

HUMBOLDT COUNTY

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

JUNE 30, 2006

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

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor’s Report	2-3
Management’s Discussion and Analysis	4-11
Basic Financial Statements	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 12
Statement of Activities	B 13
Governmental Fund Financial Statements:	
Balance Sheet	C 14
Reconciliation of the Balance Sheet – Governmental Funds to Statement of Net Assets	D 15
Statement of Revenues, Expenditures And Changes in Fund Balances	E 16
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds to Statement of Activities	F 17
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 18
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 19
Statement of Cash Flows	I 20
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 21
Notes to Financial Statements	22-36
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements And Changes in Balances – Budget and Actual (Cash Basis) All Governmental Funds	37
Budgetary Comparison Schedule – Budget to GAAP Reconciliation	38
Notes to Required Supplementary Information – Budgetary Reporting	39

Table of Contents - continued

Other Supplementary Information	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	41
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	42
Combining Statement of Changes in Fiduciary Assets and Liabilities	4	43
Schedule of Revenues by Source and Expenditures By Function - All Governmental Funds	5	44
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		45-46
Schedule of Findings		47-49

HUMBOLDT COUNTY

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
John (Mort) Christianson	12-31-2008	Supervisor
Harley Hett	12-31-2010	Supervisor
Carl Mattes	12-31-2010	Supervisor
Harlan Hansen	12-31-2010	Supervisor
Jerry Haverly	12-31-2008	Supervisor
Peggy Rice	12-31-2008	County Auditor
Jana Bratland	12-31-2010	County Treasurer
Linda Fort	12-31-2010	County Recorder
Dean Kruger	12-31-2008	County Sheriff
Linda Fallesen	Appointed	Assessor
Jennifer Benson	12-31-2010	County Attorney

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, 2006, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, each major fund and the aggregate remaining fund information of Humboldt County at June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 12, 2007 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered 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 11 and 37 through 39 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, 2005 (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 22, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2006 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental funds increased 15%, or approximately \$1,204,000, from fiscal 2005 to fiscal 2006. Property and other county tax increased approximately \$785,000, Capital and operating grants increased approximately \$197,000.
- ◆ Program expenses were 3%, or approximately \$214,000, more in fiscal 2006 than in fiscal 2005. Roads and transportation expense increased approximately \$116,000 and non-program expenses decreased approximately \$124,000.
- ◆ The County's net assets increased 26%, or approximately \$2,055,000, from June 30, 2005 to June 30, 2006.

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. The county has changed insurance plans and no longer maintains the self insurance fund. It will be eliminated in the fiscal year 2007.

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.

Reconciliation's between the government-wide financial statements and the fund financial statements follow the fund financial statements.

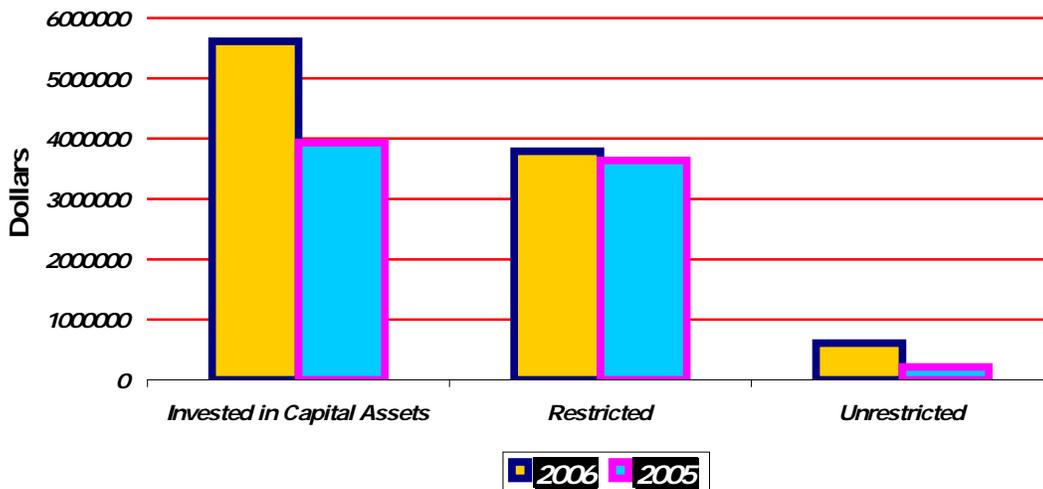
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Humboldt County's combined net assets increased from a year ago from \$7.8 million to \$9.8 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, 2006	June 30, 2005
Current and other assets	\$ 10,114	\$ 9,636
Capital Assets	5,586	3,934
Total Assets	<u>15,700</u>	<u>13,570</u>
Long-term debt outstanding	1,567	1,233
Other liabilities	4,291	4,551
Total Liabilities	<u>5,858</u>	<u>5,784</u>
Net Assets:		
Invested in capital assets	5,586	3,934
Restricted	3,698	3,638
Unrestricted	558	214
TOTAL NET ASSETS	<u>\$ 9,842</u>	<u>\$ 7,786</u>

