

**CITY OF HUMBOLDT, IOWA**

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

**JUNE 30, 2009**

**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>
Walter Jensen	Mayor	Jan 2010
Steve Boomgarden	Council Member	Jan 2012
John Sleiter	Council Member	Jan 2012
Leroy Jorgensen	Council Member	Jan 2012
Darrell Rusher	Council Member	Jan 2010
Jim Vermeer	Council Member	Jan 2010
Lorie Bennett	Administrator	
Gloria Christensen	City Clerk	
Sierra Skow	Deputy City Clerk	
John Wickre	Zoning Admin. Officer	Jan 2010
Gloria Christensen	Mid-Iowa Regional Housing Authority Representative	Jan 2010
Eric Eide	Attorney	Appointed
Mike Worthington	Park Commission	Jan 2012
Bill Sundell	Park Commission	Jan 2012
Kim Jensen	Park Commission	Jan 2010
Jill Colerick	Library Trustee	July 2012
Donna Day	Library Trustee	July 2009
Craig Christensen	Library Trustee	July 2012
Donna Currier	Library Trustee	July 2012
Linda Clasen	Library Trustee	July 2009
Bryon Wadsley	Airport Commission	Jan 2011
Dave Dodgen	Airport Commission	Jan 2013
John Cero	Airport Commission	Jan 2014
Robert Dodd	Airport Commission	Jan 2015
Ed Allen	Airport Commission	Jan 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Candy Robinson	Planning & Zoning Commission	Jan 2013
Julie Clendenen	Planning & Zoning Commission	Jan 2010
Scott Lerdal	Planning & Zoning Commission	Jan 2015
Scott Curran	Planning & Zoning Commission	Jan 2010
Jay Bancroft	Planning & Zoning Commission	Jan 2014
Steve Sande	Planning & Zoning Commission	Jan 2014
Vouth Varangkounh	Planning & Zoning Commission	Jan 2009
Dennis Robinson	Planning & Zoning Commission	Jan 2014
Karla Mckibben	Planning & Zoning Commission	Jan 2009
Scott Lerdal	Zoning Adjustment Board	Jan 2011
Conrad Burgers	Zoning Adjustment Board	Jan 2013
John Van Horn	Zoning Adjustment Board	Jan 2015
Tom Nelson	Zoning Adjustment Board	Jan 2011
Robert Abens	Zoning Adjustment Board	Jan 2012
Helen Wickre	Preservation Board	Jan 2010
John Vanhorn	Preservation Board	Jan 2010
Marilyn Huntermark	Preservation Board	Jan 2010
Mary Carlson	Preservation Board	Jan 2011
Roger Gochenour	Preservation Board	Jan 2011



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Humboldt, Iowa, as of and for the year ended June 30, 2009, 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, each major fund and the aggregate remaining fund information of the City of Humboldt as of June 30, 2009, 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 December 21, 2009, 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 25 through 26 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 six years ended June 30, 2008 (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 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.*

December 21, 2009

## **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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 10%, or approximately \$403,000 from fiscal 2008 to fiscal 2009. Property tax proceeds including TIF property tax increased approximately \$34,000. Grant proceeds increased approximately \$490,000 from the prior year.
- Disbursements increased 2%, or approximately \$89,000 in fiscal 2009 from fiscal 2008. Public Safety disbursements increased approximately \$189,000, community and economic development disbursements decreased approximately \$754,000, and public works disbursements increased approximately \$535,000.
- The City's total cash basis net assets decreased 1%, or approximately \$27,000 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$324,000 and the assets of the business type activities increased by approximately \$347,000.

### **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 water, solid waste and the sanitary sewer system. These activities are financed primarily 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 water, solid waste, sewer rental, sewer sinking and sewer reserve funds.

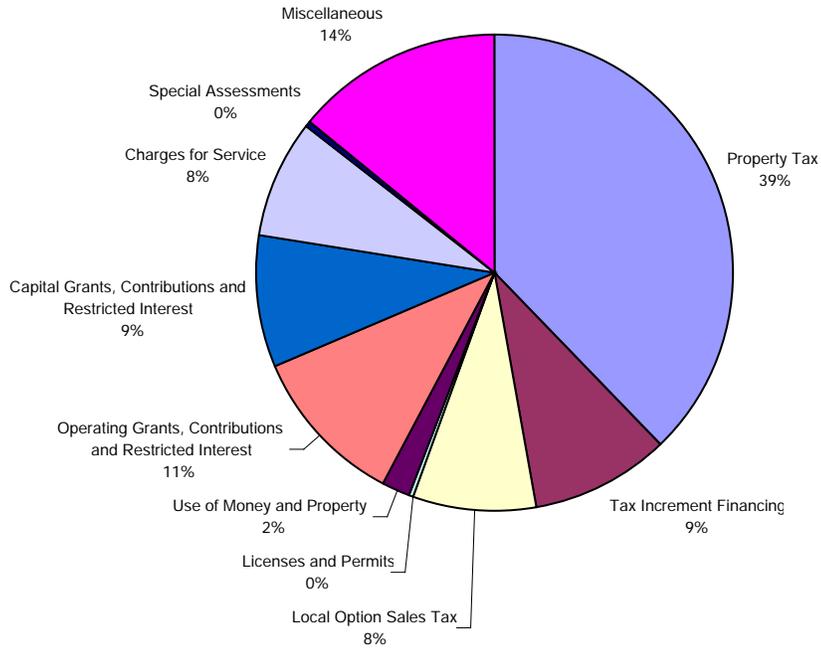
The required cash basis financial statement for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

