

CITY OF HUMBOLDT, IOWA

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

JUNE 30, 2010

**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 2012
Steve Boomgarden	Council Member	Jan 2012
John Sleiter	Council Member	Jan 2012
Leroy Jorgensen	Council Member	Jan 2012
Joe Hadar	Council Member	Jan 2014
Darrell Rusher	Council Member	Nov 2010
Vacant	Administrator	
Gloria Christensen	City Clerk	
Sierra Vorland	Deputy City Clerk	
Tom Ubben	Zoning Administrator Officer	Jan 2012
Gloria Christensen	Mid-Iowa Regional Housing Authority Representative	Jan 2012
Eric Eide	Attorney	Jan 2011
Bill Sundell	Park Commission, Chairman	Jan 2012
Mike Worthington	Park Commission	Jan 2012
Kim Jensen	Park Commission	Jan 2014
Jill Colerick	Library Trustee, President	July 2011
Craig Christensen	Library Trustee	July 2011
Donna Currier	Library Trustee	July 2011
Tom Tecklenberg	Library Trustee	July 2013
Donna Day	Library Trustee	July 2013
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 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Candy Robinson	Planning and Zoning Commission	Jan 2013
Julie Clendenen	Planning and Zoning Commission	Jan 2016
Scott Lerdal	Planning and Zoning Commission	Jan 2015
Scott Curran	Planning and Zoning Commission	Jan 2016
Jay Bancroft	Planning and Zoning Commission	Jan 2014
Vouth Varangkounh	Planning and Zoning Commission	Jan 2015
Alan Blanchard	Planning and Zoning Commission	Jan 2014
Karla McKibban	Planning and Zoning Commission	Jan 2015
Scott Lerdal	Zoning Adjustment Board	Jan 2011
Conrad Burgers	Zoning Adjustment Board	Jan 2013
Ron Reedy	Zoning Adjustment Board	Jan 2014
Tom Nelson	Zoning Adjustment Board	Jan 2011
Barry Ellis	Zoning Adjustment Board	Jan 2012
Vivien Hansen	Preservation Board	Jan 2012
Connie Ellis	Preservation Board	Jan 2012
Marilyn Hundertmark	Preservation Board	Jan 2012
Mary Carlson	Preservation Board	Jan 2011
Roger Gochenour	Preservation Board	Jan 2011



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

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, 2010, 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, 2010, 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 3, 2011, 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 12 and 27 through 28 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 inquiries 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, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with another comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 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 3, 2011

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 86%, or approximately \$3.7 million from fiscal 2009 to fiscal 2010. Bond proceeds increased \$3.9 million over last year. Property tax revenue increased approximately \$270,000 from fiscal year 2009.
- Disbursements increased 9%, or approximately \$441,000 in fiscal 2010 from fiscal 2009. Public safety disbursements decreased approximately \$254,000, public works decrease approximately \$194,000, culture and recreation disbursements increased approximately \$120,000, community and economic development increased approximately \$3,000, and debt service disbursements increased approximately \$322,000.
- The City's total cash basis net assets increased 62%, or approximately \$2.4 million from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$3.0 million and the assets of the business type activities decreased by approximately \$529,000.

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 two 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 three Enterprise Funds to provide separate information for the water, solid waste, and sewer funds.

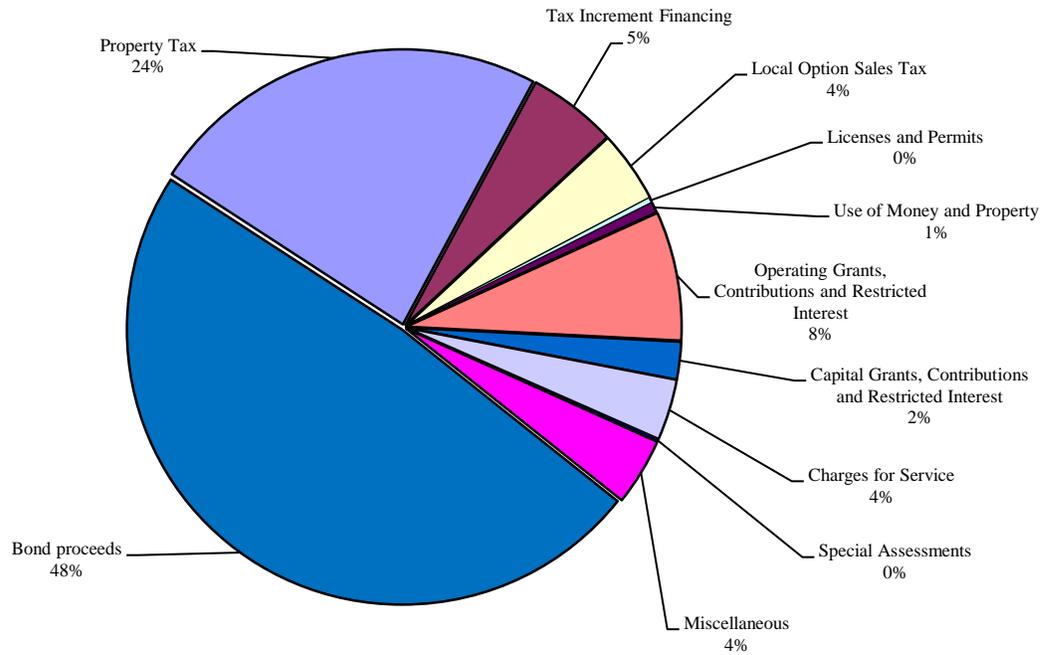
The required cash basis financial statement for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

