

**CITY OF HUMBOLDT, IOWA**

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

**JUNE 30, 2007**

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

## Table of Contents

		<u>Page</u>
Officials		1-2
Independent Auditor's Report		3-4
Management's Discussion and Analysis		5-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	12
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	13
Proprietary Fund Financial Statement		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	14
Notes to Financial Statements		15-23
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		24
Notes to Required Supplementary Information – Budgetary Reporting		25
Other Supplementary Information	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Government Funds	1	26
Schedule of Indebtedness	2	27
Bond and Note Maturities	3	28
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	29
Independent Auditor's Report Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>		30-31
Schedule of Findings		32-35

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 2009
Craig Christensen	Library Trustee	July 2007
Lori Curran	Library Trustee	July 2007
Linda Clasen	Library Trustee	July 2009
Bryon Wadsley	Airport Commission	Jan 2011
Dave Dodgen	Airport Commission	Jan 2013
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 2013
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 2011
Conrad Burgers	Zoning Adjustment Board	Jan 2008
John Van Horn	Zoning Adjustment Board	Jan 2009
Tom Nelson	Zoning Adjustment Board	Jan 2011
Robert Abens	Zoning Adjustment Board	Jan 2012
Helen Wickre	Preservation Board	Jan 2008
John Vanhorn	Preservation Board	Jan 2008
Marilyn Huntermark	Preservation Board	Jan 2008
Mary Carlson	Preservation Board	Jan 2008
Laurie Carlson	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

# 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, 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, 2007, 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 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, 2007, 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 January 31, 2008, 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 considered in assessing 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 have applied certain 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, 2006 (which are not presented herein) and expressed 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.*

January 31, 2008

## **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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 24%, or approximately \$1.1 million from fiscal 2006 to fiscal 2007. Property tax proceeds including TIF property tax increased approximately \$141,000. Bond proceeds increased approximately \$352,000, from the prior year while grant proceeds increased approximately \$249,000.
- Disbursements decreased 26%, or approximately \$1.6 million in fiscal 2007 from fiscal 2006. Capital projects disbursements decreased approximately \$2.9 million, community and economic development disbursements increased approximately \$876,000, and public works disbursements increased approximately \$252,000.
- The City's total cash basis net assets increased 29%, or approximately \$1,051,000 from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately \$1,024,000 and the assets of the business type activities increased by approximately \$27,000.

### **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.

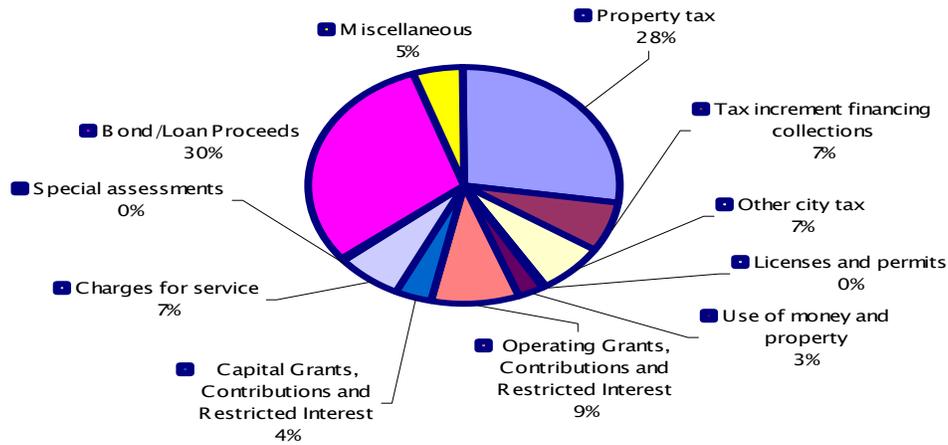
The required cash basis financial statement for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

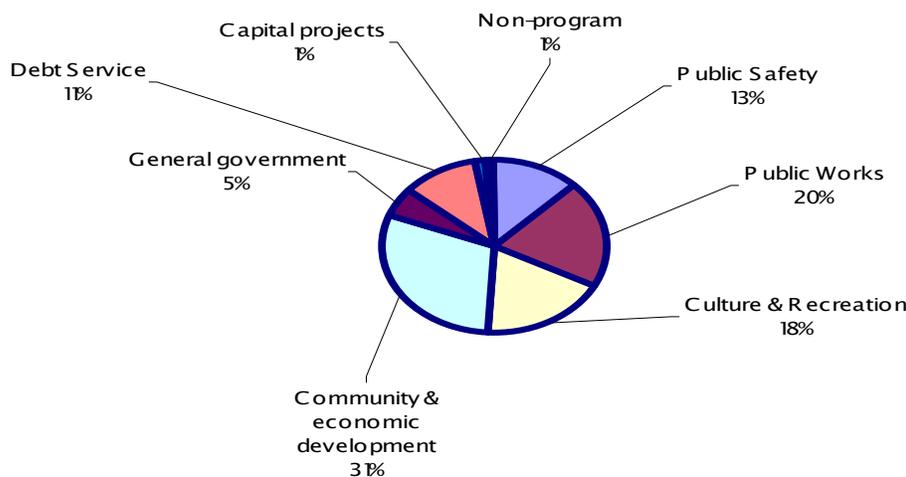
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$2.7 million to \$3.7 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 386	\$ 271
Operating grants, contributions and restricted interest	505	375
Capital grants, contributions and restricted interest	209	90
General receipts:		
Property tax	1,545	1,583
Tax increment financing	365	186
Local option sales tax	389	305
Unrestricted investment earnings	159	142
Bond / loan proceeds	1,705	1,353
Other general receipts	346	238
Transfers, net	103	46
Total receipts and transfers	<u>5,712</u>	<u>4,589</u>
Disbursements:		
Public safety	600	630
Public works	933	681
Culture and recreation	850	651
Community and economic development	1,412	536
General government	243	201
Debt service	230	231
Capital projects	366	3,267
Non program	54	106
Transfers, net	-	-
Total disbursements	<u>4,688</u>	<u>6,303</u>
Increase in cash basis net assets	1,024	1,714
Cash basis net assets beginning of year	<u>2,707</u>	<u>4,421</u>
Cash basis net assets end of year	<u>\$ 3,731</u>	<u>\$ 2,707</u>