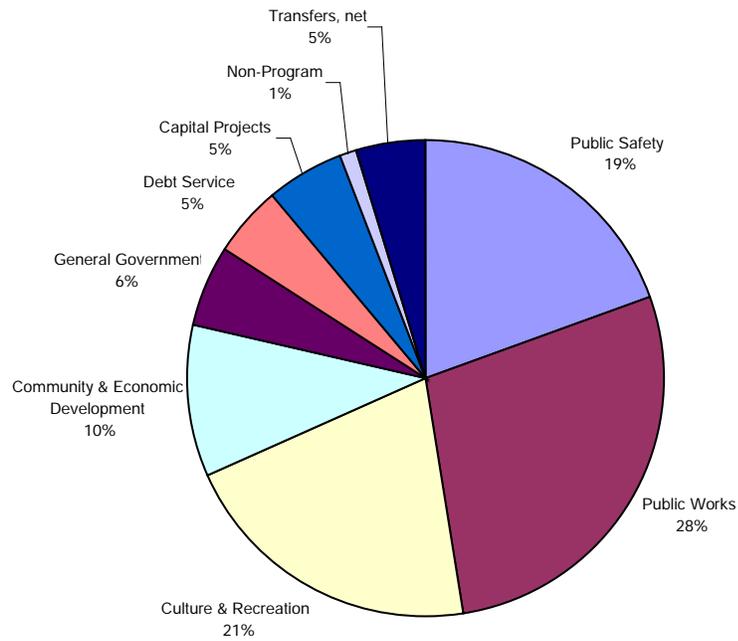
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$3.0 million to \$2.7 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 346	\$ 311
Operating grants, contributions and restricted interest	469	441
Capital grants, contributions and restricted interest	465	3
General receipts:		
Property tax	1,634	1,656
Tax increment financing	404	312
Local option sales tax	357	393
Unrestricted investment earnings	73	148
Bond Proceeds	44	0
Other general receipts	534	659
Total receipts and transfers	4,326	3,923
Disbursements:		
Public safety	907	718
Public works	1,318	783
Culture and recreation	977	909
Community and economic development	492	1,246
General government	261	272
Debt service	231	231
Capital projects	238	297
Non program	55	75
Transfers, net	171	29
Total disbursements	4,649	4,560
Increase in cash basis net assets	(324)	(637)
Cash basis net assets beginning of year	3,044	3,681
Cash basis net assets end of year	\$ 2,720	\$ 3,044

### Receipts by Source



### Disbursements by Function



The City's total receipts for governmental activities increased by 10%, or \$403,000. The total cost of all programs and services increased by approximately \$89,000 or 2%, with no new programs added this year. The significant increase in receipts was primarily the result of receiving grant proceeds and a large bequest to the library. The increase in the cost of programs and services was primarily due to an increase in public safety and public works disbursements.

The cost of all governmental activities this year was \$4.7 million compared to \$4.6 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 \$3.2 million because some of the cost was paid by those directly benefited from the programs (\$346,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$934,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2009 from approximately \$755,000 to approximately \$1,280,000 from the prior fiscal year. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$2,395,000 in tax (some of which could only be used for certain programs), 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,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 757	\$ -
Solid waste	361	312
Sewer rental	838	787
General receipts:		
Miscellaneous	24	6
Unrestricted interest on investments	26	34
Bond proceeds	250	-
Transfers, net	669	135
Total receipts	2,925	1,274
Disbursements and transfers:		
Water	928	-
Solid waste	309	412
Sewer rental	1,392	988
Total disbursements and transfers	2,629	1,400
Increase (decrease) in cash balance	296	(126)
Cash basis net assets beginning of year	931	1,057
Cash basis net assets end of year	\$ 1,227	\$ 931

Total business type activities receipts for the fiscal year were \$2.975 million compared to \$1.274 million last year. The increase is due in large part to the conversion of the Humboldt Municipal Waterworks from a component unit of the city to an enterprise fund. The cash balance for the business type activities increased by approximately \$296,000 from the prior year.

Total disbursements and transfers for the fiscal year increased by 88% to a total of \$2.6 million.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Humboldt completed the year, its governmental funds reported a combined fund balance of \$2,720,280, which is a decrease of \$323,252 below last year's total of \$3,043,532. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$597,720 from the prior year to \$142,761. This decrease was mainly a function of capital additions in the public safety program.
- The Local Option Sales Tax Fund decreased \$201,333 to \$287,543 during the fiscal year. The decrease resulted from transfers to other budgetary funds. The larger expenditures financed by the transfers were \$150,000 for sewer improvements, \$87,000 to pay the Sumner Avenue Capital Loan Notes, and \$322,000 for street projects.
- The Library Trust special revenue fund increased \$243,933 to \$556,972 due to a large bequest received during the year.
- The Urban Renewal Tax Increment Financing Fund increased \$168,872. The increase is due for the most part to the calling of the Riverview Heights Third Addition Capital Loan Notes in May 2008, which lowered the beginning balance, and increased valuations in the South Side Urban Renewal Area. The Riverview Heights 5<sup>th</sup> Addition notes are callable June 1, 2011.
- The Louthan Fund received \$15,803 in interest and ultimately increased in fund balance to \$493,208 at June 30, 2009.

### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund, after transferring in the entire net assets of the component unit, increased its cash balance by \$516,148.
- The Solid Waste Fund cash balance increased by \$56,185 to \$345,118 due primarily to regular operations.
- The Sewer Fund cash balance decreased by \$276,269 to \$365,565 at June 30, 2009 due primarily to FY2009 capital projects.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 7, 2009 and resulted in decreased revenues and decreased disbursements of \$6,181,920 and \$6,517,455, respectively. The decreases in receipts and expenditures resulted mainly from eliminating the financing and expenditures for a new water plant.

### DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$7.516 million in bonds and other long-term debt, compared to approximately \$7.997 million last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	Year ended June 30,	
	2009	2008
General obligation bonds	\$ 2,915	\$ 3,423
Special assessment bonds and notes	41	33
Urban renewal tax increment financing bonds	1,060	1,080
Revenue notes	3,500	3,461
Total	\$ 7,516	\$ 7,997

Debt decreased as a result of making all normally scheduled payments on outstanding debt. The water fund borrowed an additional \$250,000 for planning expenditures related to making repairs to or constructing a new water plant.

