

CITY OF HUMBOLDT, IOWA

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

JUNE 30, 2006

**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 2008 |
| Walter Jensen | Council Member | Jan 2008 |
| John Sleiter | Council Member | Jan 2008 |
| Leroy Jorgensen | Council Member | Jan 2008 |
| Darrell Rusher | Council Member | Jan 2010 |
| Jim Vermeer | Council Member | Jan 2010 |
| Lorie Bennett | Administrator | |
| Gloria Christensen | City Clerk | Jan 2008 |
| Andrea Vinsand | Deputy City Clerk | Jan 2008 |
| Roger Lenning | Zoning Admin. Officer | Jan 2008 |
| Gloria Christensen | Mid-Iowa Regional Housing Authority Representative | Jan 2008 |
| Eric Eide | Attorney | Jan 2008 |
| Mike Worthington | Park Commission | Jan 2008 |
| Bill Sundell | Park Commission | Jan 2008 |
| Kim Jensen | Park Commission | Jan 2010 |
| Mary Reedy | Library Trustee | July 2007 |
| Donna Day | Library Trustee | July 2010 |
| Craig Christensen | Library Trustee | July 2007 |
| Lori Curran | Library Trustee | July 2007 |
| Linda Clasen | Library Trustee | July 2010 |
| 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 2008 |
| Conrad Burgers | Zoning Adjustment Board | Jan 2008 |
| John Van Horn | Zoning Adjustment Board | Jan 2009 |
| Tom Nelson | Zoning Adjustment Board | Jan 2008 |
| Robert Abens | Zoning Adjustment Board | Jan 2007 |
| Helen Wickre | Preservation Board | Jan 2008 |
| John Vanhorn | Preservation Board | Jan 2008 |
| Marilyn Huntermark | Preservation Board | Jan 2008 |
| Louis Fontana | Municipal Waterworks Chairman | Jan 2010 |
| Russell Christensen | Municipal Waterworks Trustee | Jan 2012 |
| Charles Carlson | Municipal Waterworks Trustee | Jan 2008 |
| Lorie Bennett | Municipal Waterworks Secretary | Appointed |
| Dale Behrens | Water Superintendent | Appointed |

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Humboldt, Iowa, as of and for the year ended June 30, 2006, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Humboldt as of June 30, 2006, 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 October 9, 2006, 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 accounting principles generally accepted in the United States of America. 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 conducted 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, 2005 (which are not presented herein) and expressed an unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

October 9, 2006

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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities (excluding bond proceeds) increased 11%, or approximately \$295,000, from fiscal 2005 to fiscal 2006. Property tax increased approximately \$255,000. Bond proceeds decreased by 51%, or approximately \$1,392,000, from the prior year.
- Disbursements increased 16%, or approximately \$858,000, in fiscal 2006 from fiscal 2005. Capital projects disbursements increased approximately \$680,000 and debt service disbursements increased approximately \$231,000.
- The City's total cash basis net assets decreased 33%, or approximately \$1,829,000 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased approximately \$1,714,000 and the assets of the business type activities decreased by approximately \$115,000.

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 funds, the City's indebtedness and receipts and disbursements compared to prior years.

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 cash basis net assets. Over time, increases or decreases in the City's cash basis 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.

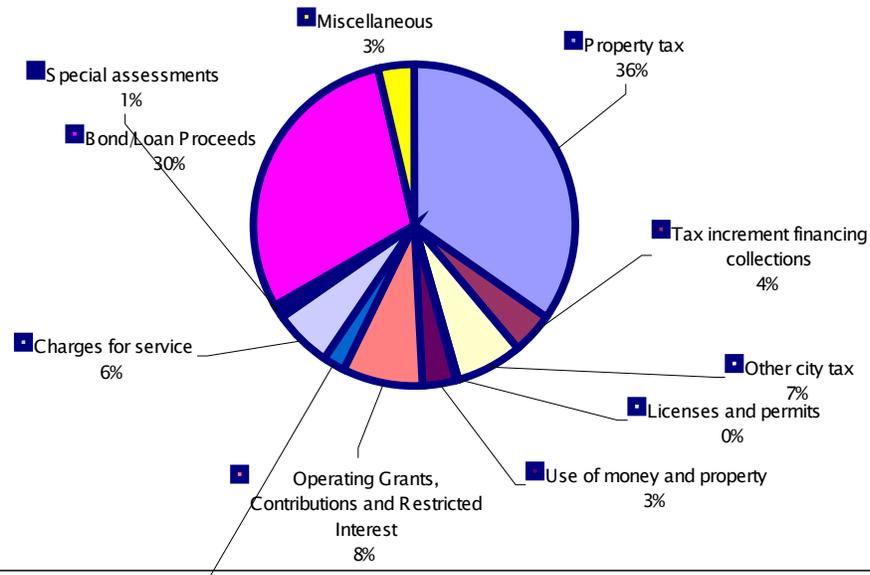
The required cash basis financial statement for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