## Receipts by Source



## Disbursements by Function



The City's total receipts for governmental activities increased by 24%, or \$1.1 million. The total cost of all programs and services decreased by approximately \$1.6 million or 26%, with no new programs added this year. The significant increase in receipts was primarily the result of bond proceeds and the decrease in cost of programs and services was primarily due to an decrease in capital projects disbursements as a result of the completion of the aquatic center.

The cost of all governmental activities this year was \$4.7 million compared to 6.3 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 3.6 million because some of the cost was paid by those directly benefited from the programs (\$387,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$714,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2007 from approximately \$736,000 to

approximately \$1,100,000. The City paid for the remaining “public benefit” portion of governmental activities with approximately \$2,299,000 in tax (some of which could only be used for certain programs), \$1,705,000 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,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 306	\$ 301
Sewer rental	720	772
General receipts:		
Miscellaneous	-	17
Unrestricted interest on investments	36	25
Transfers, net	6	6
Total receipts	<u>1,068</u>	<u>1,121</u>
Disbursements and transfers:		
Solid waste	321	399
Sewer rental	381	501
Sewer sinking	339	336
Total disbursements and transfers	<u>1,041</u>	<u>1,236</u>
Increase (decrease) in cash balance	27	(115)
Cash basis net assets beginning of year	<u>1,030</u>	<u>1,145</u>
Cash basis net assets end of year	<u>\$ 1,057</u>	<u>\$ 1,030</u>

Total business type activities receipts for the fiscal year were \$1.068 million compared to \$1.121 million last year. The cash balance increased by approximately \$27,000 from the prior year.

Total disbursements and transfers for the fiscal year decreased by 16% to a total of \$1.041 million.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Humboldt completed the year, its governmental funds reported a combined fund balance of \$3,731,467, which is an increase of \$1,024,279 above last year’s total of \$2,707,188. 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 \$160,816 from the prior year to \$1,373,006. This is due from lower than expected expenditures particularly from the Cottonwood Trail project.
- The Local Option Sales Tax Fund increased \$104,719 to \$538,324 during the fiscal year. Funds expected included \$175,000 for the 2007 Street Improvement Program and \$109,329 for payments on the Sumner Avenue Capital Loan Notes.
- The Urban Renewal Tax Increment Financing Fund increased \$925,758. The increase is due to the bond/loan proceeds being received prior to disbursements for projects being made, mainly for the FRIT Cleanup project.
- The Louthan Fund transferred \$20,152 to the General Fund to assist in paying for expenses related to the construction of the Humboldt Family Aquatic Center. The transferred funds came from the expendable portion of the fund. Interest earnings and a \$40 residual receipt, the fund balance increased to \$468,268.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Solid Waste Fund cash balance decreased by \$10,052 to \$384,155 due primarily to regular operations.
- The Sewer Fund cash balance increased by \$36,572 to \$672,305 at June 30, 2007. Maintenance costs were lower than anticipated during the year.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 17, 2007, and resulted in an increase in operating disbursements of \$930,105. Public Works and Community and Economic development expenditures were increased \$217,700 and \$807,005 respectively. The city increased budgeted receipts by \$751,883 largely due to higher anticipated TIF revenue (\$748,800).

**DEBT ADMINISTRATION**

At June 30, 2007, the City had approximately \$8,879 million in bonds and other long-term debt, compared to approximately \$7.772 million last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	Year ended June 30,	
	2007	2006
General obligation bonds	\$ 4,184	\$ 4,113
Special assessment bonds and notes	69	86
Urban renewal tax increment financing bonds	1,080	-
Revenue notes	3,547	3,573
<b>Total</b>	<b>\$ 8,880</b>	<b>\$ 7,772</b>

Debt increased as a result of issuing \$625,000 in TIF general obligation bonds for various economic development projects and the \$1,080,000 in TIF revenue bonds issued for the economic development and expansion. The discretely presented component unit authorized borrowing up to \$317,300 for the planning and design of a new water plant. At June 30, 2007, \$170,648 of the total authorized had been drawn down.