Comparison of Net Assets

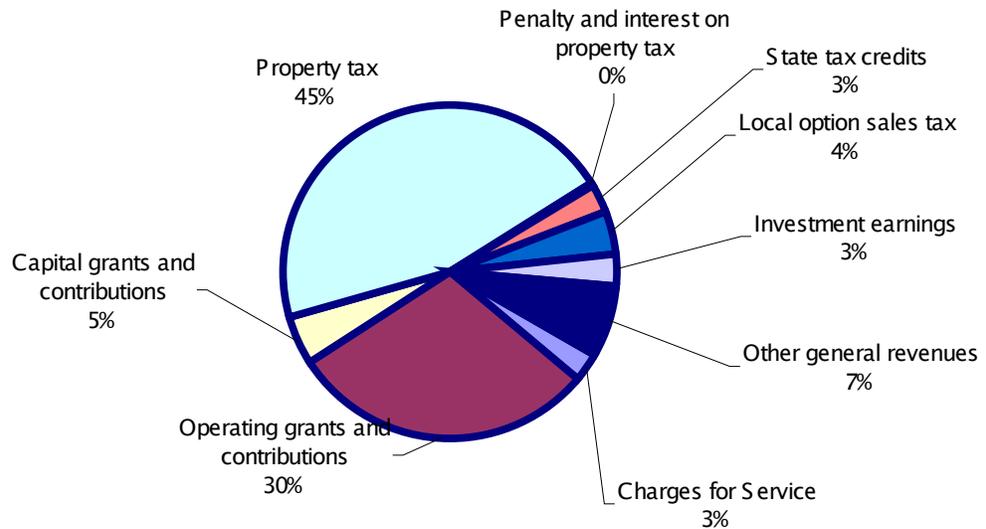


Net assets of Humboldt County’s governmental activities increased by approximately 26% (\$7.8 million compared to \$9.8 million). The largest portion of the County’s net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt, if any. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements – increased from approximately \$214,000 at June 30, 2005 to approximately \$558,000 at the end of this year.

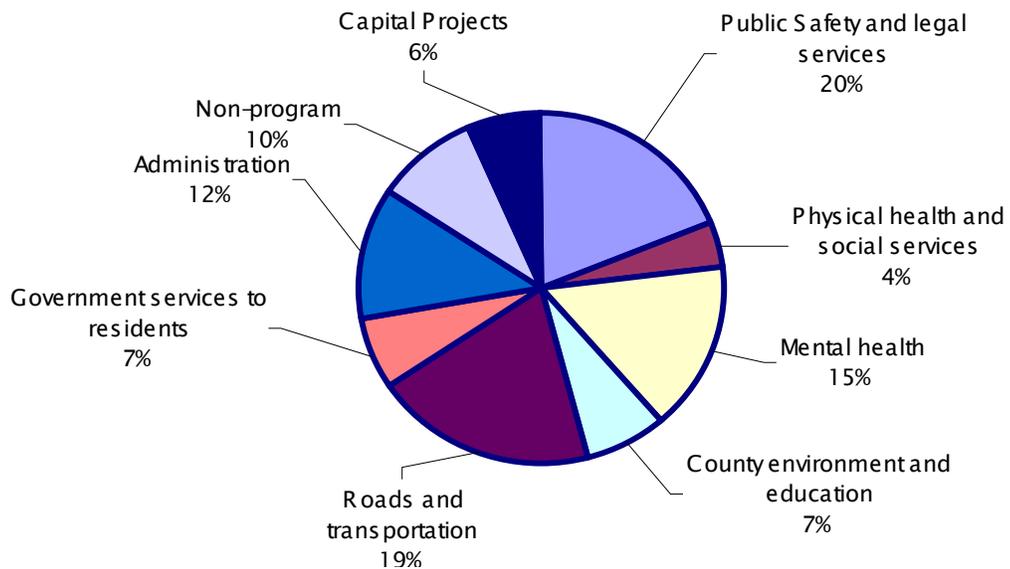
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

Revenues:	June 30, 2006	June 30, 2005
Program revenues:		
Charges for Service	\$ 251	\$ 278
Operating grants and contributions	2,725	2,665
Capital grants and contributions	625	488
General revenues:		
Property taxes	4,165	3,380
Penalty and interest on property tax	38	38
State tax credits	253	228
Local option sales tax	320	331
Unrestricted investment earnings	355	226
Other general revenues	722	616
	9,454	8,250
Program Expenses		
Public safety and legal services	1,333	1,291
Physical health and social services	290	265
Mental Health	1,110	1,128
County environment and education	494	539
Roads and transportation	1,351	1,235
Government services to residents	458	314
Administration	873	1,076
Non-program	1,054	1,178
Capital Projects	436	159
Total expenses	7,399	7,185
Increase in net assets	2,055	1,065
Net assets beginning of year, as restated	7,786	6,721
Net assets end of year	\$ 9,841	\$ 7,786

Revenue By Source



Expenditures By Program



Humboldt County increased property tax rates by \$1.7624 per \$1,000 of valuation in the county wide levy. Taxable value by levy without gas and electric utilities, the actual levy rate per \$1,000 of valuation, and total dollars levied are as follows:

	For Taxes Levied FY 2006	For Taxes Levied FY 2005
Countywide taxable value	\$ 426,789,498	\$ 422,118,764
Countywide levy rate	7.59059	5.82819
Dollars levied	3,239,584	2,460,188
Rural taxable value	255,372,328	253,410,426
Rural tax levy rate	3.95	3.95000
Dollars levied rural area only	1,008,721	1,000,971
Total countywide rate	11.54059	9.77819
Total dollars levied countywide	\$ 4,248,305	\$ 3,461,159

THE COUNTY’S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$4.7 million, which is approximately \$616,000 more than last year’s total.

The increase in fund balance is directly attributable to higher property tax collections.