The Constitution of the State of Iowa limits the amount of general obligation debt cities issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,915,000 is 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 \$191,989,478 on January 1, 2008 to \$193,675,967 on January 1, 2009, an increase of .89%. The City's taxable valuation increased from \$112,205,457 in FY 08-09 to \$115,444,255 in FY 09-10 or 2.89%. The residential rollback increased, from 44.0803% to 45.5893%. The increase in the taxable valuations and increase in the rollback result in the \$8.10/\$1,000 General Fund levy revenues increasing \$27,487 from the previous year. An additional Debt Service levy of \$1.3953/\$1,000 was added in anticipation of financing an extensive Infrastructure Improvement Project. With this in mind, the City proposed an increase in the total tax levy of \$1.35564/\$1,000, from \$14.2863 in FY 08-09 to \$15.98427 in FY 09-10.

The City has been able to maintain its total tax levy in the past by using down some fund balances. Continued additional industrial development, new housing construction and the gradual reduction in the residential tax abatements will assist the City in increasing taxable valuations in the coming years.

The Fiscal Year 2010 budget shows \$11,150,097 in anticipated revenues. This is an increase of \$4,566,393 from Fiscal Year 2009 actual revenues of \$6,583,704. This increase is largely due to financing projects pending, including anticipated grants, awards and loans for the Infrastructure Improvement Project and pending Airport projects.

Anticipated expenditures in the Fiscal Year 2010 budget are \$11,342,543. Actual expenditures in Fiscal Year 2009 were \$7,108,413. The increase is \$3,210,583, and largely reflects the differences between costs of capital projects in the respective years. The Infrastructure Improvement Project is estimated to cost approximately \$3.6 million.

The Council approved a 3.5% wage increase for all City of Humboldt employees, effective July 1, 2009.

## **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**

## STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

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	906,627	42,269	6,208	-	(858,150)	-	(858,150)	-
Public works	1,317,778	-	461,219	381,663	(474,896)	-	(474,896)	-
Culture and recreation	977,325	303,610	2,000	-	(671,715)	-	(671,715)	-
Community and economic development	492,990	-	-	83,397	(409,593)	-	(409,593)	-
General government	260,547	-	-	-	(260,547)	-	(260,547)	-
Debt Service	230,913	-	-	-	(230,913)	-	(230,913)	-
Capital projects	238,335	-	-	-	(238,335)	-	(238,335)	-
Non program	54,957	-	-	-	(54,957)	-	(54,957)	-
<b>Total governmental activities</b>	<b>4,479,472</b>	<b>345,879</b>	<b>469,427</b>	<b>465,060</b>	<b>(3,199,106)</b>	<b>-</b>	<b>(3,199,106)</b>	<b>-</b>
Business type activities								
Water	927,684	756,962	-	-	-	(170,722)	(170,722)	-
Solid waste	308,655	360,832	-	-	-	52,177	52,177	-
Sewer	1,392,602	837,679	-	-	-	(554,923)	(554,923)	-
<b>Total business type activities</b>	<b>2,628,941</b>	<b>1,955,473</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(673,468)</b>	<b>(673,468)</b>	<b>-</b>
<b>Total</b>	<b>7,108,413</b>	<b>2,301,352</b>	<b>469,427</b>	<b>465,060</b>	<b>(3,199,106)</b>	<b>(673,468)</b>	<b>(3,872,574)</b>	<b>-</b>
<b>General Receipts:</b>								
Property tax levied for:								
General purposes					1,402,655	-	1,402,655	-
Tax increment financing					404,449	-	404,449	-
Debt Service					231,001	-	231,001	-
Local option sales tax					357,445	-	357,445	-
Unrestricted interest on investments					73,073	26,458	99,531	-
Bond Proceeds					44,237	250,320	294,557	-
Miscellaneous					533,980	24,249	558,229	-
Transfers					(170,986)	668,507	497,521	(497,521)
Total general receipts and transfers					2,875,854	969,534	3,845,388	(497,521)
Change in cash basis net assets					(323,252)	296,066	(27,186)	(497,521)
Cash basis net assets beginning of year					3,043,532	930,765	3,974,297	497,521
Cash basis net assets end of year					2,720,280	1,226,831	3,947,111	-
<b>Cash Basis Net Assets:</b>								
Restricted								
Permanent					463,325	-	463,325	-
Debt Service					(911)	418,323	417,412	-
Capital Projects					10,590	-	10,590	-
Other Purposes					2,104,515	-	2,104,515	-
Unrestricted					142,761	808,508	951,269	-
					2,720,280	1,226,831	3,947,111	-

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, 2009

	Special Revenue Funds			
	General	Local Option Sales Tax	Urban Renewal Tax Increment	Employee Benefits
<b>Receipts:</b>				
Property tax	1,047,880	-	-	324,489
Tax increment financing collections	-	-	404,449	-
Other city tax	-	357,445	-	-
Licenses and permits	17,366	-	-	-
Use of money and property	48,878	-	-	-
Intergovernmental	389,871	-	83,397	-
Charges for service	345,879	-	-	-
Special assessments	-	-	-	-
Miscellaneous	8,739	-	36,743	79,444
<b>Total receipts</b>	<b>1,858,613</b>	<b>357,445</b>	<b>524,589</b>	<b>403,933</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public Safety	794,268	-	-	112,359
Public Works	572,199	-	-	93,878
Culture & Recreation	839,743	-	-	113,216
Community & economic development	58,345	-	364,741	-
General government	191,265	-	-	28,924
Debt service	-	-	-	-
Capital projects	-	-	-	-
Non-program	-	-	-	40,293
<b>Total Disbursements</b>	<b>2,455,820</b>	<b>-</b>	<b>364,741</b>	<b>388,670</b>
Excess (deficiency) of receipts over disbursements	(597,207)	357,445	159,848	15,263
<b>Other financing sources (uses):</b>				
Bond/loan proceeds	44,237	-	-	-
Operating transfers in	92,250	-	10,500	-
Operating transfers out	(137,000)	(558,778)	(1,476)	-
<b>Total other financing sources (uses)</b>	<b>(513)</b>	<b>(558,778)</b>	<b>9,024</b>	<b>-</b>
Net change in cash balances	(597,720)	(201,333)	168,872	15,263
Cash balances beginning of year	740,481	488,876	804,787	55,634
Cash balances end of year	142,761	287,543	973,659	70,897
<b>Cash Basis Fund Balances</b>				
<b>Unreserved:</b>				
General fund	142,761	-	-	-
Special revenue funds	-	287,543	973,659	70,897
Debt Service	-	-	-	-
Capital projects	-	-	-	-
Permanent fund	-	-	-	-
<b>Total cash basis fund balances</b>	<b>142,761</b>	<b>287,543</b>	<b>973,659</b>	<b>70,897</b>