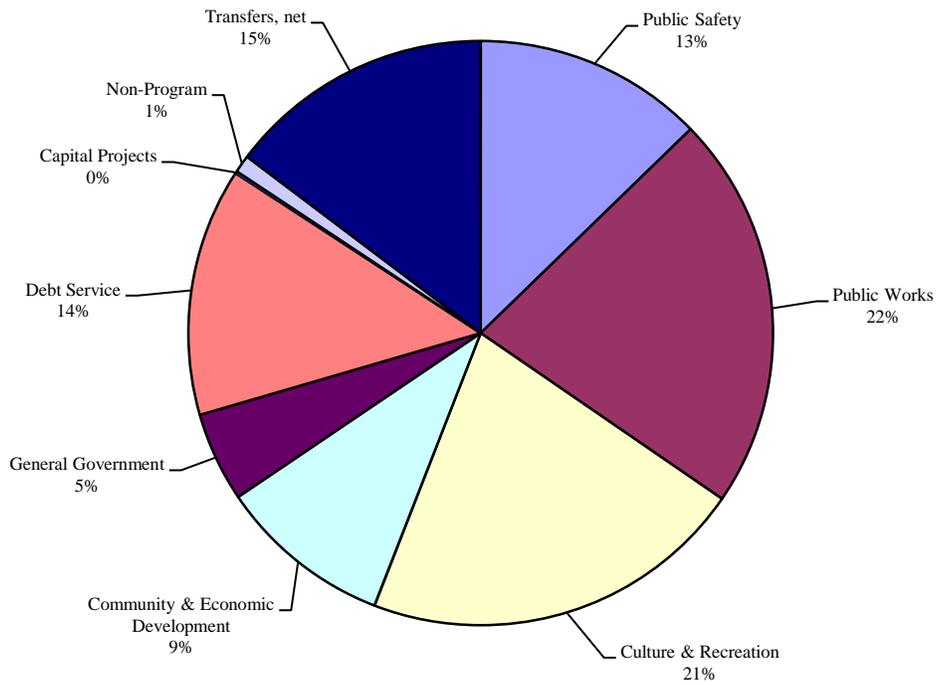
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, increasing from \$2.72 million to \$5.69 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 288	\$ 346
Operating grants, contributions and restricted interest	612	469
Capital grants, contributions and restricted interest	190	465
General receipts:		
Property tax	1,905	1,634
Tax increment financing	420	404
Local option sales tax	341	357
Unrestricted investment earnings	49	73
Bond proceeds	3,900	44
Other general receipts	355	534
Total receipts and transfers	8,060	4,326
Disbursements:		
Public safety	653	907
Public works	1,124	1,318
Culture and recreation	1,097	977
Community and economic development	495	492
General government	254	261
Debt service	553	231
Capital projects	159	238
Non program	50	55
Transfers, net	706	171
Total disbursements	5,091	4,650
Increase (decrease) in cash basis net assets	2,969	(324)
Cash basis net assets beginning of year	2,720	3,044
Cash basis net assets end of year	\$ 5,689	\$ 2,720

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased by approximately \$3.7 million or 86%; \$3.9 million of this increase is from bond proceeds. The total cost of all programs and services increased by approximately \$441,000 or 9%, with no new programs added this year. The increase in the cost of programs and services was primarily due to an increase in debt service and transfers out.

The cost of all governmental activities this year was \$5.1 million compared to \$4.6 million last year. However, as shown in the Statement of Activities and Net Assets on pages 13, the amount taxpayers ultimately financed for these activities was only \$3.3 million because some of the cost was paid by those directly benefited from the programs (\$288,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$802,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, decreased in 2010 from approximately \$1.3 million in the prior fiscal year to approximately \$1.1 million. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$2,666,000 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)		
ended June 30,	Year	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 736	\$ 757
Solid waste	364	361
Sewer rental	967	838
General receipts:		
Miscellaneous	9	24
Unrestricted interest on investments	15	26
Bond proceeds	-	250
Transfers, net	706	669
Total receipts	<u>2,797</u>	<u>2,925</u>
Disbursements and transfers:		
Water	1,295	928
Solid waste	347	309
Sewer rental	1,684	1,392
Total disbursements and transfers	<u>3,326</u>	<u>2,629</u>
Increase (decrease) in cash balance	(529)	296
Cash basis net assets beginning of year	<u>1,227</u>	<u>931</u>
Cash basis net assets end of year	<u>\$ 698</u>	<u>\$ 1,227</u>

Total business type activities receipts for the fiscal year were \$2.8 million compared to \$2.9 million last year. The cash balance for the business type activities decreased by approximately \$529,000 from the prior year.

Total disbursements and transfers for the fiscal year increased by 27% to a total of \$3.3 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Humboldt completed the year, its governmental funds reported a combined fund balance of \$5,689,666, which is an increase of \$2,969,386 above last year's total of \$2,720,280. 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 \$3,073,574 from the prior year to \$3,216,335. This increase was mainly a function of additional bond proceeds offset somewhat by an increase in transfers out.
- The Local Option Sales Tax Fund decreased \$8,918 to \$278,625 during the fiscal year.
- The Urban Renewal Tax Increment Financing Fund increased \$125,554.
- The Employee benefits fund increased \$46,868 during the year due to lower payroll costs than budgeted for.
- The Road Use Tax fund decreased \$126,457 to \$14,310 at June 30, 2010 due mainly to an increase in public works projects of 128,427.
- The Library Trust fund increased \$1,563 to approximately \$558,000 due to the regular operation of the fund.
- The Louthan Fund decreased by \$6,978 due to the use of the expendable portion of the fund for appropriate transactions.
- The Capital Projects Fund - Streets is being used to account for the bond proceeds received for various planned street projects. The City issued \$3.9 million in bonds to finance these projects. At June 30, 2010 the fund had a balance of approximately \$3.2 million remaining to complete the capital projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund, showed a decrease in its cash balance of \$552,010 to an ending deficit balance of (\$35,862) due to an increase in debt service disbursements to 525,494 during the year.
- The Solid Waste Fund cash balance remained steady, showing a modest increase of \$19,097 during the 2010 fiscal year.
- The Sewer Fund also showed little change in its cash balance, increasing by \$3,822 to \$369,387 at June 30, 2010. The sewer fund had capital projects of 1,003,525 and debt service payments of 324,896 which were financed by an excess in operating receipts over operating disbursements of \$615,590 and transfers in of \$706,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 17, 2010 and resulted in decreased revenues and decreased disbursements of \$699,000 and \$2,901,400, respectively. The decreases in receipts is due to drainage assessments being delayed until the 2010-2011 fiscal year and the decrease in expenditures resulted mainly from delayed completion on street projects