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 \$4,183,674 is significantly below its constitutional debt limit of \$9.6 million.

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

The City of Humboldt’s total assessed valuation increased from \$192,772,771 on January 1, 2006 to \$197,311,960 on January 1, 2007, an increase of 2.35%. The City’s taxable valuation also increased, from \$113,484,425 in FY 06-07 to \$115,444,255 in FY 07-08 or 1.73%. The residential rollback increased once again, from 45.9960% to 45.5596%. The increase in the taxable valuations and increase in the rollback result in the \$8.10 / \$1,000 General levy revenues increasing \$15,874 from the previous year. With this in mind, the city proposed an increase in the total tax levy of \$0.9201/\$1000, from \$13.1208 in FY 06-07 to \$14.0409 in FY 07-08.

The City has been able to maintain its total tax levy in the past by spending down some fund balances. 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 2008 budget shows \$14,057,559 in anticipated revenues. This is an increase of \$6,491,662 from Fiscal Year 2007 actual revenues of \$7,565,897. The increase is largely due to financing projects pending, including anticipated grants, awards and loans for Airport and Water Department projects.

Anticipated expenditures in the Fiscal Year 2008 budget are \$13,325,051. Actual expenditures in Fiscal Year 2007 were \$8,082,366. The increase is \$5,242,685, and largely reflects the differences between costs of capital projects in the respective years. Construction costs of a water plant are projected to be \$7,040,000.

The Council approved a 4.0% wage increase for all City of Humboldt employees, effective July 1, 2007. 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 Christensen, City Clerk, 29 5<sup>th</sup> Street South, Humboldt, Iowa 50548.

## **Basic Financial Statements**

## CITY OF HUMBOLDT, IOWA

Exhibit A

## STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

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				
<b>Primary Government</b>								
Governmental activities:								
Public safety	\$ 600,159	43,490	10,966	-	(545,703)	-	(545,703)	-
Public works	933,321	-	371,050	208,771	(353,500)	-	(353,500)	-
Culture and recreation	850,460	343,148	-	-	(507,312)	-	(507,312)	-
Community and economic development	1,411,591	-	120,993	-	(1,290,598)	-	(1,290,598)	-
General government	243,422	-	2,000	-	(241,422)	-	(241,422)	-
Debt Service	229,650	-	-	-	(229,650)	-	(229,650)	-
Capital projects	365,730	-	-	-	(365,730)	-	(365,730)	-
Non program	53,708	-	-	-	(53,708)	-	(53,708)	-
<b>Total governmental activities</b>	<b>4,688,041</b>	<b>386,638</b>	<b>505,009</b>	<b>208,771</b>	<b>(3,587,623)</b>	<b>-</b>	<b>(3,587,623)</b>	<b>-</b>
Business type activities								
Solid waste	320,756	305,535	-	-	-	(15,221)	(15,221)	-
Sewer	720,361	719,678	-	-	-	(683)	(683)	-
<b>Total business type activities</b>	<b>1,041,117</b>	<b>1,025,213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,904)</b>	<b>(15,904)</b>	<b>-</b>
<b>Total primary government</b>	<b>5,729,158</b>	<b>1,411,851</b>	<b>505,009</b>	<b>208,771</b>	<b>(3,587,623)</b>	<b>(15,904)</b>	<b>(3,603,527)</b>	<b>-</b>
<b>Component units:</b>								
Water	752,724	740,524	-	-	-	-	-	(12,200)
<b>Total component units</b>	<b>\$ 752,724</b>	<b>740,524</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,200)</b>
<b>General Receipts:</b>								
Property tax levied for:								
General purposes					\$ 1,310,751	-	1,310,751	-
Tax increment financing					365,022	-	365,022	-
Debt Service					234,066	-	234,066	-
Local option sales tax					389,048	-	389,048	-
Unrestricted interest on investments					158,783	36,394	195,177	5,405
Bond Proceeds					1,705,000	-	1,705,000	170,648
Miscellaneous					346,484	-	346,484	13,943
Transfers					102,748	6,000	108,748	(108,748)
<b>Total general receipts and transfers</b>					<b>4,611,902</b>	<b>42,394</b>	<b>4,654,296</b>	<b>81,248</b>
Change in cash basis net assets					1,024,279	26,490	1,050,769	69,048
Cash basis net assets beginning of year					2,707,188	1,029,970	3,737,158	287,701
Cash basis net assets end of year					<b>3,731,467</b>	<b>1,056,460</b>	<b>4,787,927</b>	<b>356,749</b>
<b>Cash Basis Net Assets:</b>								
Restricted								
Permanent					468,268	-	468,268	-
Debt Service					(2,516)	409,883	407,367	-
Other Purposes					1,892,709	-	1,892,709	-
Unrestricted					1,373,006	646,577	2,019,583	356,749
					<b>\$ 3,731,467</b>	<b>1,056,460</b>	<b>4,787,927</b>	<b>356,749</b>