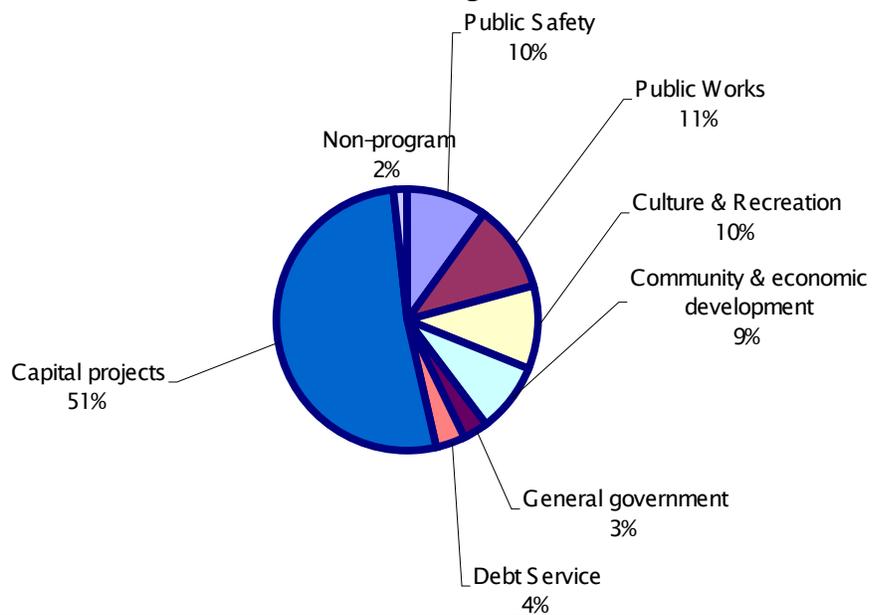
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$4.4 million to \$2.7 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands) | | |
|---|---------------------|-----------------|
| | Year ended June 30, | |
| | 2006 | 2005 |
| Receipts and transfers: | | |
| Program receipts: | | |
| Charges for service | 271 | \$ 171 |
| Operating grants, contributions and restricted interest | 375 | 379 |
| Capital grants, contributions and restricted interest | 90 | 96 |
| General receipts: | | |
| Property tax | 1,583 | 1,328 |
| Tax increment financing | 186 | 201 |
| Local option sales tax | 305 | 328 |
| Unrestricted investment earnings | 142 | 86 |
| Bond / loan proceeds | 1,353 | 2,745 |
| Other general receipts | 238 | 307 |
| Transfers, net | 46 | - |
| Total receipts and transfers | <u>4,589</u> | <u>5,641</u> |
| Disbursements: | | |
| Public safety | 630 | 547 |
| Public works | 681 | 568 |
| Culture and recreation | 651 | 909 |
| Community and economic development | 536 | 197 |
| General government | 201 | 483 |
| Debt service | 231 | - |
| Capital projects | 3,267 | 2,587 |
| Non program | 106 | 81 |
| Transfers, net | - | 73 |
| Total disbursements | <u>6,303</u> | <u>5,445</u> |
| Increase in cash basis net assets | 1,714 | 196 |
| Cash basis net assets beginning of year | <u>4,421</u> | <u>4,225</u> |
| Cash basis net assets end of year | <u>\$ 2,707</u> | <u>\$ 4,421</u> |

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities (excluding bond proceeds) increased by 11%, or \$295,000. The total cost of all programs and services increased by approximately \$858,000, or 16%, with no new programs added this year. The significant increase in receipts was primarily the result of property tax receipts and the increase in cost of programs and services was primarily due to an increase in capital projects disbursement and debt service disbursements.

The cost of all governmental activities this year was \$6.3 million compared to 5.4 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 5.6 million because some of the cost was paid by those directly benefited from the programs (\$271,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$465,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2006 from approximately \$646,000 to approximately \$736,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$2,073,000 in tax (some of which could only be used for certain programs), \$1,353,059 in bond/loan 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, | |
| | 2006 | 2005 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Solid waste | \$ 301 | \$ 302 |
| Sewer rental | 772 | 717 |
| General receipts: | | |
| Miscellaneous | 17 | 9 |
| Unrestricted interest on investments | 25 | 15 |
| Transfers, net | 6 | 6 |
| Total receipts | <u>1,121</u> | <u>1,049</u> |
| Disbursements and transfers: | | |
| Solid waste | 399 | 274 |
| Sewer rental | 501 | 668 |
| Sewer sinking | 336 | 337 |
| Total disbursements and transfers | <u>1,236</u> | <u>1,279</u> |
| Increase (decrease) in cash balance | (115) | (230) |
| Cash basis net assets beginning of year | <u>1,145</u> | <u>1,375</u> |
| Cash basis net assets end of year | <u>\$ 1,030</u> | <u>\$ 1,145</u> |

Total business type activities receipts for the fiscal year were \$1.121 million compared to \$1.049 million last year. The cash balance decreased by approximately \$115,000 from the prior year due to two large lift station projects.

Total disbursements and transfers for the fiscal year decreased by 3% to a total of \$1.236 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Humboldt completed the year, its governmental funds reported a combined fund balance of \$2,707,188, which is a decrease of \$1,713,834 below last year's total of \$4,421,022. 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 \$265,664 from the prior year to \$1,212,190. This is due primarily to revenues from the Aquatic Center, which were much higher than anticipated; rising interest rates, and some unanticipated library bequests also contributed to the increase.

