

**HUMBOLDT COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2004**

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

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## HUMBOLDT COUNTY

### OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
John A. Myers	12-31-2004	Supervisor
John (Mort) Christianson	12-31-2008	Supervisor
Kay Kollmorgan	12-31-2006	Supervisor
Romaine Lee	12-31-2006	Supervisor
Harlan Hansen	12-31-2006	Supervisor
Peggy Rice	12-31-2008	County Auditor
Pat Albrecht	12-31-2006	County Treasurer
Linda Fort	12-31-2006	County Recorder
Dean Kruger	12-31-2008	County Sheriff
Linda Fallesen	Appointed	Assessor
	Appointed	County Attorney

# T.P. ANDERSON & COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

701 SUMNER, SUITE 200

HUMBOLDT, IOWA 50548

515-332-3466

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Humboldt County  
Dakota City, Iowa

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 Humboldt County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Humboldt County'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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Humboldt County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13 to the financial statements, during the year ended June 30, 2004, Humboldt County adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 18, 2005 on our consideration of Humboldt County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 34 through 35 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Humboldt County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. 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 & Co, P.C.*

January 18, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Humboldt County 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, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Humboldt County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental funds increased 19.8%, or approximately \$1,409,000, from fiscal 2003 to fiscal 2004. Property and other county tax decreased approximately \$243,000, while intergovernmental revenues increased approximately \$543,000.
- ◆ Program expenses were 21.8%, or approximately \$1,747,000, more in fiscal 2004 than in fiscal 2003. Roads and transportation expense increased approximately \$1,453,000.
- ◆ The County's net assets increased 14.9%, or approximately \$791,000, from June 30, 2003 to June 30, 2004.

### 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 County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Humboldt County as a whole and present an overall view of the County's finances.

The 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 Humboldt County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Humboldt County acts solely as an agent or custodian for the benefit of those outside of County government (Agency 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 County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The fund financial statements provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental 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 County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services, the County Assessor, and the County Agricultural Association, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Humboldt County's combined net assets were increased from a year ago from \$5.3 million to \$6.1 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)	
	June 30, 2004
Current and other assets	8,210
Capital Assets	<u>2,659</u>
Total Assets	10,869
Long-term debt outstanding	1,040
Other liabilities	<u>3,740</u>
Total liabilities	4,780
Net assets:	
Invested in capital assets	2,659
Restricted	3,477
Unrestricted	<u>(47)</u>
Total net assets	<u>\$ 6,089</u>

Net assets of the County's governmental activities increased by approximately 15% (\$5.3 million compared to \$6.1 million).

Changes in Net Assets of Governmental Activities (Expressed in Thousands)	
Revenues:	
Program revenues:	
Charges for Service	207,514
Operating grants and contributions	2,568,470
Capital grants and contributions	-
General revenues:	
Property taxes	3,343,827
Penalty and interest on property tax	31,001
State tax credits	198,350
Local option sales tax	324,853
Grants and contributions not restricted to specific purposes	119,636
Unrestricted investment earnings	117,436
Gain on the sale of general fixed assets	2,729
Other general revenues	<u>1,410,362</u>
Total Revenues	<u>8,324,178</u>

Changes in Net Assets of Governmental Activities - continued  
(Expressed in Thousands)

Program expenses:	
Public safety and legal services	1,231,434
Physical health and social services	306,926
Mental Health	1,147,315
County environment and education	557,163
Roads and transportation	2,100,383
Government services to residents	304,668
Administration	1,002,135
Non-program	911,358
Total expenses	<u>7,561,382</u>
 Increase in net assets	 762,796
Net assets beginning of year, as restated	<u>5,326,286</u>
 Net assets end of year	 <u>6,089,082</u>

Humboldt County increased property tax rates by \$0.495 per \$1,000 of valuation in the rural levy and increased property tax rates by \$1.1564 per \$1,000 of valuation in the county-wide levy. Taxable value by levy, the actual levy rate per \$1,000 of valuation and total dollars levied are as follows:

	For Taxes Levied FY 2003	For Taxes Levied FY 2002
Countywide taxable value	\$ 439,189,046	\$ 511,323,109
Countywide levy rate	5.82819	4.67184
Dollars levied	2,539,679	2,388,820
 Rural taxable value	 264,748,637	 335,162,446
Rural tax levy rate	3.95000	3.45520
Dollars levied rural area only	1,045,757	1,158,053
 Total countywide rate	 9.77819	 8.12704
Total dollars levied countywide	3,605,436	3,546,873

**THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of \$4.17 million, which is approximately \$466,000 less than last year's total of \$4.64 million.

The decrease in fund balance is directly attributable to higher health insurance costs, distribution of local option sales tax dollars for community development and local school assistance, and increased road and bridge work in the county.

General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a decline from the prior year of \$706,000 to \$693,000.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,149,000, an increase of less than 1% from the prior year. The Mental Health Fund balance at year ended decreased by approximately \$46,000 from the prior year.

The Rural Services fund ended FY04 with a balance of \$151,000 compared to the prior year end balance of \$122,000. The increase of \$29,000 in the fund was mainly attributable to a reduction in costs of chemicals and gasses used for weed eradication.

Secondary Roads Fund expenditures increased by approximately \$1,254,000 over the prior year, due principally to an increase in roadway maintenance and bridge reconstruction (\$976,000) as the County continues to aggressively upgrade the condition of the County roadway system. The receipts and transfers in to the Secondary Road fund were however sufficient enough to generate an increase in the Fund's fund balance of \$68,000.