See Notes to Financial Statements

CITY OF HUMBOLDT, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
 GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			
	General	Local Option Sales Tax	Urban Renewal Tax Increment	Permanent Louthan
<b>Receipts:</b>				
Property tax	\$ 1,061,256	-	-	-
Tax increment financing collections	-	-	365,022	-
Other city tax	-	389,048	-	-
Licenses and permits	17,661	-	-	-
Use of money and property	143,607	-	50	21,081
Intergovernmental	125,776	-	120,993	-
Charges for service	386,638	-	-	-
Special assessments	-	-	-	-
Miscellaneous	51,648	-	32,937	40
Total receipts	<u>1,786,586</u>	<u>389,048</u>	<u>519,002</u>	<u>21,121</u>
<b>Disbursements:</b>				
Operating:				
Public Safety	484,368	-	-	-
Public Works	217,803	-	-	-
Culture & Recreation	765,227	-	-	-
Community & economic development	54,217	-	1,299,884	-
General government	166,455	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Non-program	-	-	-	-
Total Disbursements	<u>1,688,070</u>	<u>-</u>	<u>1,299,884</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	98,516	389,048	(780,882)	21,121
<b>Other financing sources (uses):</b>				
Bond/loan proceeds	-	-	1,705,000	-
Operating transfers in	64,300	-	1,640	-
Operating transfers out	(2,000)	(284,329)	-	(20,152)
Total other financing sources (uses)	<u>62,300</u>	<u>(284,329)</u>	<u>1,706,640</u>	<u>(20,152)</u>
Net change in cash balances	160,816	104,719	925,758	969
Cash balances beginning of year	1,212,190	433,605	258,727	467,299
Cash balances end of year	<u>\$ 1,373,006</u>	<u>538,324</u>	<u>1,184,485</u>	<u>468,268</u>
<b>Cash Basis Fund Balances</b>				
Unreserved:				
General fund	1,373,006	-	-	-
Special revenue funds	-	538,324	1,184,485	4,943
Debt Service	-	-	-	-
Permanent fund	-	-	-	463,325
Total cash basis fund balances	<u>\$ 1,373,006</u>	<u>538,324</u>	<u>1,184,485</u>	<u>468,268</u>

See Notes of Financial Statements

Exhibit B

Other Nonmajor Governmental Funds	Total
483,561	1,544,817
-	365,022
-	389,048
-	17,661
2,466	167,204
467,011	713,780
-	386,638
23,050	23,050
212,727	297,352
<u>1,188,815</u>	<u>3,904,572</u>
115,791	600,159
715,518	933,321
85,233	850,460
57,490	1,411,591
76,967	243,422
229,650	229,650
365,730	365,730
53,708	53,708
<u>1,700,087</u>	<u>4,688,041</u>
(511,272)	(783,469)
-	1,705,000
377,589	443,529
(34,300)	(340,781)
<u>343,289</u>	<u>1,807,748</u>
(167,983)	1,024,279
<u>335,367</u>	<u>2,707,188</u>
<u>167,384</u>	<u>3,731,467</u>
-	1,373,006
169,900	1,897,652
(2,516)	(2,516)
-	463,325
<u>167,384</u>	<u>3,731,467</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, 2007

	Solid Waste	Sewer	Total
Operating receipts:			
Charges for service	\$ 305,535	716,130	1,021,665
Miscellaneous	-	3,548	3,548
Total operating receipts	305,535	719,678	1,025,213
Operating disbursements:			
Business type activities	320,756	720,361	1,041,117
Total operating disbursements	320,756	720,361	1,041,117
(Deficit) of operating receipts under operating disbursements	(15,221)	(683)	(15,904)
Non-operating receipts:			
Interest on investments	5,139	31,255	36,394
Total non-operating receipts	5,139	31,255	36,394
Excess (deficit) of receipts and non-operating receipts over (under) disbursements	(10,082)	30,572	20,490
Other financing sources (uses):			
Operating transfers in	-	6,000	6,000
Total other financing sources (uses)	-	6,000	6,000
Net change in cash balances	(10,082)	36,572	26,490
Cash balances beginning of year	394,237	635,733	1,029,970
Cash balances end of year	\$ 384,155	672,305	1,056,460
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	-	409,883	409,883
Unreserved	384,155	262,422	646,577
Total cash basis fund balances	\$ 384,155	672,305	1,056,460

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 business office.

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

The Urban Renewal Tax Increment Financing Fund is utilized to account for the TIF districts receipts and disbursements.

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 (\$4,943) 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 \$35,111 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 \$369,772 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.

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.

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. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the community and economic development function.

**(2) Cash and Investments**

The City's deposits at June 30, 2007 (which include certificates of deposit totaling \$1,842,094) 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, 2007.