- The Road Use Tax Fund cash balance decreased by \$164,680 to \$123,077 during the fiscal year. The decrease is due to major street projects apart from the Sumner Avenue capital project being completed.
- The Local Option Sales Tax Fund increased \$134,154 to \$433,605 during the fiscal year. The Sumner Avenue project was completed during the year and not as much money was needed.
- The Capital Projects Downtown Fund decreased \$167,272 during the year as the project was completed and payments to the contractors were being made.
- The Capital Projects Aquatic Center decreased \$1,843,400. The decrease is due to the project progressing and payments to the contractors being made.
- The Louthan Fund transferred \$13,870 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 with interest increased the fund balance to \$467,299.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Solid Waste Fund cash balance decreased by \$75,782 to \$394,237 due primarily to regular operations. The City purchased a recycling truck during the year.
- The Sewer Fund cash balance decreased by \$39,510 to \$635,733 at June 30, 2006. 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 two times. The amendment was approved on May 15, 2006 and June 19, 2006, and resulted in an increase in operating disbursements of \$4,051,942. The increased expenditures were expected to be largely in capital projects (\$2,953,232) such as the aquatic center. Community and Economic development, and debt service expenditures were also increased \$439,225 and \$230,500 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, 2006, the City had approximately \$8.247 million in bonds and other long-term debt, compared to approximately \$8.108 million last year, as shown below.

| | Outstanding Debt at Year-End (Expressed in Thousands) | |
|---|--|----------|
| | Year ended June 30, | |
| | 2006 | 2005 |
| General obligation bonds | \$ 3,640 | \$ 3,555 |
| Special assessment bonds and notes | 86 | 141 |
| Urban renewal tax increment financing revenue bonds | 948 | 651 |
| Revenue notes | 3,573 | 3,761 |
| Total | \$ 8,247 | \$ 8,109 |

Debt increased as a result of issuing \$232,000 in general obligation bonds for the Aquatic Center capital project and the \$406,500 in TIF bonds issued for the economic development and expansion.

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 \$4,673,000 is significantly below its constitutional debt limit of \$10.1 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Humboldt's total assessed valuation decreased from \$195,030,234 on January 1, 2004 to \$192,772,771 on January 1, 2005, a decrease of 1.16%. The City's taxable valuation also decreased, from \$119,589,378 in FY 05-06 to \$113,484,425 in FY 06-07 or 5.10%. The residential rollback increased significantly once again, from 47.9642% to 45.9960%. The decrease in the taxable valuations and increase in the rollback have a noticeable negative impact and results in the \$8.10 / \$1,000 General levy revenues decreasing \$49,450 from the previous year. In spite of these challenges, the City proposed a decrease in tax levy of \$0.23940 / \$1,000, from \$13.3602 in FY 05-06 to \$13.1208 in FY 06-07.

The City has been able to maintain its total tax levy in the past by spending down some fund balances. This will be done again in FY 06-07. 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 Fiscal Year 2007 budget shows \$8,427,674 in anticipated revenues. This is an increase of \$1,156,604 from Fiscal Year 2006 actual revenues of \$7,271,070. The increase is largely due to financing projects pending in the Central Business District, the SW Residential Urban Renewal Area, and the North Side Urban Renewal Area, as well as anticipated grants and awards for Airport and Water Department projects.

Anticipated expenditures in the Fiscal Year 2007 budget are \$8,228,688. Actual budgeted expenditures in Fiscal Year 2006 were \$8,551,897. The decrease is \$323,209, and largely reflects the differences between costs of capital projects in the respective years. Construction costs of the Aquatic Center totaled \$2,949,895 in Fiscal Year 2006; however, several capital projects are planned for Fiscal Year 2007, including the renovation or reconstruction of the water plant. Construction costs for the water plant in Fiscal Year 2007 are budgeted at \$2,515,000.

The Council approved a 4.0% wage increase for all City of Humboldt employees, effective July 1, 2006. User rates for water and sewer are also projected to increase during Fiscal Year 2007.

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, 2006

| Functions/Programs | Program Receipts | | | | Net(Disbursements)Receipts and Changes in Cash Basis Net Assets | | | Component Unit |
|---|-------------------|------------------------|---|---|--|-----------------------------|--------------------|-------------------|
| | Disbursements | Charges for Service | Operating Grants | Capital Grants | Governmental Activities | Business type Activities | Total | |
| | | | Contributions and Restricted Interest | Contributions and Restricted Interest | | | | |
| Primary Government | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Public safety | \$ 629,836 | 30,465 | | | (599,371) | | (599,371) | - |
| Public works | 680,999 | | 372,746 | 90,539 | (217,714) | | (217,714) | - |
| Culture and recreation | 651,089 | 240,631 | | | (410,458) | | (410,458) | - |
| Community and economic development | 536,316 | | | | (536,316) | | (536,316) | - |
| General government | 201,098 | | 2,000 | | (199,098) | | (199,098) | - |
| Debt Service | 230,482 | | | | (230,482) | | (230,482) | - |
| Capital projects | 3,266,851 | | | | (3,266,851) | | (3,266,851) | - |
| Non program | 105,841 | | | | (105,841) | | (105,841) | - |
| Total governmental activities | 6,302,512 | 271,096 | 374,746 | 90,539 | (5,566,131) | - | (5,566,131) | - |
| Business type activities | | | | | | | | |
| Solid waste | 398,320 | 301,227 | 16,626 | - | | (80,467) | (80,467) | - |
| Sewer | 837,265 | 771,588 | | | | (65,677) | (65,677) | - |
| Total business type activities | 1,235,585 | 1,072,815 | 16,626 | - | - | (146,144) | (146,144) | - |
| Total primary government | 7,538,097 | 1,343,911 | 391,372 | 90,539 | (5,566,131) | (146,144) | (5,712,275) | - |
| Component units: | | | | | | | | |
| Water | 622,831 | 708,144 | - | - | - | - | - | 85,313 |
| Total component units | \$ 622,831 | 708,144 | - | - | - | - | - | 85,313 |
| General Receipts: | | | | | | | | |
| Property tax levied for: | | | | | | | | |
| General purposes | | | | | \$ 1,359,232 | | 1,359,232 | 1,903 |
| Tax increment financing | | | | | 185,636 | | 185,636 | - |
| Debt Service | | | | | 223,550 | | 223,550 | - |
| Local option sales tax | | | | | 304,638 | | 304,638 | - |
| Unrestricted interest on investments | | | | | 142,485 | 24,852 | 167,337 | 3,475 |
| Bond Proceeds | | | | | 1,353,059 | | 1,353,059 | - |
| Miscellaneous | | | | | 238,096 | | 238,096 | 12,723 |
| Transfers | | | | | 45,601 | 6,000 | 51,601 | (51,601) |
| Total general receipts and transfers | | | | | 3,852,297 | 30,852 | 3,883,149 | (33,500) |
| Change in cash basis net assets | | | | | (1,713,834) | (115,292) | (1,829,126) | 51,813 |
| Cash basis net assets beginning of year | | | | | 4,421,022 | 1,145,262 | 5,566,284 | 235,888 |
| Cash basis net assets end of year | | | | | 2,707,188 | 1,029,970 | 3,737,158 | 287,701 |
| Cash Basis Net Assets: | | | | | | | | |
| Restricted | | | | | | | | |
| Streets | | | | | 123,077 | | 123,077 | |
| Debt Service | | | | | - | 411,730 | 411,730 | |
| Other Purposes | | | | | 1,371,921 | - | 1,371,921 | |
| Unrestricted | | | | | 1,212,190 | 618,240 | 1,830,430 | 287,701 |
| | | | | | \$ 2,707,188 | 1,029,970 | 3,737,158 | 287,701 |