The Drainage Districts continued completing significant work in closing ag-drainage wells and aggressively cleaning up and maintaining the drainage districts in the county. The fund balance for the drainage districts as a whole increased \$17,000 for the year ended June 30, 2004.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget three times. The first amendment was made in April of 2004 and resulted in an increase in budgeted expenditures of \$1,381,258 to allocate LOST payments more correctly, include design fees for two bridge projects, some other road use items, and to increase for legal fees associated with union negotiations. The second amendment was made on May 24, 2004. This amendment was made to provide for additional expenditures in certain County departments. The final amendment for the year was made on June 28, 2004 in order to approve the purchase of a new vehicle for the sheriff's office.

The County did not exceed the budgeted amounts in any program service areas for the year ended June 30, 2004.

Although it is not one of the required program service areas, the Emergency Management Commission is required to budget its expenditures. For the year ended June 30, 2004, the Emergency Management Commission overspent its budget. We will review all budgeted areas going forward to review for compliance.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, Humboldt County had approximately \$2.66 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$1.07, or more than two fold over the prior year. The large increase is due in part to the new policy of capitalizing infrastructure as required by GASB 34.

Capital Assets of Governmental Activities at Year End  
(Expressed in Thousands)

	2004	June 30, 2003
Land	3	-
Buildings and improvements	977	984
Equipment and vehicles	970	606
Infrastructure	710	606
Total	2.660	1.590

This year's major additions included (in thousands):

Three vehicles for the Sheriff's office	\$	72
Hefty bridge		233
Two paved road projects		515
Replaced 2 motorgraders and other secondary road vehicles		533
Courthouse electrical upgrade		30
Mapping software		14
Other		53
		1,450

The County had depreciation expense of \$378,432 during FY2004 and total accumulated depreciation of \$5,231,776 as of June 30, 2004.

#### LONG TERM DEBT

At June 30, 2004, Humboldt County had approximately \$1,040,000 in outstanding obligations. They are displayed below in the chart.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	2004	June 30, 2003
Drainage warrants and improvement certificates	897	1,343
Landfill closure costs	57	57
Compensated absences	86	78
Total	1,040	1,478

Debt decreased as a result of collecting drainage assessments allowing for the pay down of the drainage warrants outstanding.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Humboldt County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.6 percent versus 3.2 percent a year ago. This compares with the State's unemployment rate of 4.3 percent and the national rate of 5.6 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.5 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$4.7 million, an increase of 6 percent over the final 2004 budget. Property tax (benefiting from the 2004 rate increase and increases in assessed valuations) and grant receipts (boosted by increased State funding in several of our current programs) are expected to lead this increase. Humboldt County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by approximately \$125,000. Increased wage and cost-of-living adjustments, and increases in roadway construction and maintenance, represent the largest increases. The County has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of 2005.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Humboldt County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Humboldt County Auditor's Office, Courthouse, Dakota City, Iowa.

HUMBOLDT COUNTY, IOWA

Exhibit A

Statement of Net Assets

June 30, 2004

Assets	
Cash and pooled investments	\$ 4,244,628
Receivables	
Property tax:	
Delinquent	10,292
Succeeding year	3,461,707
Accounts	38,859
Accrued interest	4,329
Drainage assessments	300,483
Due from other governments	105,011
Inventory	44,680
Prepaid drainage improvement costs	632,553
Capital assets (net of accumulated depreciation)	<u>2,658,975</u>
Total assets	<u><u>\$ 11,501,517</u></u>
Liabilities	
Accounts payable	\$ 168,637
Salaries and benefits payable	48,837
Due to other governments	59,709
Deferred revenue:	
Succeeding year property tax	3,461,707
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	86,307
Portion due or payable after one year:	
Drainage warrants payable	897,423
Landfill closure liability	<u>57,262</u>
Total liabilities	<u><u>\$ 4,779,882</u></u>
Net Assets	
Invested in capital assets, net of related debt	\$ 2,658,975
Restricted for:	
Mental health purposes	305,869
Secondary road purposes	2,081,328
Other purposes	1,722,291
Unrestricted	<u>(46,828)</u>
Total net assets	<u><u>\$ 6,721,635</u></u>

See Notes to the financial statements

HUMBOLDT COUNTY

Exhibit B

Statement of Activities

Year ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating grants, Contributions and Restricted Interest	Capital grants Contributions and Restricted Interest	
<b>Functions/Programs</b>					
Governmental activities:					
Public safety and legal services	\$ 1,231,434	32,774	8,454	-	(1,190,206)
Physical health and social services	306,926	-	-	-	(306,926)
Mental health	1,147,315	-	577,602	-	(569,713)
County environment and education	557,163	-	-	-	(557,163)
Roads and transportation	2,100,383	-	1,944,370	-	(156,013)
Governmental services to residents	304,668	92,900	1,934	-	(209,834)
Administration	1,002,135	81,840	-	-	(920,295)
Non-program	278,805	-	-	36,110	(242,695)
	<u>\$ 6,928,829</u>	<u>207,514</u>	<u>2,532,360</u>	<u>36,110</u>	<u>(4,152,845)</u>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					\$ 3,343,827
Penalty and interest on property tax					31,001
State tax credits					198,350
Local option sales tax					324,853
Grants and contributions not restricted to specific purpose					119,636
Unrestricted investment earnings					117,436
Miscellaneous					1,413,091
Total general revenues					<u>5,548,194</u>
Change in net assets					1,395,349
Net assets beginning of year					<u>5,326,286</u>
Net assets end of year					<u>\$ 6,721,635</u>