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$10 million in bonds and other long-term debt, compared to approximately \$7.5 million last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2010	2009
General obligation bonds	\$ 6,224	\$ 2,915
Special assessment bonds and notes	27	41
Urban renewal tax increment financing bonds	1,015	1,060
Revenue notes	2,739	3,500
Total	\$ 10,005	\$ 7,516

Debt increased due to new debt issuance of \$3,900,000 and making all normally scheduled payments on outstanding debt plus paying off a water revenue note of \$525,000.

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 \$6,223,633 is below its constitutional debt limit of \$9,599,474 million.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City of Humboldt’s total assessed valuation increased substantially for the FY 10-11 Budget, from \$216,241,648 on January 1, 2008 to \$238,310,048 on January 1, 2009, an increase of 10.21%. The City’s taxable valuation increased from \$115,598,872 in FY 09-10 to \$129,542,888 in FY 10-11 or 12.07%. The residential rollback increased, from 45.5893% to 46.9094%. The increase in the taxable valuations and increase in the rollback result in the \$8.10/\$1,000 General Fund levy revenues increasing \$112,946 from the previous year. The total Debt Service levy of \$3.77201/\$1,000 includes payments for the Aquatic Center financing as well as an extensive Infrastructure Improvement Project. With all of these factors in mind, the City proposed an increase in the total tax levy of only \$0.01569/\$1,000, from \$15.98427 in FY 09-10 to \$15.99996 in FY 10-11.

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 2011 budget shows \$16,911,230 in anticipated revenues. This is an increase of \$6,846,667 from Fiscal Year 2010 actual revenues of \$10,064,563. This increase is largely due to financing projects pending, including anticipated grants, awards and loans for the Infrastructure Improvement Project and pending water and sewer projects.

Anticipated expenditures in the Fiscal Year 2011 budget are \$15,909,641. Actual expenditures in Fiscal Year 2010 were \$7,632,428. The increase is \$8,277,213, 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; also included are major renovations to the water plant and other infrastructure projects including the Sumner Avenue Bridge replacement and extensive water and sewer line repairs.

The Council approved a wage freeze for all City of Humboldt employees not covered by a union contract (the police officers received a 3.5% pay increase in accordance with the union contract), effective July 1, 2010.

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 5th Street South, Humboldt, Iowa 50548.

Basic Financial Statements

CITY OF HUMBOLDT, IOWA

Exhibit A

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants	Capital Grants	Governmental Activities	Business type Activities	Total
			Contributions and Restricted Interest	Contributions and Restricted Interest			
Primary Government							
Governmental activities:							
Public safety	653,393	48,225	765	-	(604,403)	-	(604,403)
Public works	1,124,118	-	422,497	155,265	(546,356)	-	(546,356)
Culture and recreation	1,097,108	239,307	188,792	-	(669,009)	-	(669,009)
Community and economic development	495,133	-	-	35,120	(460,013)	-	(460,013)
General government	253,579	-	-	-	(253,579)	-	(253,579)
Debt Service	552,586	-	-	-	(552,586)	-	(552,586)
Capital projects	159,331	-	-	-	(159,331)	-	(159,331)
Non program	49,724	-	-	-	(49,724)	-	(49,724)
Total governmental activities	4,384,972	287,532	612,054	190,385	(3,295,001)	-	(3,295,001)
Business type activities							
Water	1,295,456	735,777	-	-	-	(559,679)	(559,679)
Solid waste	346,974	363,594	-	-	-	16,620	16,620
Sewer	1,683,676	967,074	-	-	-	(716,602)	(716,602)
Total business type activities	3,326,106	2,066,445	-	-	-	(1,259,661)	(1,259,661)
Total	7,711,078	2,353,977	612,054	190,385	(3,295,001)	(1,259,661)	(4,554,662)
General Receipts:							
Property tax levied for:							
General purposes					1,485,162	-	1,485,162
Tax increment financing					420,167	-	420,167
Debt Service					419,617	-	419,617
Local option sales tax					341,082	-	341,082
Unrestricted interest on investments					48,547	15,506	64,053
Bond Proceeds					3,900,000	-	3,900,000
Miscellaneous					355,812	9,064	364,876
Transfers					(706,000)	706,000	-
Total general receipts and transfers					6,264,387	730,570	6,994,957
Change in cash basis net assets					2,969,386	(529,091)	2,440,295
Cash basis net assets beginning of year					2,720,280	1,226,831	3,947,111
Cash basis net assets end of year					5,689,666	697,740	6,387,406
Cash Basis Net Assets:							
Restricted							
Nonexpendable:							
Louthan Fund					463,325	-	463,325
Expendable:							
Road use tax					14,310	-	14,310
Urban renewal purpose					1,099,213	-	1,099,213
Debt service					(133,880)	422,374	288,494
Capital projects					3,249,980	-	3,249,980
Other purposes					1,030,363	-	1,030,363
Unrestricted					(33,645)	275,366	241,721
					5,689,666	697,740	6,387,406