See Notes of Financial Statements

Special Revenue		Permanent	Other Nonmajor	Total
Road Use Tax	Library Trust	Louhan	Governmental Funds	
-	-	-	261,287	1,633,656
-	-	-	-	404,449
-	-	-	-	357,445
-	-	-	-	17,366
-	13,956	15,803	2,230	80,867
461,219	-	-	-	934,487
-	-	-	-	345,879
-	-	-	16,366	16,366
-	254,343	-	113,185	492,455
461,219	268,299	15,803	393,068	4,282,969
-	-	-	-	906,627
614,527	-	-	37,175	1,317,778
-	24,366	-	-	977,325
-	-	-	69,903	492,990
-	-	-	40,358	260,547
-	-	-	230,913	230,913
-	-	-	238,335	238,335
-	-	-	14,664	54,957
614,527	24,366	-	631,348	4,479,472
(153,308)	243,933	15,803	(238,280)	(196,503)
-	-	-	-	44,237
329,500	-	-	258,811	691,061
(92,543)	-	(13,357)	(58,893)	(862,047)
236,957	-	(13,357)	199,918	(126,749)
83,649	243,933	2,446	(38,362)	(323,252)
57,118	313,039	490,762	92,835	3,043,532
140,767	556,972	493,208	54,473	2,720,280
-	-	-	-	142,761
140,767	556,972	29,883	44,794	2,104,515
-	-	-	(911)	(911)
-	-	-	10,590	10,590
-	-	463,325	-	463,325
140,767	556,972	493,208	54,473	2,720,280

## 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, 2009

	Water	Solid Waste	Sewer	Total
Operating receipts:				
Charges for service	\$ 756,962	360,832	837,679	\$ 1,955,473
Miscellaneous	20,430	-	3,819	24,249
Total operating receipts	777,392	360,832	841,498	1,979,722
Operating disbursements:				
Business type activities	577,340	308,655	361,517	1,247,512
Total operating disbursements	577,340	308,655	361,517	1,247,512
Excess of operating receipts under operating disbursements	200,052	52,177	479,981	732,210
Non-operating receipts (disbursements):				
Interest on investments	3,613	4,010	18,835	26,458
Debt Service	-	-	(337,928)	(337,928)
Capital Projects	(350,344)	-	(693,157)	(1,043,501)
Total non-operating receipts	(346,731)	4,010	(1,012,250)	(1,354,971)
Excess (deficit) of receipts and non-operating receipts over (under) disbursements	(146,679)	56,187	(532,269)	(622,761)
Other financing sources:				
Bond proceeds	250,320			250,320
Operating transfers in	412,507	-	256,000	668,507
Total other financing sources	662,827	-	256,000	918,827
Net change in cash balances	516,148	56,187	(276,269)	296,066
Cash balances beginning of year	-	288,931	641,834	930,765
Cash balances end of year	\$ 516,148	\$ 345,118	365,565	1,226,831
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	6,108	-	412,215	418,323
Unreserved	510,040	345,118	(46,650)	808,508
Total cash basis fund balances	\$ 516,148	\$ 345,118	365,565	\$ 1,226,831

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.

Discretely Presenter Component Unit – On December 16, 2008 voters in the City of Humboldt voted to disband the Humboldt Municipal Waterworks Board of Trustees and have the financial matters for the Humboldt Municipal Waterworks accounted for and presided over by the city council. This change is reflected with a transfer of the remaining fund balance from the Humboldt Municipal Waterworks (a component unit of the City) to the Water fund, an enterprise fund of the city of Humboldt.

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 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.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

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

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.

The Employee Benefits Fund is used to account for the property tax received for paying employee benefits.

The Road Use Tax Fund is used to account for the road use tax allocated to Humboldt from the state and the expenses paid for with these funds.

The Library Trust Fund is used to account for donations and other receipts received specifically for the benefit of the library.

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 (\$29,883) is classified as special revenue fund balance on exhibit B.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system. The Water Fund includes in its cash balance customer deposits of \$6,108 as of June 30, 2009.

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 \$31,895 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. The Sewer Fund has includes in its cash balance customer deposits of \$5,548 at June 30, 2009.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

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

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.

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, 2009, disbursements did not exceed the amounts budgeted in any functions.

**(2) Cash and Investments**

The City's deposits at June 30, 2009 (which include certificates of deposit totaling \$1,778,644) 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.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(2) **Cash and Investments - continued**

The City had no investments as of June 30, 2009.

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 \$99,531 for the year ended June 30, 2009. These receipts are included under Use of Money and Property for Governmental Funds and Interest on Investments for proprietary activities.

The City opened and maintained two bank accounts in conjunction with the implementation of the City's revolving loan program. These accounts are restricted for use in the city's revolving loan program and are included as part of the Urban Renewal Tax Increment Special Revenue Fund Balance on Exhibit B. The accounts had balances of \$68,373 and \$177,253 at June 30, 2009.