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, 2006

| | General | SPECIAL REVENUE | | Capital |
|--|---------------------|-----------------|---------------------------|----------------|
| | | Road Use Tax | Local Option Sales Tax | Sumner Avenue |
| Receipts: | | | | |
| Property tax | \$ 1,098,070 | - | - | - |
| Tax increment financing collections | - | - | - | - |
| Other city tax | - | - | 304,638 | - |
| Licenses and permits | 14,987 | - | - | - |
| Use of money and property | 113,760 | - | - | - |
| Intergovernmental | 92,539 | 372,746 | - | - |
| Charges for service | 271,096 | - | - | - |
| Special assessments | - | - | - | - |
| Miscellaneous | 39,991 | - | - | - |
| Total receipts | 1,630,443 | 372,746 | 304,638 | - |
| Disbursements: | | | | |
| Operating: | | | | |
| Public Safety | 511,748 | - | - | - |
| Public Works | 110,818 | 491,036 | - | - |
| Culture & Recreation | 576,983 | - | - | - |
| Community & economic development | 42,661 | - | - | - |
| General government | 157,326 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | 311,935 |
| Non-program | - | - | - | - |
| Total Disbursements | 1,399,536 | 491,036 | - | 311,935 |
| Excess (deficiency) of receipts over disbursements | 230,907 | (118,290) | 304,638 | (311,935) |
| Other financing sources (uses): | | | | |
| Bond/loan proceeds | - | - | - | - |
| Operating transfers in | 34,757 | - | - | 144,663 |
| Operating transfers out | - | (46,390) | (170,484) | - |
| Total other financing sources (uses) | 34,757 | (46,390) | (170,484) | 144,663 |
| Net change in cash balances | 265,664 | (164,680) | 134,154 | (167,272) |
| Cash balances beginning of year | 946,526 | 287,757 | 299,451 | 167,272 |
| Cash balances end of year | \$ 1,212,190 | 123,077 | 433,605 | - |
| Cash Basis Fund Balances | | | | |
| Unreserved: | | | | |
| General fund | 1,212,190 | - | - | - |
| Special revenue funds | - | 123,077 | 433,605 | - |
| Permanent fund | - | - | - | - |
| Total cash basis fund balances | \$ 1,212,190 | 123,077 | 433,605 | - |

See Notes of Financial Statements

| <u>Projects</u> | | | |
|---------------------------------------|--------------------------|--|------------------|
| <u>Humboldt Family Aquatic Center</u> | <u>Permanent Louthan</u> | <u>Other Nonmajor Governmental Funds</u> | <u>Total</u> |
| | | 484,712 | 1,582,782 |
| | | 185,636 | 185,636 |
| | | - | 304,638 |
| | | - | 14,987 |
| 11,754 | 15,409 | 1,562 | 142,485 |
| | | - | 465,284 |
| | | - | 271,096 |
| | | 64,756 | 64,756 |
| | | 118,362 | 158,353 |
| <u>11,754</u> | <u>15,409</u> | <u>855,028</u> | <u>3,190,018</u> |
| - | - | 118,088 | 629,836 |
| - | - | 79,145 | 680,999 |
| - | - | 74,106 | 651,089 |
| - | - | 493,655 | 536,316 |
| - | - | 43,772 | 201,098 |
| - | - | 230,482 | 230,482 |
| 2,949,895 | - | 5,021 | 3,266,851 |
| - | - | 105,841 | 105,841 |
| <u>2,949,895</u> | <u>-</u> | <u>1,150,110</u> | <u>6,302,512</u> |
| (2,938,141) | 15,409 | (295,082) | (3,112,494) |
| 963,059 | - | 390,000 | 1,353,059 |
| 131,682 | - | - | 311,102 |
| - | (13,870) | (34,757) | (265,501) |
| <u>1,094,741</u> | <u>(13,870)</u> | <u>355,243</u> | <u>1,398,660</u> |
| (1,843,400) | 1,539 | 60,161 | (1,713,834) |
| <u>1,843,400</u> | <u>465,760</u> | <u>410,856</u> | <u>4,421,022</u> |
| <u>-</u> | <u>467,299</u> | <u>471,017</u> | <u>2,707,188</u> |
| - | - | - | 1,212,190 |
| - | 3,974 | 471,017 | 1,031,673 |
| - | 463,325 | - | 463,325 |
| <u>-</u> | <u>467,299</u> | <u>471,017</u> | <u>2,707,188</u> |