General Fund revenues increased by approximately \$970,000 when compared to the prior year. The ending fund balance showed an increase from the prior year of \$598,000 to \$1,090,000.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,108,000. The Mental Health Fund balance at year ended increased by approximately \$58,000 from the prior year.

The Rural Services fund ended FY06 with a balance of \$76,000 compared to the prior year-end balance of \$100,000. The decrease of \$24,000 in the fund was mainly attributable to an increase in operating transfers out.

Secondary Roads Fund expenditures increased by approximately \$621,000 from the prior year, due principally to the construction of a new secondary road shop and bridge construction. The receipts and transfers in to the Secondary Road fund were not sufficient enough and there was a decrease in the Fund’s fund balance of \$81,000.

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 \$169,000 for the year ended June 30, 2006.

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 October of 2005 and resulted in an increase in budgeted expenditures of \$1,414,645 to pay for the new secondary road shop and additional road and bridge projects. The second amendment was made in February 2006. This amendment was made to provide for additional expenditures in certain County departments and resulted in an inversion of expenditures of \$53,200. The final amendment for the year was made on May 30, 2006 in order to approve additional expenditures in certain County departments and resulted in an increase in expenditures of 220,100.

The County did not exceed the budgeted amounts in any program service areas for the year ended June 30, 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Humboldt County had approximately \$5.6 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 \$1.7 million. The large increase is due in part to additional infrastructure added during the year.

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

	June 30,	
	2006	2005
Land	\$ 88	\$ 88
Buildings and improvements	1,204	881
Equipment and vehicles	1,278	1,038
Infrastructure	3,017	1,928
Total	\$ 5,587	\$ 3,935
This year's major additions included (in thousands):		
A new vehicle for the Sheriff's office		\$ 21
Election Equipment		129
Boiler – Courthouse		24
Box and Pipe projects		257
Bridge replacement		151
Two paved road projects		825
Replaced secondary road vehicles		350
Courthouse electrical upgrade		67
Maintenance Shed		328
Other		57
		\$ 2,209

The County had depreciation expense of \$556,775 during FY2006 and total accumulated depreciation of \$5,563,827 as of June 30, 2006.

LONG TERM DEBT

At June 30, 2006, Humboldt County had approximately \$1,567,000 in outstanding obligations. They are displayed below in the chart.

	Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)	
	2006	2005
Drainage warrants and improvement certificates	\$ 1,461	\$ 1,095
Landfill closure costs	54	57
Compensated absences	52	81
Total	<u>\$ 1,567</u>	<u>\$ 1,040</u>

Debt increased as a result of new drainage projects that are yet to be assessed to the landowners.

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 2007 budget, tax rates, and the fees that will be charged for various County activities.

Amounts available for appropriation in the operating budget are \$7.7 million, a decrease of 9 percent under the final 2006 budget. Property tax (benefiting from a slight 2006 rate increase and increases in assessed valuations) and grant receipts (boosted by increased State funding in several of our current programs) are expected to generate 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 decrease by approximately \$116,000 (1%). The County has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by June 30, 2007.

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.

Basic Financial Statements

HUMBOLDT COUNTY

Exhibit A

Statement of Net Assets

June 30, 2006

Assets

Cash and pooled investments	\$	4,721,276
Receivables		
Property tax:		
Delinquent		10,996
Succeeding year		4,007,353
Accounts		5,237
Accrued interest		16,239
Drainage assessments		520,802
Due from other governments		174,421
Inventory		75,768
Prepaid drainage improvement costs		581,673
Capital assets (net of accumulated depreciation)		<u>5,586,202</u>
Total assets	\$	<u><u>15,699,967</u></u>

Liabilities

Accounts payable	\$	218,277
Salaries and benefits payable		53,371
Due to other governments		12,768
Deferred revenue:		
Succeeding year property tax		4,007,353
Long-term liabilities:		
Portion due or payable within one year:		
Compensated absences		51,685
Portion due or payable after one year:		
Drainage warrants payable		1,461,225
Landfill closure liability		<u>53,849</u>
Total liabilities	\$	<u><u>5,858,528</u></u>

Net Assets

Invested in capital assets, net of related debt	\$	5,586,202
Restricted for:		
Supplemental levy purposes		403,148
Mental health purposes		261,522
Secondary road purposes		2,357,340
Other purposes		675,053
Unrestricted		<u>558,174</u>
Total net assts	\$	<u><u>9,841,439</u></u>

See Notes to the financial statements

HUMBOLDT COUNTY

Exhibit B

Statement of Activities

Year ended June 30, 2006

Functions/Programs	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	
Governmental activities:					
Public safety and legal services	\$ 1,332,677	34,068	32,717	-	\$ (1,265,892)
Physical health and social services	289,473	-	-	-	(289,473)
Mental health	1,109,614	-	610,115	-	(499,499)
County environment and education	494,454	27,830	34,557	-	(432,067)
Roads and transportation	1,351,367	-	2,024,547	-	673,180
Governmental services to residents	457,539	148,324	2,478	-	(306,737)
Administration	873,404	40,678	20,191	90,135	(722,400)
Non-program	1,054,027	-	-	-	(1,054,027)
Capital projects	436,146	-	-	534,200	98,054
	<u>\$ 7,398,701</u>	<u>250,900</u>	<u>2,724,605</u>	<u>624,335</u>	<u>(3,798,861)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					4,165,080
Penalty and interest on property tax					38,735
State tax credits					252,763
Local option sales tax					320,086
Unrestricted investment earnings					355,043
Miscellaneous					722,664
Total general revenues					<u>5,854,371</u>
Change in net assets					2,055,510
Net assets beginning of year					<u>7,785,929</u>
Net assets end of year					<u>\$ 9,841,439</u>