See notes to financial statements

HUMBOLDT COUNTY, IOWA

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2004

Assets	Special Revenue					Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts		
Cash and investments	\$ 656,932	431,727	152,108	2,119,189	330,483	554,164	4,244,603
Receivables:							
Property tax:							
Delinquent	8,051	1,827	415	-	-	-	10,293
Succeeding year	2,005,496	455,222	1,000,988	-	-	-	3,461,706
Accounts receivable	23,472	-	-	14,697	-	690	38,859
Accrued interest	4,256	-	-	-	-	73	4,329
Drainage assessments	-	-	-	-	300,483	-	300,483
Due from other funds	46,045	-	-	-	-	-	46,045
Due from other governments	39,944	9,241	-	437	29,668	25,721	105,011
Inventory	-	-	-	44,680	-	-	44,680
	<u>2,784,196</u>	<u>898,017</u>	<u>1,153,511</u>	<u>2,179,003</u>	<u>660,634</u>	<u>580,648</u>	<u>8,256,009</u>
 Liabilities and Fund Balance							
Liabilities							
Accounts payable	54,395	26,596	1,222	75,337	-	2,000	159,550
Salaries and benefits payable	21,817	5,236	-	21,784	-	-	48,837
Due to other funds	-	45,636	-	409	-	-	46,045
Due to other governments	1,887	57,677	-	145	-	-	59,709
Deferred revenue:							
Succeeding year property tax	7,847	1,781	361	-	-	-	9,989
Other	2,005,496	455,222	1,000,988	-	300,484	-	3,762,190
	<u>2,091,442</u>	<u>592,148</u>	<u>1,002,571</u>	<u>97,675</u>	<u>300,484</u>	<u>2,000</u>	<u>4,086,320</u>
 Fund balances:							
Reserved for:							
Supplemental levy purposes	83,081	-	-	-	-	-	83,081
Drainage warrants/drainage improvement certificate	-	-	-	-	360,150	-	360,150
Resource enhancement and protection	-	-	-	-	-	58,848	58,848
Unreserved, reported in:							
General fund	609,673	-	-	-	-	-	609,673
Special revenue funds	-	305,869	150,940	2,081,328	-	519,800	3,057,937
	<u>692,754</u>	<u>305,869</u>	<u>150,940</u>	<u>2,081,328</u>	<u>360,150</u>	<u>578,648</u>	<u>4,169,689</u>
	<u>\$ 2,784,196</u>	<u>898,017</u>	<u>1,153,511</u>	<u>2,179,003</u>	<u>660,634</u>	<u>580,648</u>	<u>8,256,009</u>

See notes to financial statements

HUMBOLDT COUNTY, IOWA

Exhibit D

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2004

<b>Total governmental fund balances (page 13)</b>	\$ 4,169,689
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in the governmental activities are not current financial resources and, therefore are not reported in the funds. The cost of assets is \$7,890,751 and the accumulated depreciation is \$5,231,776.	2,658,975
Other long-term assets are not available to pay current period expenditures and therefore, are deferred in the funds.	310,472
Prepaid drainage improvement costs included as assets on the statement of net assets but not reported in the funds	632,553
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and the liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	(9,062)
Long-term liabilities, including compensated absences payable, drainage warrants payable, and Landfill closure payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,040,992)</u>
<b>Net assets of governmental activities (page 11)</b>	<u><u>\$ 6,721,635</u></u>

See notes to the financial statements.

HUMBOLDT COUNTY, IOWA

Exhibit E

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2004

	Special Revenue					Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts		
<b>Revenues</b>							
Property and other county tax	\$ 1,804,903	446,169	1,090,748	-	-	-	3,341,820
Interest and penalty on property tax	31,001	-	-	-	-	-	31,001
Intergovernmental	199,041	607,669	65,313	1,945,157	36,110	358,019	3,211,309
Licenses and permits	1,008	-	-	17,176	-	-	18,184
Charges for service	204,783	-	-	-	-	2,731	207,514
Use of money and property	116,290	-	-	300	-	778	117,368
Fines, forfeitures and defaults	-	-	-	-	-	-	-
Miscellaneous	147,890	48,753	-	187,569	1,194,544	6,657	1,585,413
<b>Total Revenues</b>	<b>2,504,916</b>	<b>1,102,591</b>	<b>1,156,061</b>	<b>2,150,202</b>	<b>1,230,654</b>	<b>368,185</b>	<b>8,512,609</b>
<b>Expenditures:</b>							
<b>Operating:</b>							
Public safety and legal service	1,271,799	-	-	-	-	285	1,272,084
Physical health and social services	306,926	-	-	-	-	-	306,926
Mental Health	-	1,148,982	-	-	-	-	1,148,982
County environment and education	245,699	-	120,047	-	-	191,417	557,163
Roads and transportation	10,455	-	-	2,806,825	-	-	2,817,280
Governmental services to residents	300,668	-	-	-	-	4,000	304,668
Administration	937,732	-	-	-	-	-	937,732
Non-program	54,487	-	-	-	1,981,919	-	2,036,406
Capital projects	-	-	-	368,521	-	-	368,521
<b>Total expenditures</b>	<b>3,127,766</b>	<b>1,148,982</b>	<b>120,047</b>	<b>3,175,346</b>	<b>1,981,919</b>	<b>195,702</b>	<b>9,749,762</b>
Excess (deficiency) of revenues over (under) expenditures	(622,850)	(46,391)	1,036,014	(1,025,144)	(751,265)	172,483	(1,237,153)
<b>Other financing sources (uses):</b>							
Sale of capital assets	2,729	-	-	-	-	-	2,729
Operating transfers in	-	-	-	1,093,030	-	-	1,093,030
Operating transfers out	(86,286)	-	(1,006,744)	-	-	-	(1,093,030)
Drainage warrants/drainage improvement improvement certificates issued	-	-	-	-	768,319	-	768,319
<b>Total other financing sources (uses)</b>	<b>(83,557)</b>	<b>-</b>	<b>(1,006,744)</b>	<b>1,093,030</b>	<b>768,319</b>	<b>-</b>	<b>771,048</b>
<b>Net change in fund balances</b>	<b>(706,407)</b>	<b>(46,391)</b>	<b>29,270</b>	<b>67,886</b>	<b>17,054</b>	<b>172,483</b>	<b>(466,105)</b>
Fund balances beginning of year	1,399,161	352,260	121,670	2,013,442	343,096	406,165	4,635,794
Fund balances end of year	\$ 692,754	305,869	150,940	2,081,328	360,150	578,648	4,169,689