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, 2006

| | Solid Waste | Sewer | Total |
|---|-------------------|----------------|------------------|
| Operating receipts: | | | |
| Charges for service | \$ 300,379 | 766,891 | 1,067,270 |
| Miscellaneous | 848 | 4,697 | 5,545 |
| Total operating receipts | <u>301,227</u> | <u>771,588</u> | <u>1,072,815</u> |
| Operating disbursements: | | | |
| Business type activities | 398,320 | 837,265 | 1,235,585 |
| Total operating disbursements | <u>398,320</u> | <u>837,265</u> | <u>1,235,585</u> |
| Excess of operating receipts over operating disbursements | (97,093) | (65,677) | (162,770) |
| Non-operating receipts: | | | |
| Intergovernmental | 16,626 | - | 16,626 |
| Interest on investments | 4,685 | 20,167 | 24,852 |
| Total non-operating receipts | <u>21,311</u> | <u>20,167</u> | <u>41,478</u> |
| Excess of receipts and non-operating receipts over disbursements | (75,782) | (45,510) | (121,292) |
| 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 | (75,782) | (39,510) | (115,292) |
| Cash balances beginning of year | <u>470,019</u> | <u>675,243</u> | <u>1,145,262</u> |
| Cash balances end of year | <u>\$ 394,237</u> | <u>635,733</u> | <u>1,029,970</u> |
| Cash Basis Fund Balances | | | |
| Reserved for debt service | - | 411,730 | 411,730 |
| Unreserved | 394,237 | 224,003 | 618,240 |
| Total cash basis fund balances | <u>\$ 394,237</u> | <u>635,733</u> | <u>1,029,970</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 and recreation, community and economic development and general government services. The City also provides water and 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 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 (\$3,974) 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 \$36,958 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 principles.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - continued

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the capital projects function.

(2) Cash and Investments

The City's deposits at June 30, 2006 (which include certificates of deposit totaling \$1,788,927 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, 2006.

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.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

Interest received on cash balances of the City of Humboldt amounted to \$167,337 for the year ended June 30, 2006. The discretely presented component unit had interest of \$3,475 for the year ended June 30, 2006. 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:

| 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 |
| 2007 | 429,351 | 107,900 | 144,175 | 47,857 | 197,000 | 140,062 | 32,015 | 5,638 | 783,190 | 291,020 |
| 2008 | 463,742 | 100,687 | 155,378 | 35,416 | 204,000 | 132,339 | 14,193 | 3,323 | 793,571 | 262,198 |
| 2009 | 420,710 | 88,156 | 161,644 | 28,815 | 212,000 | 124,342 | 14,193 | 2,405 | 762,837 | 236,120 |
| 2010 | 192,811 | 76,101 | 158,018 | 21,815 | 221,000 | 116,032 | 14,187 | 1,487 | 538,205 | 209,894 |
| 2011 | 199,986 | 70,545 | 108,634 | 14,777 | 229,000 | 107,369 | 3,775 | 569 | 491,409 | 189,870 |
| 2012 | 185,340 | 64,410 | 40,000 | 9,250 | 238,000 | 98,392 | 3,775 | 380 | 441,775 | 171,292 |
| 2013 | 165,000 | 58,695 | 45,000 | 7,650 | 248,000 | 89,062 | 3,775 | 192 | 461,775 | 155,599 |
| 2014 | 170,000 | 53,600 | 45,000 | 5,805 | 256,000 | 79,341 | 58 | 3 | 471,058 | 138,749 |
| 2015 | 175,000 | 47,970 | 45,000 | 3,915 | 267,000 | 69,306 | - | - | 487,000 | 121,191 |
| 2016 | 185,000 | 41,293 | 45,000 | 1,980 | 277,000 | 58,839 | - | - | 507,000 | 102,112 |
| 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 |
| 2021 | | | | | | | | | | |
| | 3,396,940 | 799,116 | 947,849 | 177,280 | 3,573,000 | 1,137,310 | 85,971 | 13,997 | 7,771,820 | 2,090,031 |

Interest payments of \$178,679 for the primary government and \$151,357 for the component unit were included as program disbursements in the statement of activities and net assets.

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.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(3) Bonds and Notes Payable-continued

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.
- (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, 2006.
- (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, 2006.

(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, 2005, the contribution rates for police employees and the City were 6.16% and 9.237%, respectively, and for the year ended June 30, 2004, and the contribution rates for police employees and the City were 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$71,552, \$68,695, and \$62,540 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

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(5) **Compensated Absences - continued**

vacation shall not be allowed if it results in the employee's cumulative total of sick leave to be less than eighty hours. 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>6-30-06</u> |
|--------------------------|---------------------------------|
| Sick pay & personal days | \$ 360,183 |
| Vacation pay | <u>42,900</u> |
| TOTAL | <u>\$ 403,083</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, 2006. 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, 2006 were \$11,886.