**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 \$195,177 for the year ended June 30, 2007. The discretely presented component unit had interest of \$5,405 for the year ended June 30, 2007. 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 Notes		Other Long Term Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	580,378	155,361	-	48,287	204,000	132,339	24,074	4,014	852,194	340,001
2009	556,644	137,903	20,000	44,573	212,000	124,342	14,193	2,405	848,547	309,223
2010	383,018	119,939	45,000	43,793	391,648	116,032	14,193	1,487	881,670	281,251
2011	348,634	106,098	85,000	42,038	229,000	107,369	8,233	986	720,853	256,491
2012	295,000	92,847	85,000	38,723	238,000	98,392	3,775	380	646,343	230,342
2013	310,000	82,590	90,000	35,365	248,000	89,062	3,775	192	651,775	207,209
2014	325,000	71,218	95,000	31,765	256,000	79,341	951	48	676,951	182,372
2015	255,000	58,707	100,000	27,918	267,000	69,306	-	-	622,000	155,931
2016	270,000	48,228	105,000	23,818	277,000	58,839	-	-	652,000	130,885
2017	230,000	37,185	110,000	19,460	289,000	47,981	-	-	629,000	104,626
2018	210,000	27,600	110,000	14,840	300,000	36,652	-	-	620,000	79,092
2019	205,000	18,690	115,000	10,165	311,000	24,892	-	-	631,000	53,747
2020	215,000	9,678	120,000	5,220	324,000	12,701	-	-	659,000	27,596
	4,183,674	966,044	1,080,000	385,962	3,546,648	997,248	69,194	9,512	9,091,333	2,358,766

Interest payments of \$196,481 for the primary government and \$140,062 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 Special Revenue 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 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, 2007.
- (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, 2007.

**(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.

Most plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$73,850, \$71,552, and \$68,695 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. 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>6-30-07</u>
Sick pay & personal days	\$ 379,645
Vacation pay	<u>68,791</u>
TOTAL	<u>\$ 448,436</u>

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

**(5) Compensated Absences - continued**

The liability has been computed based on rates of pay in effect at June 30, 2007.

**(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 \$2,220 for the year ended June 30, 2007. 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, 2007 were \$13,395.

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, 2007, the City paid \$75,019 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, 2009. Payments under this contract totaled \$161,741 for the year.

**(7) Interfund Transfers**

The detail of interfund transfers, for the year ended June 30, 2007 is as follows:

Transfer In	Transfer From	Amount
General	Special Revenue Fund	
	Emergency	\$ 31,800
	Road Use Tax	30,000
	Community Projects Fund	
	Cemetery Perpetual Care	2,500
		<u>\$ 64,300</u>
Special Revenue Fund	Special Revenue Fund	
Road Use Tax	LOST	<u>\$ 175,000</u>
Capital Project Fund	Special Revenue Fund	
Sumner Ave	Road Use Tax	\$ 83,836
	LOST	109,330
	Component Unit	
	Water	<u>107,107</u>
		<u>\$ 300,273</u>

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

**(7) Interfund Transfers – (continued)**

Capital Projects Fund Aquatic Center	Louthan	<u>\$ 20,152</u>
Enterprise Funds Sewer	Special Revenue Road Use Tax	<u>\$ 6,000</u>
Special Revenue Urban Renewal TIF	Special Revenue Water	<u>\$ 1,640</u>
Community Projects Fund Trees Forever	General	<u>\$ 2,000</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, 2007, there were no unpaid claims due.

**(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, 2006 and are payable in September 2006 and March 2007. The valuation for the taxes was based on January 1, 2005 assessed property valuations, and are based on a certified budget from March of 2006.

**(10) Deficit Fund Balance**

The Economic Development Office Fund, Road Use Tax Fund, Debt Service Fund, and the Aquatic Center Fund had deficit fund balances of \$6,132, \$79,765, \$2,516, and \$5,012 respectively at June 30, 2007. The deficit balances were a result of project costs and debt obligations being paid prior to the collection of the related receipts.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

**(11) Frit Cleanup**

The City of Humboldt issued the \$1,080,000 in TIF revenue bonds during the year to finance the cleanup of an environmentally hazardous industrial site within the city (the former FRIT Industries). At June 30, 2007, the city had paid \$250,000 of the cost of the project and \$750,000 remained on the contract.

**(12) Contingent Liability**

In connection with the construction of the Family Aquatic Center, the City guaranteed by pledging the full faith and credit of the City, a note payable by the Friends of the Parks, a legally separate charitable organization. The Friends of the Parks is governed by a five member board of directors and its proceeds are used to benefit the City of Humboldt's park system and aquatic center. At June 30, 2007, the Friends of the Parks owed \$211,817 on the note.