See notes to the financial statements.

HUMBOLDT COUNTY

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2004

**Net change in fund balances - Total governmental funds (page - 15)** \$ (466,105)

*Amounts reported for governmental activities in the Statement of  
Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,450,084	
Depreciation expense	<u>(378,432)</u>	1,071,652

Drainage improvement costs that are expensed when paid for governmental fund reporting but matched with the revenues for governmental activities	<u>632,553</u>	632,553
--	----------------	---------

Because of revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property tax	2,007	
Drainage assessments	<u>(241,978)</u>	(239,971)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is and expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Drainage warrants issued	(768,319)	
Drainage warrants repaid	<u>1,213,623</u>	445,304

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(8,320)	
Landfill closure liability	<u>-</u>	(8,320)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.		<u>(39,764)</u>
--	--	-----------------

**Changes in net assets of governmental activities (page 12)** \$ 1,395,349

See notes to the financial statements

HUMBOLDT COUNTY

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2004

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash	<u>\$ 25</u>
Total assets	25
<b>Liabilities</b>	
Accounts payable	<u>9,087</u>
<b>Net Assets</b>	
Deficit	<u><u>\$ (9,062)</u></u>

See notes to the financial statements.

HUMBOLDT COUNTY

Exhibit H

Statement of Revenues, Expenses and Changes  
in Fund Net Assets (Deficit)

Year ended June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Operating revenues	
Reimbursements from operating funds	\$ 48,742
Total operating revenues	<u>48,742</u>
Operating expenses	
Medical claims	81,633
Administrative fees	6,800
Miscellaneous	142
	<u>88,575</u>
Non-operating revenues:	
Interest income	69
Net (loss)	<u>(39,764)</u>
Net assets beginning of year	<u>30,702</u>
Net assets (deficit) end of year	<u><u>\$ (9,062)</u></u>

See notes to the financial statements.

HUMBOLDT COUNTY

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 48,742
Cash paid to suppliers for service	<u>(88,489)</u>
Net cash (used) by operating activities	(39,747)
Cash flows from investing activities	<u>69</u>
Net decrease in cash and cash equivalents	(39,678)
Cash beginning of year	<u>39,703</u>
Cash end of year	<u><u>25</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating (loss)	(39,833)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>86</u>
Net cash (used) by operating activities	<u><u>\$ (39,747)</u></u>

See notes to the financial statements.

HUMBOLDT COUNTY

Exhibit J

Statement of Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2004

Assets	
Cash and pooled investments	
County Treasurer	\$ 567,296
Other County officials	14,173
Property tax receivable	
Delinquent	46,749
Succeeding year	9,333,538
Due from other governments	<u>12,129</u>
 Total Assets	 <u>9,973,885</u>
 Liabilities	
Accounts payable	12,569
Salaries and benefits payable	2,446
Due to other governments	9,953,995
Trusts payable	-
Compensated absences	<u>4,875</u>
 Total Liabilities	 <u>9,973,885</u>
 Net Assets	 <u><u>\$ -</u></u>

See notes to the financial statements.

**HUMBOLDT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Humboldt County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with US generally accepted accounting principals as prescribed by the Government Accounting Standards Board.

A. – Reporting Entity

For financial reporting purposes, the County has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The County 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 County are such that exclusion would cause the County'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 County 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 County.

These financial statements present Humboldt County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred twenty four drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Humboldt County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Humboldt County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is not ongoing financial interest or responsibility by the participating governments.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Joint Law Enforcement Board, Co-City Transportation, Humboldt County E-911 Services Board, Humboldt County Landfill Commission, Joint Administrative Board of Disaster Services, Region Five Task Force, Humboldt County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

#### B. - Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues 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 expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Drainage districts Fund is used to account for drainage district improvements and the assessments that are levied to pay for them.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**HUMBOLDT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of \$5,000 and estimated useful lives of more than two years.

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the non-program and capital projects functions and disbursements in certain departments exceeded the amounts appropriated.

#### NOTE 2. – CASH AND POOLED INVESTMENTS

The County's bank deposits (including \$500,000 in certificates of deposit and \$4,029,814 money market savings accounts) at June 30, 2004 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 County 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 Board of Supervisors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-ended management investment companies; certain joint investment trusts; and warrants or certain certificates of a drainage district.

**HUMBOLDT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. – CASH AND POOLED INVESTMENTS – continued**

The County’s investments are categorized to give an indication of the level of risk assumed by the County at year end. The County’s investments are all Category 1 which means that the investments are insured or registered or the securities are held by the County or its agent in the County’s name.

Investments are stated at fair value.

The County’s investments at June 30, 2004 are as follows:

Type	Fair Value
Stamped Drainage Warrants	\$ 568,478

**NOTE 3. - PENSION AND RETIREMENT BENEFITS**

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$135,731, \$135,982, and \$132,171 respectively, equal to the required contributions for each year.