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, 2006, the City paid \$73,428 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, 2006. Payments under this contract totaled \$147,029 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 \$3.32 million of which \$50,000 was yet to be paid as of June 30, 2006.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2006 is as follows:

| Transfer In | Transfer From | Amount |
|---|--|----------------|
| General | Special Revenue Fund Emergency | 32,257 |
| | Community Projects Fund Sumner Avenue | 2,500 |
| | | <u>34,757</u> |
| Capital Project Fund Sumner Ave | Special Revenue Fund Road Use Tax | 40,390 |
| | LOST | 52,672 |
| | Component Unit Water | 51,601 |
| | | <u>144,663</u> |
| Capital Projects Fund Aquatic Center | Louthan | 13,870 |
| | LOST | 117,812 |
| | | <u>131,682</u> |
| Enterprise Funds Sewer | Special Revenue Road Use Tax | <u>6,000</u> |

All transfers were made with prior approval of the City Council and generally move resources from the fund statutorily required to collect the resource to the fund statutorily required to disburse the resources.

(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, 2006, 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, 2005 and are payable in September 2005 and March 2006. The valuation for the taxes was based on January 1, 2004 assessed property valuations, and are based on a certified budget from March of 2005.

Required Supplementary Information

CITY OF HUMBOLDT, IOWA

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

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006

| | Governmental Funds Activity | Proprietary Funds Activity | Less Funds not Required to be Budgeted | Net |
|---|--------------------------------|-------------------------------|--|------------------|
| Receipts: | | | | |
| Property tax | \$ 1,582,782 | - | - | 1,582,782 |
| Tax increment financing collections | 185,636 | - | - | 185,636 |
| Other city tax | 304,638 | - | - | 304,638 |
| Licenses and permits | 14,987 | - | - | 14,987 |
| Use of money and property | 142,485 | 16,626 | - | 159,111 |
| Intergovernmental | 465,285 | 24,852 | - | 490,137 |
| Charges for service | 271,096 | 1,072,815 | - | 1,343,911 |
| Special assessments | 64,756 | - | - | 64,756 |
| Miscellaneous | 158,353 | - | - | 158,353 |
| Total receipts | 3,190,018 | 1,114,293 | - | 4,304,311 |
| Disbursements: | | | | |
| Program | | | | |
| Public Safety | 629,836 | - | - | 629,836 |
| Public Works | 680,999 | - | - | 680,999 |
| Culture & Recreation | 651,089 | - | - | 651,089 |
| Community & economic development | 536,316 | - | - | 536,316 |
| General government | 201,098 | - | - | 201,098 |
| Debt Service | 230,482 | - | - | 230,482 |
| Capital projects | 3,266,850 | - | - | 3,266,850 |
| Business type activities | - | 1,235,585 | - | 1,235,585 |
| Non-program | 105,841 | - | 105,841 | - |
| Total Disbursements | 6,302,511 | 1,235,585 | 105,841 | 7,432,255 |
| Excess (deficiency) of receipts over disbursements | (3,112,493) | (121,292) | (105,841) | (3,127,944) |
| Other financing sources (uses) | 1,398,660 | 6,000 | - | 1,404,660 |
| Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses | (1,713,833) | (115,292) | (105,841) | (1,723,284) |
| Balance - beginning of year | 4,421,022 | 1,145,262 | - | 5,566,284 |
| Balance - end of year | \$ 2,707,189 | 1,029,970 | (105,841) | 3,843,000 |

See Accompanying Independent Auditor's Report

| Budgeted Amounts | | |
|------------------|-------------|--------------------------|
| Original | Final | Final to Net Variance |
| 1,335,377 | 1,565,377 | 17,405 |
| 170,400 | 551,500 | (365,864) |
| 354,674 | 354,674 | (50,036) |
| 20,125 | 20,125 | (5,138) |
| 99,400 | 153,400 | 5,711 |
| 498,995 | 633,371 | (143,234) |
| 1,835,850 | 1,875,850 | (531,939) |
| 75,000 | 75,000 | (10,244) |
| 240,050 | 240,050 | (81,697) |
| 4,629,871 | 5,469,347 | (1,165,036) |
| 580,423 | 630,108 | 272 |
| 836,605 | 836,605 | 155,606 |
| 617,450 | 666,950 | 15,861 |
| 170,098 | 609,323 | 73,007 |
| 261,455 | 261,455 | 60,357 |
| - | 230,500 | 18 |
| 302,023 | 3,255,255 | (11,595) |
| 1,732,401 | 2,049,701 | 814,116 |
| - | - | - |
| 4,500,455 | 8,539,897 | 1,107,642 |
| 129,416 | (3,070,550) | (2,272,678) |
| - | 1,043,300 | 1,043,300 |
| 129,416 | (2,027,250) | (1,229,378) |
| 3,765,074 | 3,765,074 | 1,801,210 |
| 3,894,490 | 1,737,824 | 571,832 |