See notes to financial statements

HUMBOLDT COUNTY

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2006

Assets	Special Revenue					Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts		
Cash and investments	\$ 1,094,848	357,797	76,432	2,388,693	358,750	444,756	\$4,721,276
Receivables:							
Property tax:							
Delinquent	8,869	1,610	517	-	-	-	10,996
Succeeding year	2,509,872	455,537	1,041,944	-	-	-	4,007,353
Accounts receivable	1,450	-	-	3,787	-	-	5,237
Accrued interest	15,912	-	-	13	-	314	16,239
Drainage assessments	-	-	-	-	520,802	-	520,802
Due from other funds	820	-	-	-	-	851	1,671
Due from other governments	47,961	28,751	-	499	59,382	37,828	174,421
Inventory	-	-	-	75,768	-	-	75,768
	<u>3,679,732</u>	<u>843,695</u>	<u>1,118,893</u>	<u>2,468,760</u>	<u>938,934</u>	<u>483,749</u>	<u>9,533,763</u>
Liabilities and Fund Balance							
Liabilities							
Accounts payable	47,118	103,404	286	67,469	-	-	218,277
Salaries and benefits payable	21,141	5,708	-	26,522	-	-	53,371
Due to other funds	1,234	-	-	437	-	-	1,671
Due to other governments	1,868	10,679	-	221	-	-	12,768
Deferred revenue:							
Succeeding year property tax	8,107	1,471	517	-	-	-	10,095
Other	2,509,871	455,537	1,041,944	-	520,802	-	4,528,154
	<u>2,589,339</u>	<u>576,799</u>	<u>1,042,747</u>	<u>94,649</u>	<u>520,802</u>	<u>-</u>	<u>4,824,336</u>
Fund balances:							
Reserved for:							
Supplemental levy purposes	403,148	-	-	-	-	-	403,148
Drainage warrants/drainage improvement certificates	-	-	-	-	418,132	-	418,132
Resource enhancement and protection	-	-	-	-	-	81,211	81,211
Unreserved, reported in:							
General fund	687,245	-	-	-	-	-	687,245
Special revenue funds	-	266,896	76,146	2,374,111	-	402,538	3,119,691
	<u>1,090,393</u>	<u>266,896</u>	<u>76,146</u>	<u>2,374,111</u>	<u>418,132</u>	<u>483,749</u>	<u>4,709,427</u>
	<u>\$ 3,679,732</u>	<u>843,695</u>	<u>1,118,893</u>	<u>2,468,760</u>	<u>938,934</u>	<u>483,749</u>	<u>\$9,533,763</u>

See notes to financial statements

HUMBOLDT COUNTY

Exhibit D

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

June 30, 2006

Total governmental fund balances (page 14)	\$ 4,709,427
<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 \$11,177,328 and the accumulated depreciation is \$5,563,827.	5,586,202
Other long-term assets are not available to pay current period expenditures and therefore, are deferred in the funds.	530,896
Prepaid drainage improvement costs included as assets on the statement of net assets but not reported in the funds	581,673
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>(1,566,759)</u>
Net assets of governmental activities (page 12)	<u>\$ 9,841,439</u>

See notes to the financial statements.

HUMBOLDT COUNTY

Exhibit E

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

Year ended June 30, 2006

	Special Revenue					Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts		
Revenues							
Property and other county tax	\$2,729,104	446,849	990,237	-	-	-	4,166,190
Interest and penalty on property tax	38,735	-	-	-	-	-	38,735
Intergovernmental	333,569	636,877	62,989	2,024,547	534,200	329,607	3,921,789
Licenses and permits	1,280	-	-	21,277	-	-	22,557
Charges for service	246,794	-	-	-	-	4,106	250,900
Use of money and property	249,892	-	-	-	101,860	3,291	355,043
Fines, forfeitures and defaults	-	-	-	-	-	-	-
Miscellaneous	92,387	82,535	46	157,056	142,835	22,357	497,216
	<u>3,691,761</u>	<u>1,166,261</u>	<u>1,053,272</u>	<u>2,202,880</u>	<u>778,895</u>	<u>359,361</u>	<u>9,252,430</u>
Expenditures:							
Operating:							
Public safety and legal service	1,152,103	-	158,567	-	-	26,329	1,336,999
Physical health and social services	289,473	-	-	-	-	-	289,473
Mental Health	-	1,108,071	-	-	-	-	1,108,071
County environment and education	281,053	-	115,895	-	-	100,919	497,867
Roads and transportation	11,315	-	-	2,906,630	-	-	2,917,945
Governmental services to residents	455,440	-	2,099	-	-	-	457,539
Administration	964,090	-	-	-	-	20,972	985,062
Non-program	-	-	-	-	2,261,053	-	2,261,053
Capital projects	-	-	-	436,146	-	-	436,146
	<u>3,153,474</u>	<u>1,108,071</u>	<u>276,561</u>	<u>3,342,776</u>	<u>2,261,053</u>	<u>148,220</u>	<u>10,290,155</u>
Excess (deficiency) of revenues over (under) expenditures	538,287	58,190	776,711	(1,139,896)	(1,482,158)	211,141	(1,037,725)
Other financing sources (uses):							
Sale of capital assets	1,054	-	-	961	-	-	2,015
Operating transfers in	58,500	-	-	1,057,756	-	-	1,116,256
Operating transfers out	-	-	(800,756)	-	-	(315,500)	(1,116,256)
Drainage warrants/drainage improvement improvement certificates issued	-	-	-	-	1,651,603	-	1,651,603
	<u>59,554</u>	<u>-</u>	<u>(800,756)</u>	<u>1,058,717</u>	<u>1,651,603</u>	<u>(315,500)</u>	<u>1,653,618</u>
Net change in fund balances	597,841	58,190	(24,045)	(81,179)	169,445	(104,359)	615,893
Fund balances beginning of year	<u>492,552</u>	<u>208,706</u>	<u>100,191</u>	<u>2,455,290</u>	<u>248,687</u>	<u>588,108</u>	<u>4,093,534</u>
Fund balances end of year	<u>\$1,090,393</u>	<u>266,896</u>	<u>76,146</u>	<u>2,374,111</u>	<u>418,132</u>	<u>483,749</u>	<u>4,709,427</u>