**NOTE 4. - DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2004, is as follows:

Receivable Fund	Payable Fund	Amount
General		
	Special Revenue:	
	Mental Health	\$ 45,636
	Secondary Road	409
		\$ 46,045

The balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made

**HUMBOLDT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. - DUE TO OTHER GOVERNMENTS**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 1,887
Special Revenue:		
Mental health	Services	57,677
Secondary road	Services	145
		<u>57,822</u>
Total for governmental funds		<u>\$ 59,709</u>
Trust and Agency:		
Agricultural Extension Education		\$ 112,479
County Assessor		220,254
Schools		6,308,824
Community Colleges		322,312
Corporations		2,085,182
Townships		115,396
Auto License and Use Tax		207,808
Hospital		293,395
Special Appraisals		169,560
All other		<u>118,785</u>
Total for agency funds		<u>\$ 9,953,995</u>

**NOTE 6. – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from:</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 86,286
	Special Revenue	
	Rural Services	1,006,744
		<u>\$ 1,093,030</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**HUMBOLDT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2004 was as follows:

<b>Governmental Activities</b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets not being depreciated:				
Land	-	2,500		2,500
Capital Assets being depreciated:				
Buildings and improvements	\$ 2,253,392	57,200	-	2,310,592
Equipment and vehicles	4,541,076	642,683	353,801	4,829,958
Infrastructure, road network	-	747,701	-	747,701
Total capital assets being depreciated	6,794,468	1,447,584	353,801	7,888,251
Less accumulated depreciation for:				
Buildings and improvements	1,272,338	61,713	-	1,334,051
Equipment and vehicles	3,934,807	278,840	353,801	3,859,846
Infrastructure, road network	-	37,879	-	37,879
Total accumulated depreciation	5,207,145	378,432	353,801	5,231,776
Total capital assets being depreciated, net	1,587,323			2,656,475
Governmental activities capital assets, net	\$ 1,587,323			2,658,975

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety	\$ 31,189
Roads and Transportation	203,245
Administration	143,998
	<u>\$ 378,432</u>

**NOTE 8. – CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	Postclosure Costs	Drainage Warrants	Compensated Absences	Total
Balance beginning of year	\$ 57,262	\$ 1,342,727	\$ 77,986	\$ 1,477,975
Increases	-	768,319	-	776,640
Decreases	-	<u>(1,213,623)</u>	<u>8321</u>	<u>(1,213,623)</u>
Balance end of year	<u>\$ 57,262</u>	<u>\$ 897,423</u>	<u>\$ 86,307</u>	<u>\$ 1,040,992</u>

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 8. – CHANGES IN LONG-TERM LIABILITIES - continued**

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvements certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants are paid from the Special Revenue Fund solely from special assessments against benefited properties.

#### **NOTE 9. - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and emissions; injuries to employees; and natural disasters. The County carries commercial insurance to insure property, liability, worker's compensation and employees. Settled claims resulting from those risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **NOTE 10. - EMPLOYEE HEALTH INSURANCE PLAN**

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with T.P.A., Ltd. The agreement is subject to automatic renewal provisions.

Monthly contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. These contributions represent the difference between premiums required for a higher deductible and those for a lower deductible. Payments from the Internal Service, Employee Group Health Fund are for insurance premiums, employee reimbursements of medical claims up to the individual's funded deductible and administrative costs. The County's contribution for the year ended June 30, 2004 was \$48,742.

#### **NOTE 11. – CONTRACTS**

On July 1, 1996, Humboldt County entered into an agreement with the Humboldt County Memorial Hospital with the understanding that the former County Nurses office would be operated by and the nurses would be employed by the hospital. All income associated with the nurses is to go to the hospital. The County also agreed to budget and appropriate funds for services performed by the hospital for which insufficient payment or no payment was received.

The annual budgeted amount which was paid to the hospital was \$75,000.

Also in accordance with the agreement, the County is responsible for accumulated sick leave for nurses of record as of June 30, 2004. The liability amounted to \$28,483 as of June 30, 2004, and is recorded in the long-term debt account group.

**HUMBOLDT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12. - CLOSURE AND POSTCLOSURE CARE COSTS**

The County participates in an agreement with the Humboldt County Solid Waste Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The Humboldt County Sanitary Landfill closed in 1995 and in compliance with federal and state regulations, the Commission is required to provide financial assurance for the postclosure care period. The County has provided a Local Government Guarantee for postclosure costs of the landfill as per Chapter 111.6(3) of the Iowa Administrative Code. The total costs for postclosure care at the Humboldt County Sanitary Landfill have been estimated at \$374,745 as of June 30, 2004 and is the amount being assured by the County through the Local Government Guarantee.

Humboldt County, while guaranteeing the complete postclosure costs for the Humboldt County Solid Waste Commission, has recorded in the long term debt account group \$57,262 to reflect their estimate of the present value of their share (32%) of the postclosure costs for the Humboldt County Solid Waste Commission. During the year ended June 30, 2004, Humboldt County paid no fees to the Humboldt County Solid Waste Commission.

