

HUMBOLDT COUNTY

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

JUNE 30, 2007

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 (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

T.P. ANDERSON & COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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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, each major fund and the aggregate remaining fund information of Humboldt County, Iowa, as of and for the year ended June 30, 2007, 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, 2007, 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 March 19, 2008 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 33 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, 2006 (which are not 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.

March 19, 2008

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

2007 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental funds increased 8%, or approximately \$774,000, from fiscal 2006 to fiscal 2007. Property and other county tax decreased approximately \$227,000, Capital and operating grants decreased approximately \$221,000. Other general revenues, largely derived from drainage assessments increased \$1,222,000.
- ◆ Program expenses were 12%, or approximately \$907,000, more in fiscal 2007 than in fiscal 2006. Roads and transportation expense decreased approximately \$251,000 while non-program expenses increased approximately \$990,000.
- ◆ The County's net assets increased 20%, or approximately \$1,922,000, from June 30, 2006 to June 30, 2007.

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 governmental 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 County has two 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) 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.

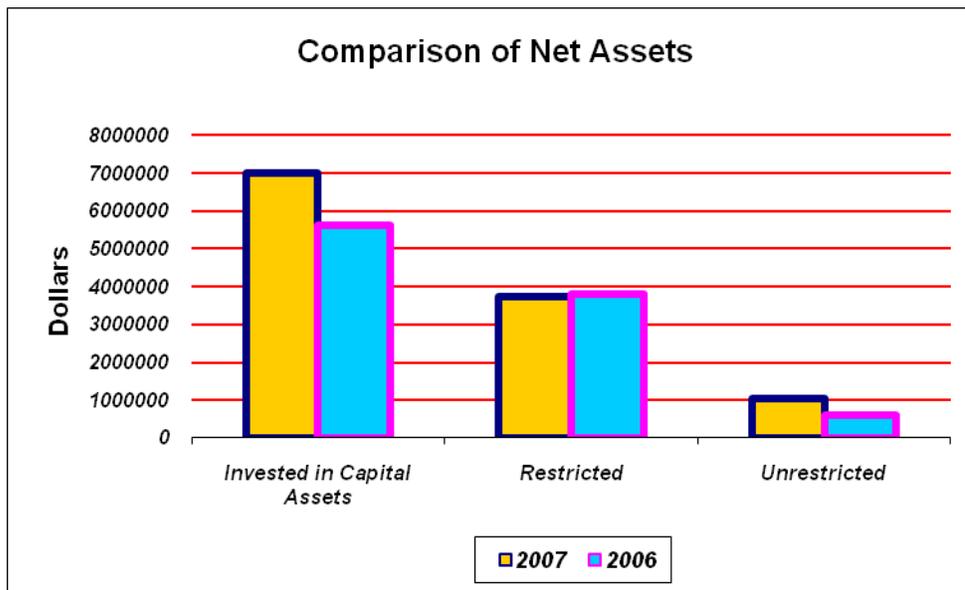
Reconciliation's between the government-wide financial statements and the fund financial statements follow the fund financial statements.

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 \$9.8 million to \$11.8 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