(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)				Other Long Term Debt		Total		
	Principal	Interest	Principal	Interest	Revenue Bonds	Revenue Notes	Principal	Interest	Principal	Interest	
2010	323,180	122,327	45,000	43,793		760,674	116,032	11,869	2,375	1,140,723	284,527
2011	276,839	110,118	85,000	42,038		229,000	107,369	5,921	1,641	596,760	261,166
2012	295,000	99,317	85,000	38,723		238,000	98,392	5,921	1,324	623,921	237,756
2013	310,000	87,555	90,000	35,365		248,000	89,062	5,221	1,006	653,221	212,988
2014	325,000	74,843	95,000	31,765		256,000	79,341	2,146	749	678,146	186,698
2015	255,000	61,163	100,000	27,918		267,000	69,306	2,146	620	624,146	159,007
2016	270,000	50,185	105,000	23,818		277,000	58,839	2,146	492	654,146	133,334
2017	230,000	33,273	110,000	19,460		289,000	47,981	2,146	363	631,146	101,077
2018	210,000	28,128	110,000	14,840		300,000	36,652	2,146	234	622,146	79,854
2019	205,000	18,798	115,000	10,162		311,000	24,892	2,152	129	633,152	53,981
2020	215,000	9,673	120,000	5,220		324,000	12,701	-	-	659,000	27,594
	2,915,019	695,380	1,060,000	293,102		3,499,674	740,567	41,814	8,933	7,516,507	1,737,982

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

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

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, during the year, \$238,335 of general obligation bond principal and interest were paid from the Capital Project – Sumner Avenue Fund.

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$1,080,000 of urban renewal tax increment financing revenue bonds in April 2007 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds.

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. Total principal and interest remaining on the bonds is \$1,353,102, payable through June 2022. For the current year, interest paid and total TIF receipts were \$44,573 and \$404,449, respectively.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,376,000 in sewer revenue notes issued in August 1999. Proceeds from the notes provided financing for the construction of the wastewater treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2020. The total principal and interest remaining to be paid on the notes is \$3,700,566. For the current year, principal and interest paid and total customer net receipts were \$336,342 and \$60,073, respectively.

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.
- (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, 2009.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

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

- (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, 2009.
- (e) Sufficient rates are to be charged to generate Net Revenues adequate to pay the principal and interest on the bonds and to create/maintain the reserves required by the bonds. The Net Revenues are also to be equal to or greater than 110 percent of the principal and interest requirements of the succeeding fiscal year.

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	G.O.	TIF	Revenue	Special	Total
	Bonds	Revenue	Revenue	Assessment	
	Bonds	Bonds	Bonds	Notes	
Balance, beginning of year	3,423,393	1,080,000	3,461,354	32,547	7,997,294
Additions	-	-	250,320	44,237	294,557
Decreases	508,374	20,000	212,000	35,366	775,740
Balance, end of year	2,915,019	1,060,000	3,499,674	41,418	7,516,111

Interest rates on the general obligation bonds range from 2.3-5.75%. Interest rates on the TIF revenue bonds are 3.9%. Interest rates on the revenue bonds range from 0-3.92% and interest rates on the Special Assessment debt range from 5-6%.

**(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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008, and 2007 were \$88,956, \$79,395, and \$73,850 respectively, equal to the required contributions for each year.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

**(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>6-30-09</u>
Sick pay & personal days	\$ 358,646
Vacation pay	<u>68,534</u>
TOTAL	<u>\$ 427,180</u>

The liability has been computed based on rates of pay in effect at June 30, 2009.

**(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 \$3,109 for the year ended June 30, 2009. 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, 2008 were \$33,967.

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, 2009, the City paid \$88,768 pursuant to this agreement. The City has also contracted with a private contractor for the operation and maintenance of the municipal sewer plant and municipal waterworks. Payments under these contracts totaled \$174,906 and \$103,600 respectively for the year.

**(7) 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, 2009, there were no unpaid claims due.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

**(8) 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, 2008 and are payable in September 2008 and March 2009. The valuation for the taxes was based on January 1, 2007 assessed property valuations, and are based on a certified budget from March of 2008.

**(9) Interfund Transfers**

The detail of interfund transfers, for the year ended June 30, 2009 is as follows:

Transfer In	Transfer From	Amount
General	Special Revenue Fund	
	Emergency	\$ 58,893
	Louthan	13,357
	Road Use Tax	20,000
		<u>92,250</u>
Special Revenue Fund	General Fund	
Urban Renewal TIF	General	<u>\$ 10,500</u>
Capital Project Fund	Special Revenue Fund	
Sumner Ave	Road Use Tax	\$ 66,543
	Local Option Sales tax	86,778
	Water	85,014
		<u>238,335</u>
Capital Projects Fund	General	
Aquatic Center		<u>\$ 5,000</u>
Enterprise Funds	Component Unit	
Water	Water	<u>\$ 497,521</u>
Enterprise Funds	General	
Sewer		\$ 100,000
	Special Revenue	
	Local Option Sales Tax	150,000
	Road Use Tax	6,000
		<u>256,000</u>
Special Revenue	Special Revenue	
Road Use Tax	Local Option Sales Tax	\$ 322,000
	General	7,500
		<u>329,500</u>

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

**(9) Interfund Transfers - continued**

State and Federal Grants	Special Revenue Urban Renewal TIF	\$ 1,476
Community Projects Fund Cable TV Fund	General	\$ 12,000
Community Projects Fund Trees Forever	General	\$ 2,000

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.

**(10) Deficit Fund Balance**

The Economic Development Office Fund, Debt Service Fund and Drainage District Fund had deficit fund balances of \$5,309, \$911 and \$50,352 respectively at June 30, 2009. The deficit balances were a result of project costs and debt obligations being paid prior to the collection of the related receipts.

**(11) Frit Cleanup**

The City of Humboldt issued the \$1,080,000 in TIF revenue bonds during the 2007 Fiscal year to finance the cleanup of an environmentally hazardous industrial site within the city (the former FRIT Industries). At June 30, 2009, the city had paid \$750,000 of the cost of the project and \$250,000 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, 2009, the Friends of the Parks owed \$122,046 on the note.