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, 2006

Net change in fund balances - Total governmental funds (page - 16) \$ 615,893

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	2,208,680	
Depreciation expense	<u>(556,775)</u>	1,651,905

Drainage improvement costs that are expenditures paid for governmental fund reporting but matched with the revenues for governmental activities	<u>(78,719)</u>	(78,719)
--	-----------------	----------

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	(1,110)	
Drainage assessments	<u>200,877</u>	199,767

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	(1,651,603)	
Drainage warrants repaid	<u>1,285,745</u>	(365,858)

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	29,110	
Landfill closure liability	<u>3,413</u>	32,523

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. (1)

Changes in net assets of governmental activities (page 13) \$ 2,055,510

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, 2006

	Internal Service Employee Group Health
Operating revenues	
Reimbursements from operating funds	\$ -
Total operating revenues	<u>-</u>
Operating expenses	
Medical claims	-
Administrative fees	1
	<u>1</u>
Non-operating revenues:	
Interest income	-
Net (loss)	<u>(1)</u>
Net assets (deficit) beginning of year	<u>1</u>
Net assets end of year	<u><u>\$ -</u></u>

See notes to the financial statements.

HUMBOLDT COUNTY

Exhibit I

**Statement of Cash Flows
Proprietary Fund**

Year ended June 30, 2006

	<u>Internal Service Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ -
Cash paid to suppliers for service	(1)
Net cash (used) by operating activities	<u>(1)</u>
Cash flows from investing activities	<u>-</u>
Net decrease in cash and cash equivalents	(1)
Cash beginning of year	<u>1</u>
Cash end of year	<u><u>-</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating (loss)	(1)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>-</u>
Net cash (used) by operating activities	<u><u>\$ (1)</u></u>

See notes to the financial statements.

HUMBOLDT COUNTY

Exhibit J

**Statement of Fiduciary Assets and Liabilities
Agency Funds**

Year ended June 30, 2006

Assets	
Cash and pooled investments	
County Treasurer	\$ 597,667
Other County officials	16,291
Property tax receivable	
Delinquent	39,704
Succeeding year	9,202,666
Accounts Receivable	18,939
Due from other governments	8,000
Capital Assets	117,434
	<hr/>
Total Assets	10,000,701
	<hr/>
Liabilities	
Accounts payable	17,708
Salaries and benefits payable	3,401
Due to other governments	9,888,755
Notes payable	79,000
Trusts payable	10,168
Compensated absences	1,669
	<hr/>
Total Liabilities	10,000,701
	<hr/>
Net Assets	\$ -
	<hr/> <hr/>

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.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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, 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.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2005.

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.

**HUMBOLDT COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2006, 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.

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)
Building	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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, 2006. 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.

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.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. - Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 – CASH AND POOLED INVESTMENTS

The County's bank deposits (including \$4,610,764 money market savings accounts) at June 30, 2006 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.

The County's investments at June 30, 2006 are as follows:

<u>Type</u>	<u>Fair Value</u>
Stamped Drainage Warrants	<u>\$ 983,181</u>

Interest Rate Risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit Rate Risk. The County's investments are unrated.

Concentration of Credit Risk. The County places various limits on the amount that may be invested in any one issuer. More than 17% of the County's total cash and investments are invested in drainage warrants.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$156,042, \$150,386 and 135,731, 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, 2006, is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Recorder's Records Management	General Fund	\$ 641
Co. Rec. Electronic Fee	General Fund	210
General	Special Revenue	
	Secondary Road	437
General	General	
	Supplemental	383
		\$ 1,671

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	\$ <u>1,868</u>
Special Revenue:		
Mental health	Services	10,679
Secondary road	Services	<u>221</u>
		<u>10,900</u>
Total for governmental funds		<u>\$ 12,768</u>
Agency:		
Agricultural Extension Education	Collections	\$ 123,562
County Assessor		209,346
Schools		5,824,114
Community Colleges		304,244
Corporations		2,515,712
Townships		128,431
Auto License and Use Tax		92,265
Hospital		296,548
Special Appraisals		164,856
All other		<u>299,677</u>
Total for agency funds		<u>\$ 9,888,755</u>