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, 2010

	Special Revenue Funds			
	General	Local Option Sales Tax	Urban Renewal Tax Increment	Employee Benefits
Receipts:				
Property tax	1,086,608	-	-	367,125
Tax increment financing collections	-	-	420,167	-
Other city tax	-	341,082	-	-
Licenses and permits	25,452	-	-	-
Use of money and property	38,532	-	-	-
Intergovernmental	331,160	-	35,120	-
Charges for service	287,532	-	-	-
Special assessments	-	-	-	-
Miscellaneous	60,785	-	28,189	89,863
Total receipts	<u>1,830,069</u>	<u>341,082</u>	<u>483,476</u>	<u>456,988</u>
Disbursements:				
Operating:				
Public safety	527,537	-	-	125,856
Public works	249,747	-	-	97,618
Culture and recreation	970,028	-	-	111,305
Community and economic development	53,676	-	357,922	109
General government	186,665	-	-	39,293
Debt service	-	-	-	-
Capital projects	-	-	-	-
Non-program	-	-	-	35,939
Total disbursements	<u>1,987,653</u>	<u>-</u>	<u>357,922</u>	<u>410,120</u>
Excess (deficiency) of receipts over disbursements	(157,584)	341,082	125,554	46,868
Other financing sources (uses):				
Bond/loan proceeds	-	-	-	-
Operating transfers in	19,697	-	-	-
Operating transfers out	(38,519)	(350,000)	-	-
Total other financing sources (uses)	<u>(18,822)</u>	<u>(350,000)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(176,406)	(8,918)	125,554	46,868
Cash balances beginning of year	142,761	287,543	973,659	70,897
Cash balances end of year	<u>(33,645)</u>	<u>278,625</u>	<u>1,099,213</u>	<u>117,765</u>
Cash Basis Fund Balances				
Unreserved:				
General fund	(33,645)	-	-	-
Special revenue funds	-	278,625	1,099,213	117,765
Debt Service	-	-	-	-
Capital projects	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>(33,645)</u>	<u>278,625</u>	<u>1,099,213</u>	<u>117,765</u>

See Notes to Financial Statements

Special Revenue		Capital Projects	Permanent	Other Nonmajor Governmental Funds	Total
Road Use Tax	Library Trust	Streets	Louthan		
-	-	-	-	451,046	1,904,779
-	-	-	-	-	420,167
-	-	-	-	-	341,082
-	-	-	-	-	25,452
-	15,629	8,630	9,719	1,385	73,895
422,497	-	13,662	-	-	802,439
-	-	-	-	-	287,532
-	-	-	-	11,794	11,794
-	1,709	-	-	112,672	293,218
<u>422,497</u>	<u>17,338</u>	<u>22,292</u>	<u>9,719</u>	<u>576,897</u>	<u>4,160,358</u>
-	-	-	-	-	653,393
742,954	-	-	-	33,799	1,124,118
-	15,775	-	-	-	1,097,108
-	-	-	-	83,426	495,133
-	-	-	-	27,621	253,579
-	-	-	-	552,586	552,586
-	-	153,831	-	5,500	159,331
-	-	-	-	13,785	49,724
<u>742,954</u>	<u>15,775</u>	<u>153,831</u>	<u>-</u>	<u>716,717</u>	<u>4,384,972</u>
(320,457)	1,563	(131,539)	9,719	(139,820)	(224,614)
-	-	3,900,000	-	-	3,900,000
200,000	-	31,519	-	7,000	258,216
(6,000)	-	(550,000)	(16,697)	(3,000)	(964,216)
<u>194,000</u>	<u>-</u>	<u>3,381,519</u>	<u>(16,697)</u>	<u>4,000</u>	<u>3,194,000</u>
(126,457)	1,563	3,249,980	(6,978)	(135,820)	2,969,386
140,767	556,972	-	493,208	54,473	2,720,280
<u>14,310</u>	<u>558,535</u>	<u>3,249,980</u>	<u>486,230</u>	<u>(81,347)</u>	<u>5,689,666</u>
-	-	-	-	-	(33,645)
14,310	558,535	-	22,905	42,443	2,133,796
-	-	-	-	(133,880)	(133,880)
-	-	3,249,980	-	10,090	3,260,070
-	-	-	463,325	-	463,325
<u>14,310</u>	<u>558,535</u>	<u>3,249,980</u>	<u>486,230</u>	<u>(81,347)</u>	<u>5,689,666</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, 2010

	Water	Solid Waste	Sewer	Total
Operating receipts:				
Charges for service	\$ 735,777	363,594	967,074	\$ 2,066,445
Miscellaneous	5,293	-	3,771	9,064
Total operating receipts	741,070	363,594	970,845	2,075,509
Operating disbursements:				
Business type activities	615,159	346,974	355,255	1,317,388
Total operating disbursements	615,159	346,974	355,255	1,317,388
Excess of operating receipts under operating disbursements	125,911	16,620	615,590	758,121
Non-operating receipts (disbursements):				
Interest on investments	2,376	2,477	10,653	15,506
Debt service	(525,494)	-	(324,896)	(850,390)
Capital projects	(154,803)	-	(1,003,525)	(1,158,328)
Total non-operating receipts	(677,921)	2,477	(1,317,768)	(1,993,212)
Excess (deficit) of receipts and non-operating receipts over (under) disbursements	(552,010)	19,097	(702,178)	(1,235,091)
Other financing sources:				
Operating transfers in	-	-	706,000	706,000
Total other financing sources	-	-	706,000	706,000
Net change in cash balances	(552,010)	19,097	3,822	(529,091)
Cash balances beginning of year	516,148	345,118	365,565	1,226,831
Cash balances end of year	\$ (35,862)	\$ 364,215	369,387	697,740
Cash Basis Fund Balances				
Reserved for debt service	-	-	422,374	422,374
Unreserved	(35,862)	364,215	(52,987)	275,366
Total cash basis fund balances	\$ (35,862)	\$ 364,215	369,387	\$ 697,740

See Notes to 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.