**NOTE 13. - JOINTLY GOVERNED ORGANIZATION**

Humboldt County participates in the Humboldt County Law Enforcement Center (LEC), a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an agency fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2004:

Additions:

Contributions from governmental units:

Humboldt County	\$ 151,731	
City of Humboldt	<u>59,608</u>	
		\$ 211,339

Deductions:

Salaries	\$ 116,801	
Benefits	55,667	
Office supplies	6,172	
Uniforms	112	
Telephone	3,935	
Utilities	6,689	
Training	563	
Insurance	5,435	
Miscellaneous	<u>24,006</u>	
		<u>219,380</u>

Net		\$ (8,041)
Balance beginning of year		<u>50,945</u>
Balance end of year		<u><u>\$ 42,904</u></u>

**HUMBOLDT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 14. - ECONOMIC DEVELOPMENT**

During the year ended June 30, 2003, Humboldt County assisted a local manufacturer to obtain loans for which a fiduciary responsibility exists for the county. The balances outstanding on the loans at June 30, 2004 were approximately \$27,000 and \$155,000. The notes mature in 2004-2005, and 2008-2009 fiscal years respectively. Humboldt County's responsibility is to make contact with the company to ensure payments are being made timely and to assist the Iowa Department of Economic Development in collecting any outstanding balance should the need arise. Humboldt County is contingently liable on these loan agreements.

**NOTE 15. – ACCOUNTING CHANGE AND RESTATEMENTS**

Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences* were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements report the County's governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Amount
Net Assets July 1, 2003 as previously reported	\$ 4,635,794
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$5,207,145	1,587,323
Internal Service Fund	30,702
Long Term Liabilities	(1,477,975)
Deferral of long-term assets	550,442
	\$ 5,326,286

**Required Supplementary Information**

HUMBOLDT COUNTY

BUDGETARY COMPARISON SCHEDULE  
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2004

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property tax and other county tax	\$ 3,214,614	-	3,214,614
Interest and penalty on property tax	31,001	-	31,001
Intergovernmental	3,280,250	-	3,280,250
Licenses and permits	17,076	-	17,076
Charges for service	240,663	-	240,663
Use of money and property	117,245	-	117,245
Miscellaneous	2,359,137	1,998,974	360,163
	<u>9,259,986</u>	<u>1,998,974</u>	<u>7,261,012</u>
<b>Disbursements:</b>			
<b>Program</b>			
Public safety and legal services	1,266,431	-	1,266,431
Physical health and social services	304,543	-	304,543
Mental health	1,021,751	-	1,021,751
County environment and education	577,846	-	577,846
Roads and transportation	2,837,562	-	2,837,562
Government services to residents	298,676	-	298,676
Administration	943,978	-	943,978
Capital Projects	368,521	-	368,521
Non-program	2,019,909	1,965,422	54,487
	<u>9,639,217</u>	<u>1,965,422</u>	<u>7,673,795</u>
Excess (deficiency) of receipts over disbursements	(379,231)	33,552	(412,783)
Other financing sources	4,254	-	4,254
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	(374,977)	33,552	(408,529)
Balance beginning of year	4,619,580	296,961	4,322,619
Balance end of year	<u>\$ 4,244,603</u>	<u>330,513</u>	<u>3,914,090</u>

See accompanying independent auditor's report

Budgeted Amounts		Final to Net Variance
Original	Final	
3,206,367	3,206,367	8,247
11,268	11,268	19,733
3,395,868	3,395,868	(115,618)
9,650	9,650	7,426
185,662	199,662	41,001
230,950	230,950	(113,705)
54,950	183,250	176,913
7,094,715	7,237,015	23,997
1,237,847	1,291,847	25,416
336,683	336,683	32,140
1,248,090	1,248,090	226,339
564,016	674,616	96,770
2,646,577	3,290,176	452,614
301,135	301,135	2,459
876,127	954,127	10,149
490,000	1,097,059	728,538
55,000	55,000	513
7,755,475	9,248,733	1,574,938
(660,760)	(2,011,718)	1,598,935
58,487	58,487	(54,233)
(602,273)	(1,953,231)	1,544,702
3,402,255	3,402,255	920,364
2,799,982	1,449,024	2,465,066

HUMBOLDT COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,259,986	(747,377)	8,512,609
Expenditures	9,639,217	110,545	9,749,762
Net	(379,231)	(857,922)	(1,237,153)
Other Financing Sources, net	4,254	766,794	771,048
Beginning Fund Balances	4,619,580	16,214	4,635,794
Ending Fund Balances	\$ 4,244,603	(74,914)	4,169,689

See accompanying independent auditor's report.

## HUMBOLDT COUNTY

### Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. One hundred and twenty-four drainage districts have been included as a blended component unit in the financial statements. The finances for the drainage districts are not required to be budgeted and therefore the revenues and expenditures for the drainage districts have been removed from the actual results column contained on the Budgetary Comparison Schedule (page 34).

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$1,493,258. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

## **Other Supplementary Information**

HUMBOLDT COUNTY, IOWA

Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2004

Assets	Special Revenue				
	Record's Management	REAP	Jail Assessments	Community Betterment LOST	Secondary Roads LOST
Cash and investments	\$ 10,212	58,661	13,480	94,641	339,907
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts receivable	618	-	72	-	-
Accrued interest	4	55	-	-	-
Drainage assessments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	132	-	4,907	11,531
Inventory	-	-	-	-	-
<b>Total Assets</b>	<b>10,834</b>	<b>58,848</b>	<b>13,552</b>	<b>99,548</b>	<b>351,438</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	2,000	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Other	-	-	-	-	-
<b>Total Liabilities</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>					
Reserved for:					
Drainage warrants/drainage improvement certificates	-	-	-	-	-
Resource enhancement and protection	-	58,848	-	-	-
Unreserved, reported in:					
Special revenue funds	8,834	-	13,552	99,548	351,438
<b>Total fund balances</b>	<b>8,834</b>	<b>58,848</b>	<b>13,552</b>	<b>99,548</b>	<b>351,438</b>
<b>Total liabilities and fund balance</b>	<b>\$ 10,834</b>	<b>58,848</b>	<b>13,552</b>	<b>99,548</b>	<b>351,438</b>