NOTE 6 – INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from:</u>	<u>Amount</u>
General:	Special Revenue	
	Community Betterment	
	LOST	\$ 58,500
Special Revenue		
Secondary Roads	Special Revenue	
	Rural Services	800,756
	Secondary Road Lost	<u>257,000</u>
		<u>\$ 1,116,256</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, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets not being depreciated:				
Land	\$ 87,500	-	-	\$ 87,500
Capital Assets being depreciated:				
Buildings and improvements	2,279,970	394,440	-	2,674,410
Equipment and vehicles	4,997,907	566,266	487,258	5,076,916
Infrastructure, road network	2,063,229	1,247,974	-	3,311,203
Total capital assets being depreciated	9,341,106	2,208,680	487,258	11,062,529
Less accumulated depreciation for:				
Buildings and improvements	1,399,271	71,615	-	1,470,886
Equipment and vehicles	3,960,220	325,786	487,258	3,798,748
Infrastructure, road network	1,347,819	159,374	-	294,193
Total accumulated depreciation	5,494,310	556,775	487,258	5,563,827
Total capital assets being depreciated, net	3,846,796			5,498,702
Governmental activities capital assets, net	\$ 3,934,296			\$ 5,586,202

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety	\$ 34,596
Roads and Transportation	350,539
Administration	171,640
	<u>\$ 556,775</u>

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	Postclosure Costs	Drainage Warrants	Compensated Absences	Total
Balance beginning of year	\$ 57,262	\$ 1,095,367	\$ 80,795	\$ 1,233,424
Increases	-	1,651,603	-	1,651,603
Decreases	<u>3,413</u>	<u>1,285,745</u>	<u>29,110</u>	<u>1,318,268</u>
Balance end of year	<u>\$ 53,849</u>	<u>\$ 1,461,225</u>	<u>\$ 51,685</u>	<u>\$ 1,566,759</u>

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES - continued

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.

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 County health insurance plan was changed on July 1, 2004. The conversion eliminated the need for the Internal Service Fund. The plan was funded by both employee and County contributions.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

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.

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 \$365,180 as of June 30, 2006 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 \$53,849 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, 2006, Humboldt County paid \$3,413 in fees to the Humboldt County Solid Waste Commission.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

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, 2006:

Additions:		
Contributions from governmental units:		
Humboldt County	\$ 171,331	
City of Humboldt	67,309	
Other financing sources	<u>615</u>	
		\$ 239,255
Deductions:		
Salaries	\$ 131,968	
Benefits	56,874	
Office supplies	7,216	
Office equipment	2,757	
Uniforms	699	
Telephone	3,761	
Utilities	5,970	
Training	916	
Insurance	2,268	
Miscellaneous	<u>6,764</u>	
		<u>219,193</u>
Net		\$ 20,062
Balance beginning of year		<u>51,214</u>
Balance end of year		<u><u>\$ 71,276</u></u>

The LEC borrowed \$79,000 from a local bank during the year in order to finance certain new equipment purchased. The loan accrues interest at a rate of 5% and matures 11/01/2011. The future principal and interest payments on the loan are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2007	11,595	4,005
2008	12,183	3,417
2009	12,793	2,807
2010	13,449	2,151
2011	14,131	1,469
2012	<u>14,849</u>	<u>753</u>
	<u>79,000</u>	<u>14,602</u>

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – PROTECTION PAYEE PROGRAM

The community services office of Humboldt County supervises a protective payee program that provides assistance to certain residents with balancing their bank accounts and paying their bills. The County's responsibility for the program is limited to screening potential volunteers who in fact pay the bills and providing a location for a third party to review all transactions for appropriateness. At June 30, 2006 10 individuals were receiving assistance. The individuals being assisted held a total of \$11,453 as of June 30, 2006. The dollars in this program are insured by AARP.

NOTE 15 – LITIGATION

The County is subject to pending litigation seeking unspecified damages. The County plans to vigorously defend themselves and the probability of loss, if any is undeterminable.

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, 2006

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property tax and other county tax	\$ 4,475,003	-	4,475,003
Interest and penalty on property tax	38,735	-	38,735
Intergovernmental	3,766,595	534,200	3,232,395
Licenses and permits	21,363	-	21,363
Charges for service	253,204	-	253,204
Use of money and property	341,843	101,860	239,983
Miscellaneous	491,441	302,861	188,580
	<u>9,388,184</u>	<u>938,921</u>	<u>8,449,263</u>
Disbursements:			
Program			
Public safety and legal services	1,338,437	-	1,338,437
Physical health and social services	279,558	-	279,558
Mental health	1,130,760	-	1,130,760
County environment and education	509,596	-	509,596
Roads and transportation	2,979,356	-	2,979,356
Government services to residents	482,935	-	482,935
Administration	968,648	-	968,648
Capital Projects	408,794	-	408,794
Non-program	828,858	828,858	-
	<u>8,926,942</u>	<u>828,858</u>	<u>8,098,084</u>
Excess (deficiency) of receipts over disbursements	461,242	110,063	351,179
Other financing sources	2,227	-	2,227
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	463,469	110,063	353,406
Balance beginning of year	<u>4,257,807</u>	<u>248,687</u>	<u>4,008,904</u>
Balance end of year	<u>\$ 4,721,276</u>	<u>358,750</u>	<u>4,362,310</u>

See accompanying independent auditor's report

Budgeted Amounts		Final to Net Variance
Original	Final	
4,029,588	4,029,588	445,415
10,510	10,510	28,225
3,359,287	3,645,910	(413,515)
10,250	10,250	11,113
215,865	222,865	30,339
114,450	199,237	40,746
123,275	167,343	21,237
7,863,225	8,285,703	163,560
1,313,493	1,403,693	65,256
316,758	334,858	55,300
1,391,204	1,399,204	268,444
499,596	540,596	31,000
3,085,298	3,459,943	480,587
407,335	499,335	16,400
1,082,168	1,082,168	113,520
240,000	1,304,000	895,206
-	-	-
8,335,852	10,023,797	1,925,713
(472,627)	(1,738,094)	2,089,273
4,000	(113,000)	115,227
(468,627)	(1,851,094)	2,204,500
2,673,779	4,018,152	(9,248)
2,205,152	2,167,058	2,195,252

HUMBOLDT COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,388,184	(135,754)	9,252,430
Expenditures	8,926,942	1,363,213	10,290,155
Net	461,242	(1,498,967)	(1,037,725)
Other Financing Sources, net	2,227	1,651,391	1,653,618
Beginning Fund Balances	4,257,807	(164,273)	4,093,534
Ending Fund Balances	\$ 4,721,276	(11,849)	4,709,427

See accompanying independent auditor's report.