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 Regional 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 the following categories/components:

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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

Unrestricted net assets consist of net assets not meeting 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.

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.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

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 (\$22,905) 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 \$6,319 as of June 30, 2010.

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 \$41,876 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 also includes in its cash balance customer deposits of \$5,726 at June 30, 2010.

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

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

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, 2010, disbursements exceeded the amounts budgeted in the capital projects function.

The City's management has considered events and transactions through January 3, 2010 for potential disclosure and or recognition in the financial statements.

(2) **Cash and Investments**

The City's deposits at June 30, 2010 (which include certificates of deposit totaling \$4,210,954) 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 ensure 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, 2010.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

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 \$70,718 for the year ended June 30, 2010. These receipts are included under Use of Money and Property for Governmental Funds and Interest on Investments for proprietary activities.

The City maintains 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 \$68,407 and \$177,342 at June 30, 2010.

(3) Bonds and Notes Payable

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

Year Ending	General Obligation		Urban Renewal Tax Increment (TIF) Revenue Bonds		Revenue Notes		Other Long-Term Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 503,634	233,130	85,000	42,038	229,000	107,369	5,921	1,641	823,555	384,178
2012	520,000	219,201	85,000	38,723	238,000	98,392	5,921	1,324	848,921	357,640
2013	540,000	203,529	90,000	35,365	248,000	89,062	6,686	1,006	884,686	328,962
2014	560,000	185,882	95,000	31,765	256,000	79,341	2,146	749	913,146	297,737
2015	490,000	166,327	100,000	27,918	267,000	69,306	2,146	620	859,146	264,171
2016	515,000	148,611	105,000	23,818	277,000	58,839	2,146	492	899,146	231,760
2017	480,000	129,259	110,000	19,460	289,000	47,981	2,146	363	881,146	197,063
2018	470,000	110,734	110,000	14,840	300,000	36,652	89	5	880,089	162,231
2019	470,000	92,394	115,000	10,165	311,000	24,892	-	-	896,000	127,451
2020	490,000	80,751	120,000	5,218	324,000	12,701	-	-	934,000	98,670
2021	285,000	61,852	-	-	-	-	-	-	285,000	61,852
2022	290,000	47,414	-	-	-	-	-	-	290,000	47,414
2023	300,000	32,433	-	-	-	-	-	-	300,000	32,433
2024	310,000	16,633	-	-	-	-	-	-	310,000	16,633
	<u>\$ 6,223,634</u>	<u>1,728,150</u>	<u>1,015,000</u>	<u>249,310</u>	<u>2,739,000</u>	<u>624,535</u>	<u>27,201</u>	<u>6,200</u>	<u>10,004,835</u>	<u>2,608,195</u>

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

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

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 \$1,264,310, payable through June 2020. For the current year, interest paid and total TIF receipts were \$21,896 and \$420,167, respectively.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,619,000 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 \$3,363,535. For the current year, principal and interest paid and total customer net receipts were \$324,462 and \$615,590, 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, 2010.
- (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, 2010.
- (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.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	G.O. Bonds	TIF Revenue Bonds	Revenue Bonds	Special Assessment Notes	Total
Balance, beginning of year	\$ 2,915,019	1,060,000	3,499,674	41,418	\$ 7,516,111
Additions	3,900,000	-	-	-	3,900,000
Deletions	591,385	45,000	760,674	14,217	1,411,276
Balance, end of year	<u>6,223,634</u>	<u>1,015,000</u>	<u>2,739,000</u>	<u>27,201</u>	<u>10,004,835</u>

Interest rates on the general obligation bonds range from 0.75-5.85%. Interest rates on the TIF revenue bonds are 3.90%. Interest rates on the revenue bonds range from 0-3.0% and interest rates on the Special Assessment debt range from 5.00-7.00%.

(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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009, and 2008 were \$82,010, \$88,956, and \$79,395 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:

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

<u>Type of Benefit</u>	<u>Amount at June 30, 2010</u>
Sick pay and personal days	\$ 267,034
Vacation pay	<u>52,270</u>
Total	<u>\$ 427,180</u>

The liability has been computed based on rates of pay in effect at June 30, 2010.

(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 \$3,771 for the year ended June 30, 2010. 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, 2010 were \$40,179.

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, 2010, the City paid \$89,225 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 \$172,038 and \$380,309 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, 2010, 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, 2009 and are payable in September 2009 and March 2010. The valuation for the taxes was based on January 1, 2008 assessed property valuations, and are based on a certified budget from March of 2009.

(9) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2010 is as follows:

Transfer In	Transfer From	Amount
General	Special Revenue Fund	
	Louthan	\$ 16,697
	Community Projects	3,000
		<u>19,697</u>
Special Revenue Fund Road Use Tax	Special Revenue Fund LOST	<u>\$ 200,000</u>
Capital Project Fund Streets	General Fund General	<u>\$ 31,519</u>
Capital Project Fund Aquatic Center	General Fund General	<u>\$ 5,000</u>
Special Revenue Fund Community Projects	General Fund General	<u>\$ 2,000</u>
Enterprise Funds Sewer	Special Revenue Fund LOST	\$ 150,000
	Road Use Tax	6,000
	Capital Projects Streets	<u>550,000</u>
		<u>706,000</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.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

(10) Deficit Fund Balance

The Water Fund, Economic Development Office Fund, Debt Service Fund and Drainage District Fund had deficit fund balances of \$35,862, \$7,069, \$133,880 and \$84,151 respectively at June 30, 2010. 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, 2010, 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, 2010, the Friends of the Parks owed \$113,116 on the note. During the year ended June 30, 2010 the City paid approximately \$26,000 in principal and \$2,500 in interest respectively under this agreement.