**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, 2007

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>				
Property tax	\$ 1,544,817		-	1,544,817
Tax increment financing collections	365,022		-	365,022
Other city tax	389,048		-	389,048
Licenses and permits	17,661		-	17,661
Use of money and property	167,204	36,394	-	203,598
Intergovernmental	713,780		-	713,780
Charges for service	386,638	1,025,213	-	1,411,851
Special assessments	23,050		-	23,050
Miscellaneous	297,352		-	297,352
Total receipts	3,904,572	1,061,607	-	4,966,179
<b>Disbursements:</b>				
Program				
Public Safety	600,159			600,159
Public Works	933,321			933,321
Culture & Recreation	850,460			850,460
Community & economic development	1,411,591			1,411,591
General government	243,422			243,422
Debt Service	229,650			229,650
Capital projects	365,730			365,730
Business type activities		1,041,117		1,041,117
Non-program	53,708		53,708	-
Total Disbursements	4,688,041	1,041,117	53,708	5,675,450
Excess (deficiency) of receipts over disbursements	(783,469)	20,490	(53,708)	(709,271)
Other financing sources (uses)	1,807,748	6,000	-	1,813,748
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	1,024,279	26,490	(53,708)	1,104,477
Balance - beginning of year	2,707,188	1,029,970	-	3,737,158
Balance - end of year	\$ 3,731,467	1,056,460	(53,708)	4,841,635

See Accompanying Independent Auditor's Report

Budgeted Amounts

Original	Final	Final to Net Variance
1,460,721	1,460,721	84,096
390,580	1,139,380	(774,358)
375,817	463,817	(74,769)
18,125	18,125	(464)
111,080	164,080	39,518
649,516	378,116	335,664
1,166,265	1,196,265	215,586
20,000	20,000	3,050
628,150	731,633	(434,281)
4,820,254	5,572,137	(605,958)
636,509	652,909	52,750
750,645	968,345	35,024
1,000,999	928,449	77,989
369,150	1,176,155	(235,436)
250,750	312,300	68,878
229,650	229,650	-
468,273	368,273	2,543
1,097,602	1,097,602	56,485
		-
4,803,578	5,733,683	58,233
16,676	(161,546)	(664,191)
158,537	158,537	317,074
175,213	(3,009)	(347,117)
3,558,939	3,558,939	178,219
3,734,152	3,555,930	(168,898)

CITY OF HUMBOLDT, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

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 \$930,105. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007 disbursements exceeded the amounts budgeted in the community and economic development function.

## **Other Supplementary Information**

CITY OF HUMBOLDT, IOWA

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2007

	Special Revenue Funds				
	Emergency	Community Projects	13A Drainage District	State and Federal Grants	Street Assessments
Receipts:					
Property tax	\$ 31,295	-	-	-	-
Use of money and property	-	2,466	-	-	-
Intergovernmental	-	-	-	95,960	-
Special assessments	-	-	-	-	23,050
Miscellaneous	-	46,286	-	-	-
Total receipts	31,295	48,752	-	95,960	23,050
Disbursements:					
Operating:					
Public Safety	-	-	-	-	-
Public Works	-	-	1,808	-	-
Culture & Recreation	-	266	-	-	-
Community & economic development	-	-	-	-	-
General government	-	50,718	-	3,685	-
Debt Service	-	-	-	-	-
Capital projects	-	-	-	-	-
Non-program	-	-	-	-	22,729
Total Disbursements	-	50,984	1,808	3,685	22,729
Excess of receipts over disbursements	31,295	(2,232)	(1,808)	92,275	321
Other financing sources (uses):					
Operating transfers in	-	2,000	-	-	-
Operating transfers out	(31,800)	(2,500)	-	-	-
Total other financing sources (uses)	(31,800)	(500)	-	-	-
Net change in cash balances	(505)	(2,732)	(1,808)	92,275	321
Cash balances beginning of year	31,800	108,774	5,763	-	2,687
Cash balances end of year	31,295	106,042	3,955	92,275	3,008
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	31,295	106,042	3,955	92,275	3,008
Debt service	-	-	-	-	-
Total cash basis fund balances	\$ 31,295	106,042	3,955	92,275	\$ 3,008

See Accompanying Independent Auditor's Report

Economic				Capital Project Funds			
Development Office	Employee Benefits	Road Use Tax	Debt Service	Sumner Ave.	Aquatic Center	Total	
-	218,200	-	234,066	-	-	483,561	
-	-	-	-	-	-	2,466	
-	-	371,051	-	-	-	467,011	
-	-	-	-	-	-	23,050	
51,358	74,790	-	-	-	40,293	212,727	
51,358	292,990	371,051	234,066	-	40,293	1,188,815	
-	115,791	-	-	-	-	115,791	
-	84,653	629,057	-	-	-	715,518	
-	84,967	-	-	-	-	85,233	
57,490	-	-	-	-	-	57,490	
-	22,564	-	-	-	-	76,967	
-	-	-	229,650	-	-	229,650	
-	-	-	-	300,273	65,457	365,730	
-	30,979	-	-	-	-	53,708	
57,490	338,954	629,057	229,650	300,273	65,457	1,700,087	
(6,132)	(45,964)	(258,006)	4,416	(300,273)	(25,164)	(511,272)	
-	-	55,164	-	300,273	20,152	377,589	
-	-	-	-	-	-	(34,300)	
-	-	55,164	-	300,273	20,152	343,289	
(6,132)	(45,964)	(202,842)	4,416	-	(5,012)	(167,983)	
-	70,198	123,077	(6,932)	-	-	335,367	
(6,132)	24,234	(79,765)	(2,516)	-	(5,012)	167,384	
(6,132)	24,234	(79,765)	-	-	(5,012)	169,900	
-	-	-	(2,516)	-	-	(2,516)	
\$ (6,132)	\$ 24,234	\$ (79,765)	\$ (2,516)	-	(5,012)	167,384	