HUMBOLDT COUNTY

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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 37).

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 includes 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 \$1,687,945. 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.

During the year ended June 30, 2006 disbursements did not exceed the amounts budgeted in any function.

Other Supplementary Information

HUMBOLDT COUNTY

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2006

Assets	Special Revenue				
	Record's Management	REAP	Jail Assessments	Community Betterment LOST	Secondary Roads LOST
Cash and investments	\$ 10,532	75,987	528	107,201	230,556
Receivables:					
Property tax:					
Accounts receivable	-	-	-	-	-
Accrued interest	40	266	-	-	-
Due from other funds	641	-	-	-	-
Due from other governments	-	4,958	-	6,574	15,449
Total Assets	11,213	81,211	528	113,775	246,005
Liabilities and Fund Balance					
Liabilities					
Accounts payable	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Other	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Fund balances:					
Reserved for:					
Resource enhancement and protection	-	81,211	-	-	-
Unreserved, reported in:					
Special revenue funds	11,213	-	528	113,775	246,005
Total fund balances	11,213	81,211	528	113,775	246,005
Total liabilities and fund balances	\$ 11,213	81,211	528	113,775	246,005

See Independent Auditor's Report

Schedule 1

Special Revenue							
Schools	Conservation Land Acquisition				Seniors and Lawman	Recorder's Electronic Fees	Total
LOST	Trust	DARE	K9				
1,255	4,222	11,499	1,373		720	883	\$ 444,756
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8	314
-	-	-	-	-	-	210	851
10,847	-	-	-	-	-	-	37,828
12,102	4,222	11,499	1,373		720	1,101	483,749
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	81,211
12,102	4,222	11,499	1,373		720	1,101	402,538
12,102	4,222	11,499	1,373		720	1,101	483,749
12,102	4,222	11,499	1,373		720	1,101	\$ 483,749

HUMBOLDT COUNTY

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds**

Year ended June 30, 2006

	Special Revenue				
	Record's Management	REAP	Jail Assessments	Community Betterment LOST	Secondary Roads LOST
Revenues					
Intergovernmental	\$ -	9,521	-	64,017	150,441
Charges for service	2,456	-	1,650	-	-
Use of money and property	413	2,690	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	2,869	12,211	1,650	64,017	150,441
Expenditures:					
Operating:					
Public safety and legal service	-	-	8,727	-	-
County environment and education	-	-	-	-	-
Administration	3,000	-	-	-	-
Total expenditures	3,000	-	8,727	-	-
Excess (deficiency) of revenues over (under) expenditures	(131)	12,211	(7,077)	64,017	150,441
Other financing sources (uses):					
Operating transfers out	-	-	-	(58,500)	(257,000)
Total other financing sources (uses)	-	-	-	(58,500)	(257,000)
Net change in fund balances	(131)	12,211	(7,077)	5,517	(106,559)
Fund balances beginning of year	11,344	69,000	7,605	108,258	352,564
Fund balances end of year	\$ 11,213	81,211	528	113,775	246,005

Schedule 2

Special Revenue							
Schools LOST	Conservation Land Acquisition Trust	DARE	K9	Seniors and Lawman	Recorder's Electronic Fees	Total	
105,628	-	-	-	-	-	\$ 329,607	
-	-	-	-	-	-	4,106	
-	-	-	-	-	188	3,291	
-	4,007	225	15,479	-	2,646	22,357	
105,628	4,007	225	15,479	-	2,834	359,361	
-	-	198	17,404	-	-	26,329	
100,919	-	-	-	-	-	100,919	
-	-	-	-	-	17,972	20,972	
100,919	-	198	17,404	-	17,972	148,220	
4,709	4,007	27	(1,925)	-	(15,138)	211,141	
-	-	-	-	-	-	(315,500)	
-	-	-	-	-	-	(315,500)	
4,709	4,007	27	(1,925)	-	(15,138)	(104,359)	
7,393	215	11,472	3,298	720	16,239	588,108	
12,102	4,222	11,499	1,373	720	1,101	\$ 483,749	

HUMBOLDT COUNTY

**COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS**

Year Ended June 30, 2006

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Schools</u>
Assets:				
Cash and Pooled Investments:				
County Treasurer	\$ -	2,887	95,287	144,194
Other County officials	16,291	-	-	-
Receivables:				
Accounts receivable	945	-	-	-
Property tax:				
Delinquent	-	425	408	19,879
Succeeding year	-	120,250	115,531	5,660,041
Due from other governments	-	-	-	-
Capital Assets	-	-	-	-
Total assets	<u>17,236</u>	<u>123,562</u>	<u>211,226</u>	<u>5,824,114</u>
Liabilities				
Accounts payable	-	-	410	-
Salaries and benefits payable	-	-	962	-
Due to other governments	17,236	123,562	209,346	5,824,114
Notes Payable	-	-	-	-
Trusts payable	-	-	-	-
Compensated absences	-	-	508	-
Total liabilities	<u>\$ 17,236</u>	<u>123,562</u>	<u>211,226</u>	<u>5,824,114</u>