See Independent Auditor's Report

Special Revenue							
Schools	Conservation Land Acquisition				Seniors and Lawman	Recorder's Electronic Fees	Total
LOST	Trust	DARE	K9				
-	214	10,891	2,703	720	22,735	554,164	
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	690
-	-	-	-	-	-	14	73
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,096	-	-	-	-	-	1,055	25,721
-	-	-	-	-	-	-	-
8,096	214	10,891	2,703	720	23,804	580,648	
-	-	-	-	-	-	-	2,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	58,848
8,096	214	10,891	2,703	720	23,804	519,800	
8,096	214	10,891	2,703	720	23,804	578,648	
8,096	214	10,891	2,703	720	23,804	580,648	

HUMBOLDT COUNTY, IOWA

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2004

	Special Revenue					
	Record's Management	REAP	Jail Assessments	Community Betterment LOST	Secondary Roads LOST	Schools LOST
Revenues						
Property and other county tax	\$ -	-	-	-	-	-
Interest and penalty on property tax	-	-	-	-	-	-
Intergovernmental	-	9,422	-	64,970	152,681	107,202
Licenses and permits	-	-	-	-	-	-
Charges for service	2,731	-	-	-	-	-
Use of money and property	58	660	-	-	-	-
Fines, forfeitures and defaults	-	-	-	-	-	-
Miscellaneous	-	-	5,543	-	-	-
<b>Total Revenues</b>	<b>2,789</b>	<b>10,082</b>	<b>5,543</b>	<b>64,970</b>	<b>152,681</b>	<b>107,202</b>
Expenditures:						
Operating:						
Public safety and legal service	-	-	230	-	-	-
Physical health and social services	-	-	-	-	-	-
Mental Health	-	-	-	-	-	-
County environment and education	-	11,752	-	50,000	-	129,665
Roads and transportation	-	-	-	-	-	-
Governmental services to residents	4,000	-	-	-	-	-
Administration	-	-	-	-	-	-
Non-program	-	-	-	-	-	-
<b>Total expenditures</b>	<b>4,000</b>	<b>11,752</b>	<b>230</b>	<b>50,000</b>	<b>-</b>	<b>129,665</b>
Excess (deficiency) of revenues over (under) expenditures	(1,211)	(1,670)	5,313	14,970	152,681	(22,463)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Drainage warrants/drainage improvement improvement certificates issued	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(1,211)	(1,670)	5,313	14,970	152,681	(22,463)
Fund balances beginning of year	10,045	60,518	8,239	84,578	198,757	30,559
Fund balances end of year	\$ 8,834	58,848	13,552	99,548	351,438	8,096

See Independent Auditor's Report

Special Revenue						
Conservation Land Acquisition Trust	DARE	K9	Seniors and Lawman	Recorder's Electronic Fees	Total	
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	23,744	-	358,019
-	-	-	-	-	-	-
-	-	-	-	-	-	2,731
-	-	-	-	60	-	778
-	-	-	-	-	-	-
-	159	180	775	-	-	6,657
-	159	180	775	23,804	-	368,185
-	-	-	55	-	-	285
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	191,417
-	-	-	-	-	-	-
-	-	-	-	-	-	4,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	55	-	-	195,702
-	159	180	720	23,804	-	172,483
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	159	180	720	23,804	-	172,483
214	10,732	2,523	-	-	-	406,165
214	10,891	2,703	720	23,804	-	578,648

HUMBOLDT COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2004

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Schools</u>
Assets:				
Cash and Pooled Investments:				
County Treasurer	\$ -	1,483	109,257	87,123
Other County officials	14,173	-	-	-
Receivables:				
Property tax:				
Delinquent	-	444	457	24,096
Succeeding year	-	110,552	113,963	6,197,605
Due from other governments	-	-	-	-
Total assets	<u>14,173</u>	<u>112,479</u>	<u>223,677</u>	<u>6,308,824</u>
Liabilities				
Accounts payable	-	-	540	-
Salaries and benefits payable	-	-	-	-
Due to other governments	14,173	112,479	220,254	6,308,824
Trusts payable	-	-	-	-
Compensated absences	-	-	2,883	-
Total liabilities	<u>\$ 14,173</u>	<u>112,479</u>	<u>223,677</u>	<u>6,308,824</u>

See Independent Auditor's Report

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>Other</u>	<u>Total</u>
4,155	21,456	1,725	342,097	567,296
-	-	-	-	14,173
1,266	18,683	52	1,751	46,749
316,891	2,045,043	113,619	435,865	9,333,538
-	-	-	12,129	12,129
<u>322,312</u>	<u>2,085,182</u>	<u>115,396</u>	<u>791,842</u>	<u>9,973,885</u>
-	-	-	12,029	12,569
-	-	-	2,446	2,446
322,312	2,085,182	115,396	775,375	9,953,995
-	-	-	-	-
-	-	-	1,992	4,875
<u>322,312</u>	<u>2,085,182</u>	<u>115,396</u>	<u>791,842</u>	<u>9,973,885</u>