CITY OF HUMBOLDT, IOWA

Schedule 2

SCHEDULE OF INDEBTEDNESS

Year Ended June 30, 2007

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	2.80%	2,500,000	2,380,000	-	135,000	2,245,000	94,250	-
Sumner Avenue Project	9/1/2003	2.10%	1,315,000	785,000	-	275,000	510,000	24,873	-
TIF General Obligation Bond/Notes									
Hy Capacity	4/1/2006	5.00%	16,500	16,500	-	2,982	13,518	831	-
Jet Co.	1/10/2006	3.60%	390,000	390,000	-	30,000	360,000	22,346	-
Riverview Heights	7/1/2000	5.75%	420,000	275,000	-	45,000	230,000	15,495	-
Humboldt Fabrication/RAMCO	10/1/2000	5.75%		96,349	-	26,193	70,156	3,597	-
Capital Loan Notes Ser. 2004A	9/23/2004	2.30%	210,000	170,000	-	40,000	130,000	5,210	-
Rustix Restaurant	10/2/2006	5.85%	180,000	-	180,000	-	180,000	6,874	-
Riverview Heights	10/2/2006	3.85%	330,000	-	330,000	-	330,000	8,185	-
IRP Grant Match	11/6/2006	4.00%	115,000	-	115,000	-	115,000	2,634	-
				4,112,849	625,000	554,175	4,183,674	184,295	
Urban renewal tax increment financing (TIF) revenue bonds									
	4/16/2007	3.90%	1,080,000	-	1,080,000	-	1,080,000	-	-
Revenue Bonds									
2001 Wastewater Revenue Bond	8/19/1999	3.92%	4,847,000	3,573,000	-	197,000	3,376,000	140,062	-
Water Plant Planning and Design	10/24/2006	0.00%	317,300	-	170,648	-	170,648	-	-
				3,573,000	170,648	197,000	3,546,648	140,062	-
Special Assessment Notes									
Blackbird Addition Street Parking		6.00%		10,696	-	5565	5,131	867	-
Hall Street Improvement Project		6.00%		7,126	-	2376	4,750	615	-
14th Ave SE		5.00%		41,666	-	5954	35,712	3,029	-
Sumner Avenue Project				26,483	-	2882	23,601	1,441	-
				85,971	-	16,777	69,194	5,952	-

See Accompanying Independent Auditor's Report

SCHEDULE OF BOND & NOTE MATURITIES

June 30, 2007

General Obligation Bonds and Notes

Year Ending June 30,	Sumner Ave. Project Issued 9-1-03		Aquatic Center Issued 4-20-05		General Obligation TIF Hy-Capacity Issued 4-1-06		General Obligation TIF Jet Co. Issued 1-10-2006		General Obligation TIF Riverview Heights Issued 7-1-2000		General Obligation TIF Humboldt Fabrication/RAMCO Issued 10-1-2000		General Obligation Series Capital Projects Issued 9-23-2004		General Obligation TIF Rustix Issued 10-2-2006		General Obligation TIF Riverview Heights Issued 10-2-2006		General Obligation TIF IRP Grant Match Issued 11-6-2006		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
2008	3.25	280,000	3.30	140,000	5.00	3,133	3.65	35,000	5.75	50,000	4.00	27,245	2.95	40,000	5.85	5,000	3.85	-	4.00	-	580,378
2009	3.45	230,000	3.45	145,000	5.00	3,292	3.75	35,000	5.75	50,000	4.00	28,352	3.20	45,000	5.85	10,000	3.85	10,000	4.00	0	556,644
2010	-	-	3.60	145,000	5.00	3,459	3.85	35,000	5.75	60,000	4.00	14,559	3.40	45,000	5.90	15,000	3.85	60,000	4.00	5,000	383,018
2011	-	-	3.70	150,000	5.00	3,634	3.90	35,000	5.75	70,000	-	-	-	-	5.95	15,000	3.90	60,000	4.05	15,000	348,634
2012	-	-	3.80	160,000	-	-	4.00	40,000	-	-	-	-	-	-	6.00	15,000	3.95	65,000	4.10	15,000	295,000
2013	-	-	3.90	165,000	-	-	4.10	45,000	-	-	-	-	-	-	6.05	20,000	4.00	65,000	4.15	15,000	310,000
2014	-	-	4.00	170,000	-	-	4.20	45,000	-	-	-	-	-	-	6.10	25,000	4.05	70,000	4.20	15,000	325,000
2015	-	-	4.10	175,000	-	-	4.30	45,000	-	-	-	-	-	-	6.15	20,000	-	-	4.25	15,000	255,000
2016	-	-	4.15	185,000	-	-	4.40	45,000	-	-	-	-	-	-	6.20	25,000	-	-	4.30	15,000	270,000
2017	-	-	4.25	190,000	-	-	-	-	-	-	-	-	-	-	6.25	20,000	-	-	4.40	20,000	230,000
2018	-	-	4.35	200,000	-	-	-	-	-	-	-	-	-	-	6.30	10,000	-	-	-	-	210,000
2019	-	-	4.45	205,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	205,000
2020	-	-	4.50	215,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	215,000
		\$ 510,000		\$ 2,245,000		\$ 13,518		\$ 360,000		\$ 230,000		\$ 70,156		\$ 130,000		\$ 180,000		\$ 330,000		\$ 115,000	\$ 4,183,674