CITY OF HUMBOLDT, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

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, two budget amendment increased budgeted disbursements by \$4,039,442. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006 disbursements exceeded the amounts budgeted in the capital projects 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, 2006

| | Emergency | Community Projects | 13A Drainage District |
|---------------------------------------|-----------|-----------------------|--------------------------|
| Receipts: | | | |
| Property tax | \$ 31,800 | | |
| Tax increment financing collections | | | |
| Other city tax | | | |
| Licenses and permits | | | |
| Use of money and property | | 1,562 | |
| Intergovernmental | | | |
| Charges for service | | | |
| Special assessments | | | |
| Miscellaneous | | 29,530 | |
| Total receipts | 31,800 | 31,092 | - |
| Disbursements: | | | |
| Operating: | | | |
| Public Safety | | | |
| Public Works | | | - |
| Culture & Recreation | | | |
| Community & economic development | | | |
| General government | | 24,375 | |
| Debt Service | | | |
| Capital projects | | 240 | |
| Non-program | | | |
| Total Disbursements | - | 24,615 | - |
| Excess of receipts over disbursements | 31,800 | 6,477 | - |
| Other financing sources (uses): | | | |
| Bonds issued | | | |
| Operating transfers out | (32,257) | (2,500) | - |
| Total other financing sources (uses) | (32,257) | (2,500) | - |
| Net change in cash balances | (457) | 3,977 | - |
| Cash balances beginning of year | 32,257 | 104,797 | 5,763 |
| Cash balances end of year | 31,800 | 108,774 | 5,763 |
| Cash Basis Fund Balances | | | |
| Unreserved: | | | |
| Special revenue funds | 31,800 | 108,774 | 5,763 |
| Total cash basis fund balances | \$ 31,800 | 108,774 | 5,763 |

See Accompanying Independent Auditor's Report

| Street Assessments | Debt Service | Urban Renewal Tax Increment | Employee Benefits | Total |
|--------------------|----------------|--------------------------------|-------------------|------------------|
| | 223,550 | | 229,362 | 484,712 |
| | | 185,636 | | 185,636 |
| | | | | - |
| | | | | - |
| | | | | 1,562 |
| | | | | - |
| | | | | - |
| 64,756 | | | | 64,756 |
| | | 18,494 | 70,338 | 118,362 |
| <u>64,756</u> | <u>223,550</u> | <u>204,130</u> | <u>299,700</u> | <u>855,028</u> |
| | | | 118,088 | 118,088 |
| | | | 79,145 | 79,145 |
| | | | 74,106 | 74,106 |
| | | 492,527 | 1,128 | 493,655 |
| | | | 19,397 | 43,772 |
| | 230,482 | | | 230,482 |
| | | | 4,781 | 5,021 |
| 63,445 | | 8,909 | 33,487 | 105,841 |
| <u>63,445</u> | <u>230,482</u> | <u>501,436</u> | <u>330,132</u> | <u>1,150,110</u> |
| 1,311 | (6,932) | (297,306) | (30,432) | (295,082) |
| | | 390,000 | | 390,000 |
| - | - | - | - | (34,757) |
| - | - | 390,000 | - | 355,243 |
| 1,311 | (6,932) | 92,694 | (30,432) | 60,161 |
| 1,376 | - | 166,033 | 100,630 | 410,856 |
| <u>2,687</u> | <u>(6,932)</u> | <u>258,727</u> | <u>70,198</u> | <u>471,017</u> |
| 2,687 | (6,932) | 258,727 | 70,198 | 471,017 |
| <u>\$ 2,687</u> | <u>(6,932)</u> | <u>258,727</u> | <u>70,198</u> | <u>471,017</u> |

CITY OF HUMBOLDT, IOWA

Schedule 2

SCHEDULE OF INDEBTNESS

Year Ended June 30, 2006

| 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 | | | | | | | | | |
| Family Aquatic Center | 4/20/2005 | 2.8 | 2,500,000 | 2,500,000 | - | 120,000 | 2,380,000 | 110,082 | |
| Sumner Avenue Project | 9/1/2003 | 2.1 | 1,315,000 | 1,055,000 | - | 270,000 | 785,000 | 31,623 | |
| Family Aquatic Center | | 4.50% | 231,940 | | 231,940 | | 231,940 | - | - |
| | | | | 3,555,000 | 231,940 | 390,000 | 3,396,940 | 141,705 | - |
| Revenue Bonds | | | | | | | | | |
| 2001 Wastewater Revenue Bond | 8/19/1999 | 3.92% | 4,847,000 | 3,761,000 | - | 188,000 | 3,573,000 | 146,541 | - |
| MWW River Crossing | 3/28/2001 | 5.75% | 250,000 | - | | | - | 4,816 | |
| | | | | 3,761,000 | - | 188,000 | 3,573,000 | 151,357 | - |
| Tax Increment Financing Notes | | | | | | | | | |
| Hy Capacity | | 5.00% | | | 16,500 | | 16,500 | | |
| Jet Co. | | 3.60% | | | 390,000 | | 390,000 | | |
| Riverview Heights | | 5.75% | | 320,000 | | 45,000 | 275,000 | 17,948 | |
| Humboldt Fabrication Controls/RAMCO | | 5.75% | | 121,525 | | 25,176 | 96,349 | 4,614 | |
| Capital Loan Note Ser 2004A | 9/23/2004 | 2.3 | 210,000 | 210,000 | - | 40,000 | 170,000 | 6,130 | |
| | | | | 651,525 | 406,500 | 110,176 | 947,849 | 28,692 | - |
| Special Assessment Notes | | | | | | | | | |
| 1995 Sidewalk | | 7.00% | | 912 | | 912 | - | 52 | |
| West River, Plat II, Paving Project | | 7.00% | | 8,276 | | 8276 | - | (704) | |
| Blackbird Addition Street Parking | | 6.00% | | 16,261 | | 5565 | 10,696 | 1,118 | |
| Hall Street Improvement Project | | 6.00% | | 14,254 | | 7128 | 7,126 | 1,080 | |
| 14th Ave SE | | 5.00% | | 67,460 | | 25794 | 41,666 | 5,208 | |
| Sumner Avenue Project | | | | 33,971 | | 7488 | 26,483 | 1,528 | |
| | | | | 141,134 | - | 55,163 | 85,971 | 8,282 | - |