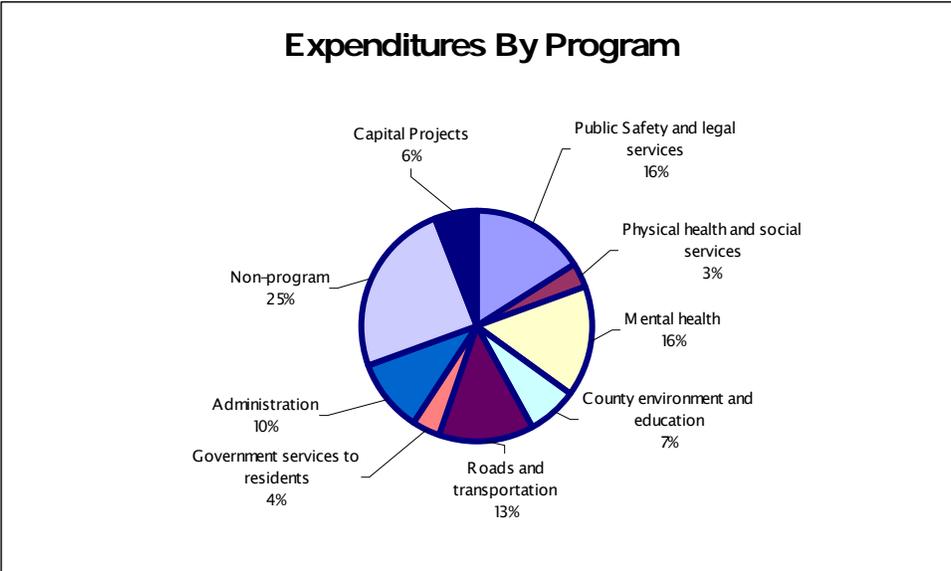
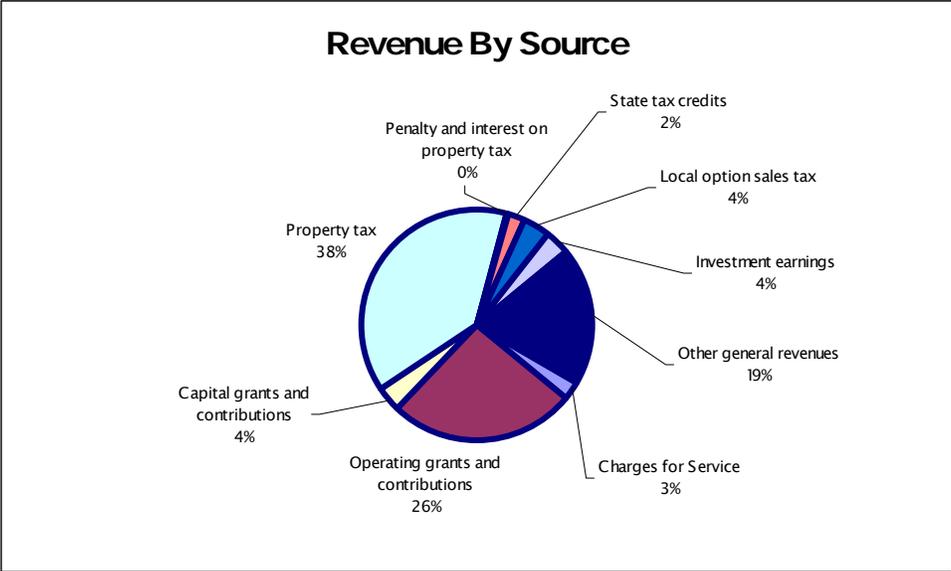
	June 30, 2007	June 30, 2006
Current and other assets	\$ 11,108	\$ 10,114
Capital Assets	6,993	5,586
Total Assets	<u>18,101</u>	<u>15,700</u>
Long-term debt outstanding	1,905	1,567
Other liabilities	4,433	4,291
Total Liabilities	<u>6,338</u>	<u>5,858</u>
Net Assets:		
Invested in capital assets	6,993	5,586
Restricted	3,721	3,698
Unrestricted	<u>1,049</u>	<u>558</u>
TOTAL NET ASSETS	<u><u>\$ 11,763</u></u>	<u><u>\$ 9,842</u></u>



Net assets of Humboldt County's governmental activities increased by approximately 20% (\$9.8 million compared to \$11.8 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 \$558,000 at June 30, 2006 to approximately \$1,049,000 at the end of this year.

