component Unit	
	Water	143,488
		<u>805,756</u>
Capital Projects Fund		
Aquatic Center	General	<u>35,000</u>
Enterprise Funds	Component Unit	
Sewer	Water	<u>6,000</u>
Component Unit	Special Revenue Fund	
Water	TIF	<u>210,000</u>

All transfers were made with prior approval of the City Council.

(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, 2005, 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, 2004 and are payable in September and March of the fiscal year. The valuation for the taxes was based on January 1, 2003 assessed property valuations, and are based on a certified budget from March of 2004.

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, 2005

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
Receipts:				
Property tax	\$ 1,328,024	-	-	1,328,024
Tax increment financing collections	200,480	-	-	200,480
Other city tax	327,835	-	-	327,835
Licenses and permits	17,057	-	-	17,057
Use of money and property	86,015	14,604	-	100,619
Intergovernmental	475,193	9,446	-	484,639
Charges for service	170,698	1,019,198	-	1,189,896
Special assessments	48,024	-	-	48,024
Miscellaneous	241,843	-	-	241,843
Total receipts	2,895,169	1,043,248		3,938,417
Disbursements:				
Program				
Public Safety	546,850	-	-	546,850
Public Works	568,214	-	-	568,214
Culture & Recreation	908,965	-	-	908,965
Community & economic development	196,717	-	-	196,717
General government	483,523	-	-	483,523
Capital projects	2,587,037	-	-	2,587,037
Business type activities	-	1,279,494	-	1,279,494
Non-program	80,884	-	80,884	-
Total Disbursements	5,372,190	1,279,494	80,884	6,570,800
Excess (deficiency) of receipts over disbursements	(2,477,021)	(236,246)	(80,884)	(2,632,383)
Other financing sources (uses)	2,672,745	6,000	-	2,678,745
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	195,724	(230,246)	(80,884)	46,362
Balance - beginning of year	4,225,298	1,375,508	-	5,600,806
Balance - end of year	\$ 4,421,022	1,145,262	(80,884)	5,647,168

See Accompanying Independent Auditor's Report

<u>Budgeted Amounts</u>		
<u>Original</u>	<u>Final</u>	<u>Final to Net Variance</u>
1,285,762	1,285,762	42,262
191,920	191,920	8,560
341,792	346,892	(19,057)
24,410	24,410	(7,353)
113,000	113,000	(12,381)
500,525	573,375	(88,736)
1,090,390	1,093,890	96,006
50,000	50,000	(1,976)
221,315	294,462	(52,619)
<u>3,819,114</u>	<u>3,973,711</u>	<u>(35,294)</u>
577,496	577,496	30,646
640,830	698,530	130,316
646,885	1,006,335	97,370
199,803	204,803	8,086
261,416	522,960	39,437
2,647,385	3,397,385	810,348
1,141,285	1,352,285	72,791
-	-	-
<u>6,115,100</u>	<u>7,759,794</u>	<u>1,188,994</u>
(2,295,986)	(3,786,083)	(1,224,288)
<u>70,000</u>	<u>2,486,400</u>	<u>2,556,400</u>
(2,225,986)	(1,299,683)	1,332,112
<u>3,876,605</u>	<u>3,876,605</u>	<u>1,724,201</u>
<u>1,650,619</u>	<u>2,576,922</u>	<u>3,056,313</u>

CITY OF HUMBOLDT, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information 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, each major Special Revenue Fund and each major Capital Project Fund.

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,644,694. The budget amendments are reflected in the final budgeted amounts.

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, 2005

	Emergency	Community Projects	13A Drainage District
Receipts:			
Property tax	\$ 31,623	-	-
Tax increment financing collections	-	-	-
Other city tax	-	-	-
Licenses and permits	-	-	-
Use of money and property	-	1,009	-
Intergovernmental	-	3,450	-
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	-	36,299	-
Total receipts	<u>31,623</u>	<u>40,758</u>	<u>-</u>
Disbursements:			
Operating:			
Public Safety	-	-	-
Public Works	-	-	150
Culture & Recreation	-	-	-
Community & economic development	-	-	-
General government	-	25,665	-
Capital projects	-	-	-
Non-program	-	-	-
Total Disbursements	<u>-</u>	<u>25,665</u>	<u>150</u>
Excess of receipts over disbursements	31,623	15,093	(150)
Other financing sources (uses):			
Bonds issue	-	-	-
Operating transfers out	(31,470)	-	-
Total other financing sources (uses)	<u>(31,470)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	153	15,093	(150)
Cash balances beginning of year	<u>32,104</u>	<u>89,704</u>	<u>5,913</u>
Cash balances end of year	<u>32,257</u>	<u>104,797</u>	<u>5,763</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	<u>32,257</u>	<u>104,797</u>	<u>5,763</u>
Total cash basis fund balances	<u>\$ 32,257</u>	<u>104,797</u>	<u>5,763</u>