**(13) Fund Reclassification**

Prior to FY 2009, the Library Trust Fund was reported as a part of the General Fund. During the year, it was determined that the Library Trust Fund would be more appropriately reported as a Special Revenue Fund. The beginning cash balances have been reclassified as follows:

	General Fund	Library Trust
Beginning cash balance as previously reported	1,053,520	-0-
Correction	(313,039)	313,039
Beginning cash balance – as corrected	740,481	313,039

**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, 2009

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>				
Property tax	\$ 1,633,656	-	-	1,633,656
Tax increment financing collections	404,449	-	-	404,449
Other city tax	357,445	-	-	357,445
Licenses and permits	17,366	-	-	17,366
Use of money and property	80,867	26,458	-	107,325
Intergovernmental	934,487	-	-	934,487
Charges for service	345,879	1,955,473	-	2,301,352
Special assessments	16,366	-	-	16,366
Miscellaneous	492,454	24,249	-	516,703
Total receipts	4,282,969	2,006,180	-	6,289,149
<b>Disbursements:</b>				
<b>Program</b>				
Public Safety	906,627	-	-	906,627
Public Works	1,317,778	-	-	1,317,778
Culture & Recreation	977,325	-	-	977,325
Community & economic development	492,990	-	-	492,990
General government	260,547	-	-	260,547
Debt Service	230,913	-	-	230,913
Capital projects	238,335	-	-	238,335
Business type activities	-	2,628,941	-	2,628,941
Non-program	54,957	-	54,957	-
Total Disbursements	4,479,472	2,628,941	54,957	7,053,456
Excess (deficiency) of receipts over disbursements	(196,503)	(622,761)	(54,957)	(764,307)
Other financing sources (uses)	(126,749)	918,827	-	792,078
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	(323,252)	296,066	(54,957)	27,771
Balance - beginning of year	3,043,532	930,765	-	3,974,297
Balance - end of year	\$ 2,720,280	1,226,831	(54,957)	4,002,068

See Accompanying Independent Auditor's Report

<u>Budgeted Amounts</u>		
<u>Original</u>	<u>Final</u>	<u>Final to Net Variance</u>
1,578,430	1,578,430	55,226
536,290	536,290	(131,841)
460,257	460,257	(102,812)
18,200	18,200	(834)
174,338	174,338	(67,013)
1,196,133	1,202,233	(267,746)
2,362,920	2,437,920	(136,568)
20,000	20,000	(3,634)
366,000	625,200	(108,497)
<u>6,712,568</u>	<u>7,052,868</u>	<u>(763,719)</u>
933,752	945,652	39,025
1,561,754	1,408,754	90,976
1,161,415	1,230,915	253,590
685,938	645,938	152,948
242,358	278,958	18,411
230,913	230,913	-
238,335	238,335	-
9,607,913	2,861,913	232,972
-	-	-
<u>14,662,378</u>	<u>7,841,378</u>	<u>787,922</u>
(7,949,810)	(788,510)	24,203
<u>7,123,800</u>	<u>298,035</u>	<u>494,043</u>
(826,010)	(490,475)	518,246
<u>4,709,047</u>	<u>4,709,047</u>	<u>(734,750)</u>
<u>3,883,037</u>	<u>4,218,572</u>	<u>(216,504)</u>

CITY OF HUMBOLDT, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2009

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 receipts and decreased budgeted disbursements respectively by \$340,300 and \$6,821,448. Budgeted funds from other financing sources and uses were decreased with the amendment by \$6,281,675. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009 disbursements did not exceed the amounts budgeted in any general government functions.

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, 2009

	Special Revenue Funds				
	Emergency	Community Projects	13A Drainage District	State and Federal Grants	Street Assessments
<b>Receipts:</b>					
Property tax	30,286	-	-	-	-
Use of money and property	-	2,230	-	-	-
Special assessments	-	-	-	-	16,366
Miscellaneous	-	38,291	-	-	-
Total receipts	30,286	40,521	-	-	16,366
<b>Disbursements:</b>					
Public Safety	-	-	-	-	-
Public Works	-	-	37,175	-	-
Culture & Recreation	-	-	-	-	-
Community & economic development	-	-	-	-	-
General government	-	40,358	-	-	-
Debt Service	-	-	-	-	-
Capital projects	-	-	-	-	-
Non-program	-	-	-	-	14,664
Total Disbursements	-	40,358	37,175	-	14,664
Excess of receipts over disbursements	30,286	163	(37,175)	-	1,702
<b>Other financing sources (uses):</b>					
Operating transfers in	-	14,000	-	1,476	-
Operating transfers out	(58,893)	-	-	-	-
Total other financing sources (uses)	(58,893)	14,000	-	1,476	-
Net change in cash balances	(28,607)	14,163	(37,175)	1,476	1,702
Cash balances beginning of year	31,605	79,215	(13,177)	(1,476)	2,377
Cash balances end of year	2,998	93,378	(50,352)	-	4,079
<b>Cash Basis Fund Balances</b>					
<b>Unreserved:</b>					
Special revenue funds	2,998	93,378	(50,352)	-	4,079
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Total cash basis fund balances	\$ 2,998	93,378	(50,352)	- \$	4,079