(13) Subsequent Events

Subsequent to June 30, 2010 a theft by the former city administrator was identified by the City. The Iowa State Auditor's Office has conducted an investigation and issued a report dated July 19, 2010 related to this fraud. That report disclosed issues including an improper payment to Mid-Iowa Growth Partners (MIGP), improper credit card charges, double reimbursements of business expenses, and un-deposited City receipts. These issues resulted in approximately \$24,700 of inappropriate disbursements and un-deposited collections during the period from January 1, 2007 through June 30, 2010. The City did receive a reimbursement of approximately \$5,800 of this amount. The report issued by the Iowa State Auditor is available in the Office of the Auditor of State and on the Auditor of State's website.

(14) Other Post Employment Benefits (OPEB)

Plan Description – The City operates a single employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 25 active and no inactive members in the plan. Participants must be 55 or older at retirement.

CITY OF HUMBOLDT, IOWA

NOTES TO FINANCIAL STATEMENTS

The medical benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premiums for medical benefits as active members.

Funding Policy – the contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$473 for single coverage and \$1,236 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$149,952 and plan members contributed \$89,863 to the plan.

(15) Litigation

The City is subject to pending litigation seeking damages of approximately \$46,000. The City plans to vigorously defend themselves and is confident in their position. The probability of loss, if any, is undeterminable.

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, 2010

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
Receipts:				
Property tax	\$ 1,904,779	-	-	1,904,779
Tax increment financing collections	420,167	-	-	420,167
Other city tax	341,082	-	-	341,082
Licenses and permits	25,452	-	-	25,452
Use of money and property	73,895	15,506	-	89,401
Intergovernmental	802,439	-	-	802,439
Charges for service	287,532	2,066,445	-	2,353,977
Special assessments	11,794	-	-	11,794
Miscellaneous	293,218	9,064	-	302,282
Total receipts	4,160,358	2,091,015	-	6,251,373
Disbursements:				
Program				
Public Safety	653,393	-	-	653,393
Public Works	1,124,118	-	-	1,124,118
Culture & Recreation	1,097,108	-	-	1,097,108
Community & economic development	495,133	-	-	495,133
General government	253,579	-	-	253,579
Debt Service	552,586	-	-	552,586
Capital projects	159,331	-	-	159,331
Business type activities	-	3,326,106	-	3,326,106
Non-program	49,724	-	-	49,724
Total disbursements	4,384,972	3,326,106	-	7,711,078
Excess (deficiency) of receipts over disbursements	(224,614)	(1,235,091)	-	(1,459,705)
Other financing sources (uses)	3,194,000	706,000	-	3,900,000
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	2,969,386	(529,091)	-	2,440,295
Balance - beginning of year	2,720,280	1,226,831	-	3,947,111
Balance - end of year	\$ 5,689,666	697,740	-	6,387,406

See Accompanying Independent Auditor's Report

<u>Budgeted Amounts</u>		
<u>Original</u>	<u>Final</u>	<u>Final to Net Variance</u>
1,832,312	1,832,312	72,467
446,976	470,976	(50,809)
447,306	447,306	(106,224)
18,100	18,100	7,352
169,800	169,800	(80,399)
892,122	892,122	(89,683)
2,689,700	2,696,700	(342,723)
750,000	20,000	(8,206)
367,278	367,278	(64,996)
<u>7,613,594</u>	<u>6,914,594</u>	<u>(663,221)</u>
671,176	673,676	20,283
1,856,770	1,364,370	240,252
1,193,058	1,237,558	140,450
471,713	512,213	17,080
280,815	304,315	50,736
555,950	555,950	3,364
3,531,703	81,703	(77,628)
2,776,358	3,706,358	380,252
-	-	49,724
<u>11,337,543</u>	<u>8,436,143</u>	<u>725,065</u>
(3,723,949)	(1,521,549)	61,844
<u>3,535,503</u>	<u>3,535,503</u>	<u>364,497</u>
(188,446)	2,013,954	426,341
<u>3,609,135</u>	<u>3,609,135</u>	<u>337,976</u>
<u>3,420,689</u>	<u>5,623,089</u>	<u>764,317</u>

CITY OF HUMBOLDT, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2010

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 decreased budgeted receipts and decreased budgeted disbursements respectively by \$699,000 and \$2,901,400. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010 disbursements exceeded the amounts budgeted in the capital projects function.

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, 2010

	Special Revenue Funds				
	Emergency	Community Projects	13A Drainage District	State and Federal Grants	Street Assessments
Receipts:					
Property tax	31,429	-	-	-	-
Use of money and property	-	1,385	-	-	-
Special assessments	-	-	-	-	11,794
Miscellaneous	-	31,006	-	-	-
Total receipts	31,429	32,391	-	-	11,794
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	33,799	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	-
General government	-	27,621	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Non-program	-	-	-	-	13,785
Total disbursements	-	27,621	33,799	-	13,785
Excess of receipts over disbursements	31,429	4,770	(33,799)	-	(1,991)
Other financing sources (uses):					
Operating transfers in	-	2,000	-	-	-
Operating transfers out	-	(3,000)	-	-	-
Total other financing sources (uses)	-	(1,000)	-	-	-
Net change in cash balances	31,429	3,770	(33,799)	-	(1,991)
Cash balances beginning of year	2,998	93,378	(50,352)	-	4,079
Cash balances end of year	34,427	97,148	(84,151)	-	2,088
Cash basis fund balances					
Unreserved:					
Special revenue funds	34,427	97,148	(84,151)	-	2,088
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Total cash basis fund balances	\$ 34,427	\$ 97,148	\$ (84,151)	\$ -	\$ 2,088