See Accompanying Independent Auditor's Report

CITY OF HUMBOLDT, IOWA

Bond & Note Maturities
June 30, 2006

| Year Ending | Sumner Ave. Project | | Aquatic Center | | Aquatic Center | |
|----------------|--------------------------|-------------------|-----------------------|---------------------|----------------------|-------------------|
| | Issued September 1, 2003 | | Issued April 20, 2005 | | Issued June 20, 2006 | |
| | Interest Rate | Amount | Interest Rate | Amount | Interest Rate | Amount |
| 2007 | 2.85% | 275,000 | 3.05% | 135,000 | 4.50% | 19,351 |
| 2008 | 3.25% | 280,000 | 3.30% | 140,000 | 4.50% | 43,742 |
| 2009 | 3.45% | 230,000 | 3.45% | 145,000 | 4.50% | 45,710 |
| 2010 | - | - | 3.60% | 145,000 | 4.50% | 47,811 |
| 2011 | - | - | 3.70% | 150,000 | 4.50% | 49,986 |
| 2012 | - | - | 3.80% | 160,000 | 4.50% | 25,340 |
| 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>\$ 785,000</u> | | <u>\$ 2,380,000</u> | | <u>\$ 231,940</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 |
| 2.65-6.00% | 144,175 | 5.00-7.00% | 32,015 | 3.92% | 197,000 |
| 2.95-6.00% | 155,378 | 5.00-7.00% | 14,193 | 3.92% | 204,000 |
| 3.20-6.00% | 161,644 | 5.00-7.00% | 14,193 | 3.92% | 212,000 |
| 3.40-6.00% | 158,018 | 5.00-7.00% | 14,187 | 3.92% | 221,000 |
| 3.90-6.00% | 108,634 | 5.00-7.00% | 3,775 | 3.92% | 229,000 |
| 4.00% | 40,000 | 5.00-7.00% | 3,775 | 3.92% | 238,000 |
| 4.10% | 45,000 | 5.00 % | 3,775 | 3.92% | 248,000 |
| 4.20% | 45,000 | 5.00 % | 58 | 3.92% | 256,000 |
| 4.30% | 45,000 | - | - | 3.92% | 267,000 |
| 4.40% | 45,000 | - | - | 3.92% | 277,000 |
| | - | - | - | 3.92% | 289,000 |
| | - | - | - | 3.92% | 300,000 |
| | - | - | - | 3.92% | 311,000 |
| | - | - | - | 3.92% | 324,000 |
| | <u>\$ 947,849</u> | | <u>\$ 85,971</u> | | <u>\$ 3,573,000</u> |

CITY OF HUMBOLDT, IOWA

Schedule 4

Schedule of Receipts by Source and Disbursements by Function

All Governmental Funds
For the Last Four Years

| | 2006 | 2005 | 2004 | 2003 |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Receipts: | | | | |
| Property tax | \$ 1,582,782 | \$ 1,328,024 | \$ 1,226,613 | \$ 1,197,431 |
| Tax increment financing collections | 185,636 | 200,480 | 206,434 | 246,322 |
| Other city tax | 304,638 | 327,835 | 320,048 | 227,785 |
| Licenses and permits | 14,987 | 17,057 | 19,061 | 20,068 |
| Use of money and property | 142,485 | 86,015 | 84,226 | 98,570 |
| Intergovernmental | 465,285 | 475,193 | 776,766 | 558,983 |
| Charges for service | 271,096 | 170,698 | 198,875 | 158,819 |
| Special assessments | 64,756 | 48,024 | 58,780 | 28,660 |
| Miscellaneous | 158,353 | 241,843 | 152,238 | 212,139 |
| Total receipts | 3,190,018 | 2,895,169 | 3,043,041 | 2,748,777 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public Safety | 629,836 | 546,850 | 524,462 | 553,851 |
| Public Works | 680,999 | 568,214 | 1,062,772 | 816,129 |
| Culture & Recreation | 651,089 | 908,965 | 656,507 | 597,811 |
| Community & economic develop | 536,316 | 196,717 | 227,172 | 187,679 |
| General government | 201,098 | 483,523 | 329,142 | 213,084 |
| Debt Service | 230,482 | - | - | - |
| Capital projects | 3,266,851 | 2,587,037 | 281,501 | - |
| Non program | 105,841 | 80,884 | 35,901 | 36,542 |
| Total Disbursements | \$ 6,302,512 | \$ 5,372,190 | \$ 3,117,457 | \$ 2,405,096 |

See Accompanying Independent Auditor's Report

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Humboldt, as of and for the year ended June 30, 2006, which collectively comprise the City's basis financial statements listed in the table of contents and have issued our report thereon dated October 9, 2006. 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-06 is a material weakness. Prior year reportable conditions have been resolved except for II-A-06.

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 except for III-G-06 and III-J-06.

Comments involving statutory and other legal matters about the City of Humboldt's operations for the year ended June 30, 2006 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.

October 9, 2006

Schedule of Findings

Year Ended June 30, 2006

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.

Schedule of Findings

Year Ended June 30, 2006

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-06 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.

Schedule of Findings

Year Ended June 30, 2006

Part III: Other Findings Related to Statutory Reporting:

III-A-06 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, 2006.

III-B-06 Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion – Response accepted

III-C-06 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-06 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-E-06 Business Transactions - No business transactions between the City and its officials or employees were noted.

III-F-06 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.

Schedule of Findings

Year Ended June 30, 2006

III-G-06 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.

III-H-06 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-06 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.

III-J-06 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.