Economic Development Office	Capital Project Funds					Total
	Debt Service	Sumner Ave.	Aquatic Center	Infrastructure Project		
-	231,001	-	-	-	-	261,287
-	-	-	-	-	-	2,230
-	-	-	-	-	-	16,366
69,292	-	-	-	5,602	-	113,185
69,292	231,001	-	-	5,602	-	393,068
-	-	-	-	-	-	-
-	-	-	-	-	-	37,175
-	-	-	-	-	-	-
69,903	-	-	-	-	-	69,903
-	-	-	-	-	-	40,358
-	230,913	-	-	-	-	230,913
-	-	238,335	-	-	-	238,335
-	-	-	-	-	-	14,664
69,903	230,913	238,335	-	-	-	631,348
(611)	88	(238,335)	-	5,602	-	(238,280)
-	-	238,335	5,000	-	-	258,811
-	-	-	-	-	-	(58,893)
-	-	238,335	5,000	-	-	199,918
(611)	88	-	5,000	5,602	-	(38,362)
(4,698)	(999)	-	(12)	-	-	92,835
(5,309)	(911)	-	4,988	5,602	-	54,473
(5,309)	-	-	-	-	-	44,794
-	-	-	4,988	5,602	-	10,590
-	(911)	-	-	-	-	(911)
\$ (5,309)	\$ (911)	\$ -	\$ 4,988	\$ 5,602	-	\$ 54,473

CITY OF HUMBOLDT, IOWA

Schedule 2

SCHEDULE OF INDEBTEDNESS  
Year ended June 30, 2009

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
<b>General Obligation Bonds</b>									
Family Aquatic Center	4/20/2005	2.80%	2,500,000	\$ 2,105,000	\$ -	\$ 145,000	\$ 1,960,000	\$ 85,513	-
Sumner Avenue Project	9/1/2003	2.10%	1,315,000	230,000	-	230,000	-	7,935	-
<b>TIF General Obligation Bond/Notes</b>									
Hy Capacity	4/1/2006	5.00%	16,500	10,384	-	5,000	5,384	655	-
Jet Co.	1/10/2006	3.60%	390,000	325,000	-	35,000	290,000	13,275	-
Humboldt Fabrication/RAMCO	10/1/2000	5.75%		43,009	-	28,374	14,635	1,417	-
Capital Loan Notes Ser. 2004A	9/23/2004	2.30%	210,000	90,000	-	45,000	45,000	2,970	-
Rustix Restaurant	10/2/2006	5.85%	180,000	175,000	-	10,000	165,000	10,658	-
Riverview Heights	10/2/2006	3.85%	330,000	330,000	-	10,000	320,000	13,038	-
IRP Grant Match	11/6/2006	4.00%	115,000	115,000	-	-	115,000	4,838	-
				3,423,393	-	508,374	2,915,019	140,299	
<b>Urban renewal tax increment financing (TIF) revenue bonds</b>									
	4/16/2007	3.90%	1,080,000	1,080,000		20,000	1,060,000	44,573	-
<b>Revenue Bonds</b>									
2001 Wastewater Revenue Bond	8/19/1999	3.92%	4,619,000	3,172,000	-	212,000	2,960,000	124,342	-
Water Plant Planning and Design	10/24/2006	0.00%	539,675	289,354	250,320	-	539,674	-	-
				3,461,354	250,320	212,000	3,499,674	124,342	-
<b>Special Assessment Notes</b>									
Hall Street Improvement Project		6.00%		-	44,237	23167	21,070	78	-
14th Ave SE		5.00%		14,878	-	8930	5,948	1,042	-
Sumner Avenue Project				17,669	-	3269	14,400	949	-
				\$ 32,547	\$ 44,237	\$ 35,366	\$ 41,418	\$ 2,069	-

See Accompanying Independent Auditor's Report

CITY OF HUMBOLDT, IOWA

Schedule 3

SCHEDULE OF BOND & NOTE MATURITIES

June 30, 2009

Year Ending June 30,	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 Humboldt Fabrication/RAMCO Issued 10-1-2000		General Obligation TIF Capital Projects Series 2004A 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	
2010	3.60	145,000	5.00	3,545	3.85	35,000	4.00	14,635	3.40	45,000	5.90	15,000	3.85	60,000	4.00	5,000	323,180
2011	3.70	150,000	5.00	1,839	3.90	35,000	-	-	-	-	5.95	15,000	3.90	60,000	4.05	15,000	276,839
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
	<u>\$ 1,960,000</u>		<u>\$ 5,384</u>		<u>\$ 290,000</u>		<u>\$ 14,635</u>		<u>\$ 45,000</u>		<u>\$ 165,000</u>		<u>\$ 320,000</u>		<u>\$ 115,000</u>		<u>2,915,019</u>

Revenue Bonds and Notes

Special Assessment Debt

TIF Revenue Bonds	Water Treatment Issued 8-19-99		Water Plant Planning and Design 10-24-06		Issued	Total	Special Assessment Hall Street		Special Assessment 14th St SW		Special Assessment Summer Avenue		Total	
	Rate	Amount	Rate	Amount			Rate	Amount	Rate	Amount	Rate	Amount		Rate
2010	3.90	45,000	3.92	221,000	-	539,674	760,674	6.00	2,146	7.00	5,948	5.00	3,775	11,869
2011	3.90	85,000	3.92	229,000	-	-	229,000	6.00	2,146	-	-	5.00	3,775	5,921
2012	3.95	85,000	3.92	238,000	-	-	238,000	6.00	2,146	-	-	5.00	3,775	5,921
2013	4.00	90,000	3.92	248,000	-	-	248,000	6.00	2,146	-	-	8.00	3,075	5,221
2014	4.05	95,000	3.92	256,000	-	-	256,000	6.00	2,146	-	-	-	-	2,146
2015	4.10	100,000	3.92	267,000	-	-	267,000	6.00	2,146	-	-	-	-	2,146
2016	4.15	105,000	3.92	277,000	-	-	277,000	6.00	2,146	-	-	-	-	2,146
2017	4.20	110,000	3.92	289,000	-	-	289,000	6.00	2,146	-	-	-	-	2,146
2018	4.25	110,000	3.92	300,000	-	-	300,000	6.00	2,146	-	-	-	-	2,146
2019	4.30	115,000	3.92	311,000	-	-	311,000	6.00	1,756	-	-	-	-	1,756
2020	4.35	120,000	3.92	324,000	-	-	324,000	-	-	-	-	-	-	-
	<u>\$ 1,060,000</u>		<u>\$ 2,960,000</u>		<u>\$ 539,674</u>		<u>3,499,674</u>	<u>21,070</u>	<u>5,948</u>	<u>14,400</u>	<u>41,418</u>			