See Independent Auditor's Report

Schedule 3

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>Other</u>	<u>Total</u>
8,854	56,832	2,799	286,814	\$ 597,667
-	-	-	-	16,291
-	-	-	17,994	18,939
1,040	16,352	30	1,570	39,704
294,350	2,442,528	125,602	444,364	9,202,666
-	-	-	8,000	8,000
-	-	-	117,434	117,434
<u>304,244</u>	<u>2,515,712</u>	<u>128,431</u>	<u>876,176</u>	<u>10,000,701</u>
-	-	-	17,298	17,708
-	-	-	2,439	3,401
304,244	2,515,712	128,431	766,110	9,888,755
-	-	-	79,000	79,000
-	-	-	10,168	10,168
-	-	-	1,161	1,669
<u>304,244</u>	<u>2,515,712</u>	<u>128,431</u>	<u>876,176</u>	<u>\$ 10,000,701</u>

HUMBOLDT COUNTY

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS**

Year Ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities:				
Balance beginning of year	\$ 15,409	122,719	229,839	6,122,096
Additions:				
Property tax and other County tax	-	117,819	113,215	5,537,904
E911 surcharge	-	-	-	-
State tax credits	-	7,163	6,840	356,105
Drivers license fees	-	-	-	-
Office fees, collections and misc.	274,922	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	31,750	-	-	-
Miscellaneous	-	-	-	-
Total additions	322,081	247,701	349,894	12,016,105
Deductions:				
Agency remittances:				
To other funds	99,869	-	-	-
To other governments	173,226	124,139	138,668	6,191,991
Trusts paid out	31,750	-	-	-
Total deductions	304,845	124,139	138,668	6,191,991
Balance end of year	\$ 17,236	123,562	211,226	5,824,114

See Independent Auditor's Report

Schedule 4

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>Other</u>	<u>Total</u>
<u>375,504</u>	<u>2,159,589</u>	<u>125,573</u>	<u>777,654</u>	<u>\$ 9,928,383</u>
286,624	2,614,009	122,984	435,866	9,228,421
-	-	-	68,033	68,033
21,946	122,929	7,735	25,227	547,945
-	-	-	29,813	29,813
-	-	-	107,439	382,361
-	-	-	2,480,669	2,480,669
-	-	-	309,444	309,444
-	-	-	-	31,750
-	683	-	147,513	148,196
<u>684,074</u>	<u>4,897,210</u>	<u>256,292</u>	<u>4,381,658</u>	<u>23,155,015</u>
-	-	-	137,806	237,675
379,830	2,381,498	127,861	2,948,807	12,466,020
-	-	-	418,869	450,619
<u>379,830</u>	<u>2,381,498</u>	<u>127,861</u>	<u>3,505,482</u>	<u>13,154,314</u>
<u>304,244</u>	<u>2,515,712</u>	<u>128,431</u>	<u>876,176</u>	<u>\$ 10,000,701</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			
	2006	2005	2004	2003
Revenues:				
Property and other county tax	\$ 4,166,190	\$ 3,378,669	\$ 3,341,820	\$ 3,585,217
Interest and penalty on property tax	38,735	37,974	31,001	30,693
Intergovernmental	3,921,789	3,712,338	3,211,309	2,667,489
Licenses and permits	22,557	19,420	18,184	10,675
Charges for service	250,900	278,328	207,514	231,676
Use of Money and Property	355,043	225,457	117,368	163,341
Miscellaneous	497,216	521,746	1,585,413	414,167
Total	<u>9,252,430</u>	<u>8,173,932</u>	<u>8,512,609</u>	<u>7,103,258</u>
Expenditures				
Current				
Public Safety and legal services	1,336,999	1,284,879	1,272,084	1,166,067
Physical health and social services	289,473	265,112	306,926	382,009
Mental health	1,108,071	1,127,624	1,148,982	1,143,230
County environment and education	497,867	538,761	557,163	439,132
Roads and transportation	2,917,945	2,573,197	2,817,280	1,733,240
Governmental services to residents	457,539	313,775	304,668	253,942
Administration	985,062	981,952	937,732	892,853
Non-program	2,261,053	2,119,331	2,036,406	1,598,564
Capital Projects	436,146	158,660	368,521	393,622
Total	<u>\$10,290,155</u>	<u>\$ 9,363,291</u>	<u>\$ 9,749,762</u>	<u>\$ 8,002,659</u>

See Independent Auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Humboldt County
Board of Supervisors

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, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 22, 2007. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Humboldt County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving 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. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness. Prior year reportable conditions have been addressed except for II-A-06.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the 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 interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Humboldt County and other parties to whom Humboldt County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 & Company, P.C.

January 22, 2007

HUMBOLDT COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

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, 2006

Part II: Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No Matters were reported.

REPORTABLE CONDITIONS:

06-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

06-III-A Certified Budget – The County did not exceed the budgeted disbursement limits in any function.

HUMBOLDT COUNTY

SCHEDULE OF FINDING Year Ended June 30, 2006

- 06-III-B Questionable Expenditures - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 06-III-C Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 06-III-D Business Transactions - No business transactions between the County and County Officials or employees were noted.
- 06-III-E Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- 06-III-F Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 06-III-G 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.
- 06-III-H 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).
- 06-III-I 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, 2006 for the County Extension Office did not exceed the amount budgeted.