Schedule 1

Economic Development Office	Capital Projects Funds				Total
	Debt Service	Aquatic Center	Infrastructure Project		
-	419,617	-	-	-	451,046
-	-	-	-	-	1,385
-	-	-	-	-	11,794
81,666	-	-	-	-	112,672
81,666	419,617	-	-	-	576,897
-	-	-	-	-	-
-	-	-	-	-	33,799
-	-	-	-	-	-
83,426	-	-	-	-	83,426
-	-	-	-	-	27,621
-	552,586	-	-	-	552,586
-	-	-	5,500	-	5,500
-	-	-	-	-	13,785
83,426	552,586	-	5,500	-	716,717
(1,760)	(132,969)	-	(5,500)	-	(139,820)
-	-	5,000	-	-	7,000
-	-	-	-	-	(3,000)
-	-	5,000	-	-	4,000
(1,760)	(132,969)	5,000	(5,500)	-	(135,820)
(5,309)	(911)	4,988	5,602	-	54,473
(7,069)	(133,880)	9,988	102	-	(81,347)
(7,069)	-	-	-	-	42,443
-	-	9,988	102	-	10,090
-	(133,880)	-	-	-	(133,880)
\$ (7,069)	\$ (133,880)	\$ 9,988	\$ 102	\$	\$ (81,347)

CITY OF HUMBOLDT, IOWA

Schedule 2

SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2010

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	3.60%	2,500,000	\$ 1,960,000	\$ -	\$ 145,000	\$ 1,815,000	\$ 80,510	-
Capital Loan Note Series 2009A	12/22/2009	0.75%	2,580,000	-	2,580,000	270,000	2,310,000	25,999	-
Capital Loan Note Series 2009B	12/22/2009	4.97%	1,320,000	-	1,320,000	-	1,320,000	30,279	-
TIF General Obligation Bond/Notes									
Hy Capacity	4/1/2006	5.00%	16,500	5,384	-	1,750	3,634	135	-
Jet Co.	1/10/2006	3.60%	390,000	290,000	-	35,000	255,000	5,981	-
Humboldt Fabrication/RAMCO	10/1/2000	5.75%		14,635	-	14,635	-	830	-
Capital Loan Notes Series 2004A	9/23/2004	3.40%	210,000	45,000	-	45,000	-	1,530	-
Rustix Restaurant	10/2/2006	5.85%	180,000	165,000	-	15,000	150,000	10,073	-
Riverview Heights	10/2/2006	3.85%	330,000	320,000	-	60,000	260,000	12,653	-
IRP Grant Match	11/6/2006	4.00%	115,000	115,000	-	5,000	110,000	4,838	-
				<u>2,915,019</u>	<u>3,900,000</u>	<u>591,385</u>	<u>6,223,634</u>	<u>172,828</u>	
Urban Renewal Tax Increment Financing (TIF) revenue bonds									
	4/16/2007	3.90%	1,080,000	<u>1,060,000</u>	-	<u>45,000</u>	<u>1,015,000</u>	<u>21,896</u>	-
Revenue Bonds									
2001 Wastewater Revenue Bond	8/19/1999	3.00%	4,619,000	2,960,000	-	221,000	2,739,000	103,462	-
Water Plant Planning and Design	10/24/2006	0.00%	539,675	539,674	-	539,674	-	-	-
				<u>3,499,674</u>	<u>-</u>	<u>760,674</u>	<u>2,739,000</u>	<u>103,462</u>	<u>-</u>
Special Assessment Notes									
Hall Street Improvement Project	12/19/2008	6.00%		21,070	-	5,959	15,111	1,054	-
14th Avenue Southeast	1/22/2003	7.00%		5,948	-	5,948	-	2,048	-
Sumner Avenue Project	1/6/2005	5.00%		14,400	-	2,310	12,090	562	-
				<u>\$ 41,418</u>	<u>\$ -</u>	<u>\$ 14,217</u>	<u>\$ 27,201</u>	<u>\$ 3,664</u>	<u>-</u>

See Accompanying Independent Auditor's Report

CITY OF HUMBOLDT, IOWA

SCHEDULE OF BOND AND NOTE MATURITIES

June 30, 2010

Year Ending June 30,	General Obligation TIF Aquatic Center Issued 04/20/05		General Obligation TIF Hy-Capacity Issued 04/01/06		General Obligation TIF Jet Co. Issued 01/10/2006		General Obligation TIF Rustix Issued 10/02/2006		General Obligation TIF Riverview Heights Issued 10/02/2006		General Obligation TIF IRP Grant Match Issued 11/06/2006		General Obligation Capital Loan Note Series 2009A Issued 12/22/09		General Obligation Capital Loan Note Series 2009B Issued 12/22/09		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
2011	3.70	150,000	5.00	3,634	3.90	35,000	5.95	15,000	3.90	60,000	4.05	15,000	1.10	225,000	4.97	0	503,634
2012	3.80	160,000	-	-	4.00	40,000	6.00	15,000	3.95	65,000	4.10	15,000	1.35	225,000	4.97	0	520,000
2013	3.90	165,000	-	-	4.10	45,000	6.05	20,000	4.00	65,000	4.15	15,000	1.70	230,000	4.97	0	540,000
2014	4.00	170,000	-	-	4.20	45,000	6.10	25,000	4.05	70,000	4.20	15,000	2.10	235,000	4.97	0	560,000
2015	4.10	175,000	-	-	4.30	45,000	6.15	20,000	-	-	4.25	15,000	2.50	235,000	4.97	0	490,000
2016	4.15	185,000	-	-	4.40	45,000	6.20	25,000	-	-	4.30	15,000	2.75	245,000	4.97	0	515,000
2017	4.25	190,000	-	-	-	-	6.25	20,000	-	-	4.40	20,000	3.00	250,000	4.97	-	480,000
2018	4.35	200,000	-	-	-	-	6.30	10,000	-	-	-	-	3.20	260,000	4.97	-	470,000
2019	4.45	205,000	-	-	-	-	-	-	-	-	-	-	3.40	265,000	4.97	-	470,000
2020	4.50	215,000	-	-	-	-	-	-	-	-	-	-	3.60	140,000	4.97	135,000	490,000
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.07	285,000	285,000
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.17	290,000	290,000
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.27	300,000	300,000
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.37	310,000	310,000
		<u>\$ 1,815,000</u>		<u>\$ 3,634</u>		<u>\$ 255,000</u>		<u>\$ 150,000</u>		<u>\$ 260,000</u>		<u>\$ 110,000</u>		<u>\$ 2,310,000</u>		<u>\$ 1,320,000</u>	<u>\$ 6,223,634</u>