Revenue Bonds and Notes

Year	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds Issued 4-16-07		Special Assessments		Water Treatment Issued 8-19-99		Water Plant Planning and Design Issued 10-24-06		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
2008	3.90	-	5.00-7.00	24,074	3.92	204,000	-	-	204,000
2009	3.90	20,000	5.00-7.00	14,193	3.92	212,000	-	-	212,000
2010	3.90	45,000	5.00-7.00	14,193	3.92	221,000	-	170,648	391,648
2011	3.90	85,000	5.00-7.00	8,233	3.92	229,000	-	-	229,000
2012	3.95	85,000	5.00-7.00	3,775	3.92	238,000	-	-	238,000
2013	4.00	90,000	5.00	3,775	3.92	248,000	-	-	248,000
2014	4.05	95,000	5.00	951	3.92	256,000	-	-	256,000
2015	4.10	100,000	-	-	3.92	267,000	-	-	267,000
2016	4.15	105,000	-	-	3.92	277,000	-	-	277,000
2017	4.20	110,000	-	-	3.92	289,000	-	-	289,000
2018	4.25	110,000	-	-	3.92	300,000	-	-	300,000
2019	4.30	115,000	-	-	3.92	311,000	-	-	311,000
2020	4.35	120,000	-	-	3.92	324,000	-	-	324,000
		\$ 1,080,000		\$ 69,194		\$ 3,376,000		\$ 170,648	\$ 3,546,648

See Accompanying Independent Auditor's Report

## CITY OF HUMBOLDT, IOWA

Schedule 4

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	2007	2006	2005	2004
Receipts:				
Property tax	\$ 1,544,817	\$ 1,582,782	\$ 1,328,024	\$ 1,226,613
Tax increment financing collections	365,022	185,636	200,480	206,434
Other city tax	389,048	304,638	327,835	320,048
Licenses and permits	17,661	14,987	17,057	19,061
Use of money and property	167,204	142,485	86,015	84,226
Intergovernmental	713,780	465,285	475,193	776,766
Charges for service	386,638	271,096	170,698	198,875
Special assessments	23,050	64,756	48,024	58,780
Miscellaneous	297,352	158,353	241,843	152,238
Total receipts	3,904,572	3,190,018	2,895,169	3,043,041
Disbursements:				
Operating:				
Public Safety	600,159	629,836	546,850	524,462
Public Works	933,321	680,999	568,214	1,062,772
Culture & Recreation	850,460	651,089	908,965	656,507
Community & economic development	1,411,591	536,316	196,717	227,172
General government	243,422	201,098	483,523	329,142
Debt Service	229,650	230,482	-	-
Capital projects	365,730	3,266,851	2,587,037	281,501
Non program	53,708	105,841	80,884	35,901
Total Disbursements	\$ 4,688,041	\$ 6,302,512	\$ 5,372,190	\$ 3,117,457

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 Government 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 fund and the aggregate remaining fund information of the City of Humboldt, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 31, 2008. 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. Accordingly, we do not express an opinion on the effectiveness of the City of Humboldt's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financing reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Humboldt's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Humboldt's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness. Prior year reportable conditions have been resolved except for II-A-07.

#### 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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings. Prior year compliance matters have been resolved.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 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.

The City of Humboldt's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses we did not audit the responses and accordingly, we express no opinion on them.

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 to be 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 personnel of the City of Humboldt during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

January 31, 2008

City of Humboldt, Iowa

Schedule of Findings

Year Ended June 30, 2007

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

- (a) Unqualified opinions were 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) Significant deficiencies 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, 2007

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-07      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt function and the recording of the cash receipts is on occasion handled by the same person.

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

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

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

City of Humboldt, Iowa

Schedule of Findings

Year Ended June 30, 2007

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

III-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the community and economic development 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-B-07 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-C-07 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-D-07 Business Transactions - No business transactions between the City and its officials or employees were noted.

III-E-07 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-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-07 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-H-07 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.

City of Humboldt, Iowa

Schedule of Findings

Year Ended June 30, 2007

III-I-07 Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Capital Project Fund, Sumner Ave. 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, Sumner Ave. 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.

III-J-07 Financial Position – The Economic Development Office Fund, Road Use Tax Fund, Debt Service Fund, and the Aquatic Center fund had deficit balances at June 30, 2007 of \$6132, \$79,765, \$2,516, and \$5,012 respectively at June 30, 2007.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to sound financial positions.

Response – The deficits were due to project costs and debt obligations being paid prior to the collection of the related reimbursements. The deficits will be eliminated.

Conclusion – Response accepted.