HUMBOLDT COUNTY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities:				
Balance beginning of year	\$ 20,582	105,743	196,975	\$ 6,242,367
Additions:				
Property tax and other County tax	-	118,627	114,479	6,220,249
E911 surcharge	-	-	-	-
State tax credits	-	3,048	12,754	625,907
State allocation	-	-	-	-
Drivers license fees	-	-	-	-
Office fees, collections and misc.	233,833	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	17,272	-	-	-
Miscellaneous	-	-	-	-
Total additions	271,687	227,418	324,208	13,088,523
Deductions:				
Agency remittances:				
To other funds	68,160	-	-	-
To other governments	172,082	114,939	100,531	6,779,699
Trusts paid out	17,272	-	-	-
Total deductions	257,514	114,939	100,531	6,779,699
Balance end of year	\$ 14,173	112,479	223,677	\$ 6,308,824

See Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	Other	Total
<u>295,760</u>	<u>1,922,879</u>	<u>108,196</u>	<u>713,297</u>	<u>9,605,799</u>
318,357	1,981,030	116,808	424,439	9,293,989
-	-	-	38,950	38,950
29,758	178,293	10,924	26,435	887,119
-	-	-	23,160	23,160
-	-	-	64,953	64,953
-	-	-	89,882	323,715
-	-	-	2,454,470	2,454,470
-	-	-	334,024	334,024
-	-	-	-	17,272
-	-	-	6,070	6,070
<u>643,875</u>	<u>4,082,202</u>	<u>235,928</u>	<u>4,175,680</u>	<u>23,049,521</u>
-	-	-	-	68,160
321,563	1,997,020	120,532	3,383,838	12,990,204
-	-	-	-	17,272
<u>321,563</u>	<u>1,997,020</u>	<u>120,532</u>	<u>3,383,838</u>	<u>13,075,636</u>
<u>322,312</u>	<u>2,085,182</u>	<u>115,396</u>	<u>791,842</u>	<u>9,973,885</u>

HUMBOLDT COUNTY

Schedule 5

Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds

For the last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
<b>Revenues:</b>				
Property and other county tax	\$ 3,341,820	3,585,217	3,134,070	2,960,153
Interest and penalty on property tax	31,001	30,693	35,893	27,029
Intergovernmental	3,211,309	2,667,489	2,401,947	2,450,951
Licenses and permits	18,184	10,675	18,873	10,068
Charges for service	207,514	231,676	245,756	288,370
Use of Money and Property	117,368	163,341	239,018	338,445
Miscellaneous	1,585,413	414,167	99,907	215,360
<b>Total</b>	<b>8,512,609</b>	<b>7,103,258</b>	<b>6,175,464</b>	<b>6,290,376</b>
<b>Expenditures</b>				
<b>Current</b>				
Public Safety and legal services	1,272,084	1,166,067	1,102,681	1,092,020
Physical health and social services	306,926	382,009	361,359	372,092
Mental health	1,148,982	1,143,230	1,147,205	1,187,792
County environment and education	557,163	439,132	410,294	428,614
Roads and transportation	2,817,280	1,733,240	1,819,891	1,756,505
Governmental services to residents	304,668	253,942	246,769	226,894
Administration	937,732	892,853	737,913	720,632
Non-program	2,036,406	1,598,564	783,608	298,752
Capital Projects	368,521	393,622	458,885	-
<b>Total</b>	<b>\$ 9,749,762</b>	<b>8,002,659</b>	<b>7,068,605</b>	<b>6,083,301</b>

See Independent Auditor's report.

# T.P. ANDERSON & COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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HUMBOLDT, IOWA 50548

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Humboldt County  
Board of Supervisors

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Humboldt County as of and for the year ended June 30, 2004, and have issued our report thereon dated January 18, 2005. Our report noted the adoption of GASB 34 during the year ended June 30, 2004. We conducted our audit in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Humboldt County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and Humboldt's, 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 interpretation of those statutes. Prior year statutory comments have been resolved.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Humboldt County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Humboldt County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in Part II of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the item 04-II-A is a material weakness. Prior year reportable conditions have been resolved except for 04-II-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Humboldt County and other parties to whom Humboldt County may report. 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 Humboldt County 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 & Co, P.C.*

January 18, 2005

**HUMBOLDT COUNTY**  
**SCHEDULE OF FINDINGS**  
**Year Ended June 30, 2004**

Part I: Summary of Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**HUMBOLDT COUNTY**  
**SCHEDULE OF FINDING**  
**Year Ended June 30, 2004**

Part II: Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No Matters were reported.

REPORTABLE CONDITIONS:

04-II-A Segregation of Duties - During our examination of the system of internal accounting control, the existing procedures are evaluated in order to determine that incompatible duties, from a control viewpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore, minimizes the accuracy of the County's financial statements. We noted that in the Auditor's, Treasurer's, Recorder's, and Sheriff's offices receipts, record keeping, and reconciling functions are at times handled by one office employee.

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

Response and Corrective Action Planned - We have reviewed procedures and plan to utilize our current employees to maximize to the extent possible, internal control.

Conclusion - Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

04-III-A Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.

04-III-B Certified Budget - Disbursements during the year ended June 30, 2004 did not exceed amounts budgeted.

We noted that while the overall budget for Humboldt County was not overexpended, the budget for the Emergency Management Services budget was overexpended for the year ended June 30, 2004.

Recommendation - The budget for the Emergency Management Services should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget when required.

Conclusion - Response accepted.

04-III-C Questionable Expenditures - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney Generals opinion dated April 25, 1979.

## HUMBOLDT COUNTY

### SCHEDULE OF FINDING Year Ended June 30, 2004

- 04-III-D Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 04-III-E Business Transactions - No business transactions between the County and County Officials or employees were noted.
- 04-I-F Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- 04-III-G Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 04-III-H Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 04-III-I Resource Enhancement and Protection Certification -The County properly dedicated property tax revenue & conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (6)(3).
- 04-III-J County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.