See Accompanying Independent Auditor's Report

Schedule 1

	Street Assessments	Debt Service	Urban Renewal Tax Increment	Employee Benefits	Total
\$	-	-	-	208,637	240,260
	-	-	200,480	-	200,480
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	1,009
	-	-	-	-	3,450
	-	-	-	-	-
	48,024	-	-	-	48,024
	-	-	-	72,913	109,212
	48,024	-	200,480	281,550	602,435
	-	-	-	105,825	105,825
	-	-	-	77,686	77,836
	-	-	-	66,123	66,123
	-	-	150,876	316	151,192
	-	-	-	34,717	60,382
	-	-	1,494	-	1,494
	47,437	-	-	33,447	80,884
	47,437	-	152,370	318,114	543,736
	587	-	48,110	(36,564)	58,699
	-	-	210,000	-	210,000
	-	(142,308)	(210,000)	-	(383,778)
	-	(142,308)	(210,000)	-	(383,778)
	587	(142,308)	48,110	(36,564)	(115,079)
	789	142,308	117,923	137,194	525,935
	1,376	-	166,033	100,630	410,856
	1,376	-	166,033	100,630	410,856
\$	1,376	-	166,033	100,630	410,856

CITY OF HUMBOLDT, IOWA

Schedule 2

SCHEDULE OF INDEBTNESS

Year Ended June 30, 2005

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	-	260,000	1,055,000	37,283	-
Humboldt Family Aquatic Center	20-Apr-05	2.80%-4.50%	2,500,000	-	2,500,000	-	2,500,000	-	-
				<u>1,315,000</u>	<u>2,500,000</u>	<u>260,000</u>	<u>3,555,000</u>	<u>37,283</u>	
Revenue bonds/notes:									
2001 Wastewater Revenue Bond	August 19, 1999	3.92%	4,847,000	3,942,000	-	181,000	3,761,000	154,526	-
MWW River Crossing	March 28, 2001	4.00%	250,000	42,453	-	42,453	-	1,366	-
				<u>3,984,453</u>	<u>-</u>	<u>223,453</u>	<u>3,761,000</u>	<u>155,892</u>	<u>-</u>
Tax Increment Financing Notes									
Humboldt County Development Assoc./Hog Slat, Inc.		4.00%		21,854	-	21,854	-	648	-
ADF Systems		4.00%		10,469	-	10,469	-	204	-
Nokomis Machine		4.00%		9,428	-	9,428	-	192	-
Riverview Heights		5.75%		360,000	-	40,000	320,000	20,108	-
Humboldt Fabrication Controls/RAMCO		4.00%		145,723	-	24,198	121,525	5,592	-
Capital Loan Notes 2004A		2.30%		-	210,000	-	210,000	4,359	-
				<u>547,474</u>	<u>210,000</u>	<u>105,949</u>	<u>651,525</u>	<u>31,103</u>	<u>-</u>
Special Assessments									
1995 Sidewalk Program		7.00%		1,366	-	454	912	66	-
West River, Plat II, Paving Project		7.00%		17,597	-	9,321	8,276	1,267	-
Blackbird Addition Street Parking		6.00%		24,794	-	8,533	16,261	1,716	-
Hall Street Improvement Project		6.00%		18,610	-	4,356	14,254	457	-
14th Avenue SW Project		6.00%		80,358	-	12,898	67,460	5,489	-
14th Avenue SW Project		6.00%		-	35,257	1,286	33,971	1,594	-
				<u>\$ 142,725</u>	<u>35,257</u>	<u>36,848</u>	<u>141,134</u>	<u>10,589</u>	<u>-</u>

See Accompanying Independent Auditor's Report

CITY OF HUMBOLDT, IOWA

Bond & Note Maturities
June 30, 2005

Year Ending	Sumner Ave. Project		Aquatic Center	
	Issued September 1, 2003		Issued April 20, 2005	
	Interest Rate	Amount	Interest Rate	Amount
2006	2.50%	270,000	2.80%	120,000
2007	2.85%	275,000	3.05%	135,000
2008	3.25%	280,000	3.30%	140,000
2009	3.45%	230,000	3.45%	145,000
2010	-	-	3.60%	145,000
2011	-	-	3.70%	150,000
2012	-	-	3.80%	160,000
2013	-	-	3.90%	165,000
2014	-	-	4.00%	170,000
2015	-	-	4.10%	175,000
2016	-	-	4.15%	185,000
2017	-	-	4.25%	190,000
2018	-	-	4.35%	200,000
2019	-	-	4.45%	205,000
2020	-	-	4.50%	215,000
		<u>\$ 1,055,000</u>		<u>\$ 2,500,000</u>