Year Ending June 30,	TIF Revenue Bonds Issued 04/16/07		Revenue Bonds and Notes Water Treatment Issued 08/19/99		Special Assessment Hall Street Issued 12/19/08		Special Assessment Sumner Avenue Issued 01/06/05		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
2011	3.90	85,000	3.92	229,000	6.00	2,146	5.00	3,775	5,921
2012	3.95	85,000	3.92	238,000	6.00	2,146	5.00	3,775	5,921
2013	4.00	90,000	3.92	248,000	6.00	2,146	5.00	4,540	6,686
2014	4.05	95,000	3.92	256,000	6.00	2,146	-	-	2,146
2015	4.10	100,000	3.92	267,000	6.00	2,146	-	-	2,146
2016	4.15	105,000	3.92	277,000	6.00	2,146	-	-	2,146
2017	4.20	110,000	3.92	289,000	6.00	2,146	-	-	2,146
2018	4.25	110,000	3.92	300,000	6.00	89	-	-	89
2019	4.30	115,000	3.92	311,000	-	-	-	-	-
2020	4.35	120,000	3.92	324,000	-	-	-	-	-
		<u>\$ 1,015,000</u>		<u>\$ 2,739,000</u>		<u>\$ 15,111</u>		<u>\$ 12,090</u>	<u>\$ 27,201</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 SEVEN YEARS

	2010	2009	2008	2007	2006	2005	2004
Receipts:							
Property tax	\$ 1,904,779	\$ 1,633,656	\$ 1,655,745	\$ 1,544,817	\$ 1,582,782	\$ 1,328,024	\$ 1,226,613
Tax increment financing collections	420,167	404,449	312,532	365,022	185,636	200,480	206,434
Other city tax	341,082	357,445	393,347	389,048	304,638	327,835	320,048
Licenses and permits	25,452	17,366	20,715	17,661	14,987	17,057	19,061
Use of money and property	73,895	80,867	155,848	167,204	142,485	86,015	84,226
Intergovernmental	802,439	934,487	443,633	713,780	465,285	475,193	776,766
Charges for service	287,532	345,879	311,083	386,638	271,096	170,698	198,875
Special assessments	11,794	16,366	39,940	23,050	64,756	48,024	58,780
Miscellaneous	293,218	492,455	589,517	297,352	158,353	241,843	152,238
Total receipts	4,160,358	4,282,970	3,922,360	3,904,572	3,190,018	2,895,169	3,043,041
Disbursements:							
Operating:							
Public safety	653,393	906,627	622,585	600,159	629,836	546,850	524,462
Public works	1,124,118	1,317,778	877,931	933,321	680,999	568,214	1,062,772
Culture and recreation	1,097,108	977,325	908,995	850,460	651,089	908,965	656,507
Community and economic development	495,133	492,990	1,246,099	1,411,591	536,316	196,717	227,172
General government	253,579	260,547	271,955	243,422	201,098	483,523	329,142
Debt service	552,586	230,913	230,533	229,650	230,482	-	-
Capital projects	159,331	238,335	297,435	365,730	3,266,851	2,587,037	281,501
Non program	49,724	54,957	74,590	53,708	105,841	80,884	35,901
Total disbursements	\$ 4,384,972	\$ 4,479,472	\$ 4,530,123	\$ 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

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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 3, 2011. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Humboldt's 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Humboldt's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings (A and B) to be material weaknesses.

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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 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.

January 3, 2011

Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

A 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.

B Communication – The City informed us at the start of audit fieldwork of the allegations of fraud made against the former city administrator. The City’s management and City Council should clearly establish the policy and stress the expectation that any questionable transactions or behavior by any employee or others associated with the City be promptly reported. This information should be reported to the City’s auditors and to the Mayor and City Council in a timely manner.

Recommendation – Should the situation arise, with any other city employee or representative, that irregular or inappropriate behavior has been suspected or identified this information should be made available to the Mayor, City Council and the City’s auditors.

Response – We will inform our auditors, the Mayor, and the City Council of any questionable transactions noted in the future.

Conclusion – Response accepted.

City of Humboldt, Iowa

Schedule of Findings

Year Ended June 30, 2010

Other Findings Related to Statutory Reporting:

- 1) Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion – Response accepted.

- 2) 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.

- 3) Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

- 4) 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	\$ 160

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.

- 5) 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.

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

- 7) 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.

City of Humboldt, Iowa

Schedule of Findings

Year Ended June 30, 2010

- 8) Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.
- 9) Financial Position – The Water Fund, Economic Development Office Fund, Debt Service Fund and 13A Drainage District Fund, had deficit fund balances of \$35,862, \$7,069, \$133,880 and \$84,151 respectively at June 30, 2010.

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.