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

	2009	2008	2007	2006	2005	2004	2003
<b>Receipts:</b>							
Property tax	\$ 1,633,656	\$ 1,655,745	\$ 1,544,817	\$ 1,582,782	\$ 1,328,024	\$ 1,226,613	\$ 1,197,431
Tax increment financing collections	404,449	312,532	365,022	185,636	200,480	206,434	246,322
Other city tax	357,445	393,347	389,048	304,638	327,835	320,048	227,785
Licenses and permits	17,366	20,715	17,661	14,987	17,057	19,061	20,068
Use of money and property	80,867	155,848	167,204	142,485	86,015	84,226	98,570
Intergovernmental	934,487	443,633	713,780	465,285	475,193	776,766	558,983
Charges for service	345,879	311,083	386,638	271,096	170,698	198,875	158,819
Special assessments	16,366	39,940	23,050	64,756	48,024	58,780	28,660
Miscellaneous	492,455	589,517	297,352	158,353	241,843	152,238	212,139
<b>Total receipts</b>	<b>4,282,970</b>	<b>3,922,360</b>	<b>3,904,572</b>	<b>3,190,018</b>	<b>2,895,169</b>	<b>3,043,041</b>	<b>2,748,777</b>
<b>Disbursements:</b>							
<b>Operating:</b>							
Public Safety	906,627	622,585	600,159	629,836	546,850	524,462	553,851
Public Works	1,317,778	877,931	933,321	680,999	568,214	1,062,772	816,129
Culture & Recreation	977,325	908,995	850,460	651,089	908,965	656,507	597,811
Community & economic development	492,990	1,246,099	1,411,591	536,316	196,717	227,172	187,679
General government	260,547	271,955	243,422	201,098	483,523	329,142	213,084
Debt Service	230,913	230,533	229,650	230,482	-	-	-
Capital projects	238,335	297,435	365,730	3,266,851	2,587,037	281,501	-
Non program	54,957	74,590	53,708	105,841	80,884	35,901	36,542
<b>Total Disbursements</b>	<b>\$ 4,479,472</b>	<b>\$ 4,530,123</b>	<b>\$ 4,688,041</b>	<b>\$ 6,302,512</b>	<b>\$ 5,372,190</b>	<b>\$ 3,117,457</b>	<b>\$ 2,405,096</b>

See Accompanying Independent Auditor's Report





T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited 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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 21, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another 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 items II-A-09 and II-B-09 are material weaknesses. Prior year reportable conditions have been resolved except for II-A-09.

#### 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, 2009 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 and Questioned Costs. 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.*

December 21, 2009



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council

**Compliance**

We have audited the compliance of the City of Humboldt with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The City of Humboldt's major federal program is identified in Part 1 of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Humboldt's management. Our responsibility is to express an opinion on the City of Humboldt's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Humboldt's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Humboldt's compliance with those requirements.

In our opinion, the City of Humboldt complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

**Internal Control Over Compliance**

The management of the City of Humboldt is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Humboldt's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Humboldt's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Part III of the schedule of findings and questioned costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the significant deficiency (II-B-09) described in Part II of the schedule of findings and questioned costs to be material weaknesses.

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

This report is intended solely for the information and use of management, the City council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*TP Anderson & Company, PC*

December 21, 2009

City of Humboldt, Iowa

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

**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.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Office of Management and Budget Circular A-133, Section 510(a).
- (g) The major program was CFDA number 20.106 Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Humboldt did not qualify as a low-risk audit.

City of Humboldt, Iowa

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-09      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt function and the recording of the cash receipts is on occasion handled by the same person.

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

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

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

II-B-09      Documentation of Federal Awards Expended – Testing revealed federal awards expended totaling in excess of \$500,000.

Cause – The city did not maintain documentation or summaries totaling federal awards expended.

Effect – Non-compliance with federal grant agreements is much greater with no tracking in place to determine the amount of funds expended.

Recommendation – The city should create a policy requiring all grants federal or otherwise be maintained on a list showing the grantor, grant number and amount awarded contemporaneously as grants are received.

Response – We will implement the recommendation.

Conclusion – Response accepted.

City of Humboldt, Iowa

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

Part III: Findings and Questioned Costs – Major Federal Award Programs:

**INSTANCES OF NONCOMPLIANCE:**

**CFDA #20.106 Airport Improvement Program  
Federal Award Year: 2009**

**U.S. Department of Transportation**

None

**SIGNIFICANT CONTROL DEFICIENCIES:**

**CFDA #20.106 Airport Improvement Program  
Federal Award Year: 2009**

**U.S. Department of Transportation**

II-B-09      We believe that this significant deficiency noted in Part II to be applicable to both the financial statements and the major federal program.

City of Humboldt, Iowa

Corrective Action Plan for Federal Audit Findings

Year Ended June 30, 2009

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person Title</u>	<u>Anticipated Date of Completion</u>
	A	B	C	D
II-09-B	A – Documentation of Federal Awards Expended	B – The City will prepare a record of grant awards spent contemporaneously.	C – City Clerk	D – November 2009

City of Humboldt, Iowa

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

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

- IV-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted in any of the general government functions.
- IV-B-09 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.
- IV-C-09 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.
- IV-D-09 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Walter Jensen, Mayor/Owner of Jensen Enterprises Ltd.	Repair and Welding	\$ 1,070

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Mayor do not represent conflicts of interest since the total transacted with his business were less than \$1,500 during the fiscal year.

- IV-E-09 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.
- IV-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-09 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.
- IV-H-09 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.

City of Humboldt, Iowa

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

IV-I-09 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.

IV-J-09 Financial Position – The Economic Development Office Fund, Debt Service Fund and Drainage District, had deficit fund balances of \$5,309, \$911 and \$50,352 respectively at June 30, 2009.

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.