Urban Renewal Tax Increment Financing (TIF) Revenue Bonds Issued on Various Dates		Special Assessments		Revenue Notes Water Treatment Issued August 19, 1999	
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2.30-6.00%	109,781	5.00-7.00%	44,633	3.92%	199,000
2.65-6.00%	111,226	5.00-7.00%	23,456	3.92%	207,000
2.95-6.00%	117,749	5.00-7.00%	14,193	3.92%	215,000
3.20-6.00%	124,378	5.00-7.00%	14,193	3.92%	223,000
3.40-6.00%	118,391	5.00-7.00%	14,193	3.92%	232,000
5.75-6.00%	70,000	5.00-7.00%	14,193	3.92%	241,000
	-	5.00-7.00%	8,727	3.92%	251,000
	-	5.00 %	3,775	3.92%	261,000
	-	5.00 %	3,771	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>\$ 651,525</u>		<u>\$ 141,134</u>		<u>\$ 3,751,000</u>

CITY OF HUMBOLDT, IOWA

Schedule 4

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

	2005	2004	2003
Receipts:			
Property tax	\$ 1,328,024	\$ 1,226,613	\$ 1,197,431
Tax increment financing collections	200,480	206,434	246,322
Other city tax	327,835	320,048	227,785
Licenses and permits	17,057	19,061	20,068
Use of money and property	86,015	84,226	98,570
Intergovernmental	475,193	776,766	558,983
Charges for service	170,698	198,875	158,819
Special assessments	48,024	58,780	28,660
Miscellaneous	241,843	152,238	212,139
Total receipts	2,895,169	3,043,041	2,748,777
Disbursements:			
Operating:			
Public Safety	546,850	524,462	553,851
Public Works	568,214	1,062,772	816,129
Culture & Recreation	908,965	656,507	597,811
Community & economic development	196,717	227,172	187,679
General government	483,523	329,142	213,084
Capital projects	2,587,037	281,501	-
Non-program	80,884	35,901	36,542
Total Disbursements	\$ 5,372,190	\$ 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 Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards

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 and the aggregate remaining fund information of the City of Humboldt, as of and for the year ended June 30, 2005, which collectively comprise the City's basis financial statements listed in the table of contents and have issued our report thereon dated August 31, 2005. 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Humboldt's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 of Humboldt'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.

A material weakness is a reportable 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 misstatements caused by error or fraud 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described at II-A-05 and II-B-05 are material weaknesses. Prior year reportable conditions have been resolved except for II-A-05.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Humboldt'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 non-compliance or other matters 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. Prior year statutory comments have been resolved.

Comments involving statutory and other legal matters about the City of Humboldt's operations for the year ended June 30, 2005 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.

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 including federal awarding agencies and pass-through entities. 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.

August 31, 2005

City of Humboldt, Iowa

Schedule of Findings

Year Ended June 30, 2005

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, 2005

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 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.

II-B-05 Reconciliation of utility Billings and Collections – Utility billings and collections were not reconciled monthly throughout the whole year.

Recommendation – Procedures should be established to reconcile utility billings and collections for each billing period. The Council or a Council designated independent person should review the accuracy and timeliness of the reconciliation's.

Response – We will implement procedures to reconcile our utility billings and collections in a timely manner.

Conclusion – Response accepted.

City of Humboldt, Iowa

Schedule of Findings

Year Ended June 30, 2005

Part III: Other Findings Related to Statutory Reporting:

III-A-05 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, 2005.

III-B-05 Certified Budget - Disbursements were within budgeted limits for all program service areas for the year ended June 30, 2005.

III-C-05 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-05 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-E-05 Business Transactions - No business transactions between the City and its officials or employees were noted.

III-F-05 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-05 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. We did note one instance where the minutes were not published within 15 days of the meeting.

Recommendation - Chapter 372.13(6) requires that council meetings minutes be published within 15 days of the meeting date. City council minutes should be published in accordance with the Code of Iowa.

Response – We will publish minutes of the City Council meetings in accordance with the Code of Iowa.

Conclusion – Response accepted.

City of Humboldt, Iowa

Schedule of Findings

Year Ended June 30, 2005

III-H-05 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-05 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.

IV-J-05 Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Capital Project Fund, Downtown Project. Chapter 384.4 of the Code of Iowa states in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund.”

Recommendation – The City should transfer from the Capital Project Fund, Downtown Project to the Debt Service Fund, General Obligation Bonds Account for future funding contributions. Payments of the bonds should then be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.