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

	June 30, 2007	June 30, 2006
Revenues:		
Program revenues:		
Charges for Service	\$ 269	\$ 251
Operating grants and contributions	2,652	2,725
Capital grants and contributions	477	625
General revenues:		
Property taxes	3,938	4,165
Penalty and interest on property tax	31	38
State tax credits	231	253
Local option sales tax	392	320
Unrestricted investment earnings	374	355
Other general revenues	1,864	722
	10,228	9,454
Program Expenses		
Public safety and legal services	1,348	1,333
Physical health and social services	259	290
Mental Health	1,291	1,110
County environment and education	597	494
Roads and transportation	1,100	1,351
Government services to residents	321	458
Administration	850	873
Non-program	2,044	1,054
Capital Projects	496	436
Total expenses	8,306	7,399
Increase in net assets	1,922	2,055
Net assets beginning of year, as restated	9,841	7,786
Net assets end of year	\$ 11,763	\$ 9,841



The cost of all governmental activities this year was \$8.3 million compared to \$7.4 million last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was only \$5.0 million because some of the cost was paid by those directly benefited from the programs (\$269,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,037,000). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services decreased in 2007 from approximately \$3,600,000 to \$3,306,000. The County paid for the remaining “public benefit” portion of governmental activities with approximately \$4,165,000 in taxes (some of which could only be used for certain programs) and with other revenues such as interest and general entitlements.

Humboldt County decreased property tax rates by \$0.6563 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 2007	For Taxes Levied FY 2006
Countywide taxable value	\$ 428,130,422	\$ 426,789,498
Countywide levy rate	6.93429	7.59059
Dollars levied	2,968,781	3,239,584
Rural taxable value	263,828,160	255,372,328
Rural tax levy rate	3.95	3.95
Dollars levied rural area only	1,042,121	1,008,721
Total countywide rate	10.88429	11.54059
Total dollars levied countywide	\$ 4,010,902	\$ 4,248,305

THE COUNTY’S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$5.1 million, which is approximately \$463,000 more than last year’s total.

The increase in fund balance is attributable to lower expenses and higher drainage district warrants issued.

General Fund revenues decreased by approximately \$415,000 when compared to the prior year. The ending fund balance showed an increase from the prior year of \$1,090,000 to \$1,355,000. Mainly due to holding the line on expenses.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,230,000. The Mental Health Fund balance at year ended decreased by approximately \$204,000 or 76% from the prior year.

The Rural Services fund ended FY07 with a balance of \$92,000 compared to the prior year-end balance of \$76,000. The increase of \$16,000 in the fund was mainly attributable to a decrease in operating transfers out.

Secondary Roads Fund expenditures decreased by approximately \$438,000 from the prior year, due principally to the construction of a new secondary road shop in 2006. The receipts and transfers in to the Secondary Road fund were sufficient and there was an increase in the Fund’s fund balance of \$337,000.

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 \$88,000 for the year ended June 30, 2007.

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 two times. The first amendment was made in January of 2007 and resulted in an increase in budgeted expenditures of \$136,000 to pay for the underground storage tank cleanup, sidwell mapping project and tuckpointing and waterproofing of the courthouse. The final amendment for the year was made on May 17, 2007 in order to approve additional expenditures for purchase of county land, construction projects and equipment purchases and increase capital projects to reflect various carryover construction projects in certain County departments and resulted in an increase in expenditures of 1,812,349.

The County did not exceed the budgeted amounts in any program service areas for the year ended June 30, 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Humboldt County had approximately \$7.0 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 \$1.4 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,	
	2007	2006
Land	\$ 142	\$ 88
Buildings and improvements	1,206	1,204
Equipment and vehicles	1,143	1,278
Infrastructure	4,501	3,017
Total	\$ 6,992	\$ 5,587

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

3 new vehicles for the Sheriff's office	62
Land – Conservation	55
Mobile Command Post	31
Box projects	192
Masonry project - Courthouse	54
Two paved road projects	1,438
Bridge replacement	119
Other	69
	2,020

The County had depreciation expense of \$608,819 during FY2007 and total accumulated depreciation of \$5,922,839 as of June 30, 2007.

LONG TERM DEBT

At June 30, 2007, Humboldt County had approximately \$1,905,000 in outstanding obligations. They are displayed below in the chart.

	Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)	
	2007	2006
Drainage warrants and improvement certificates	\$ 1,802	\$ 1,461
Landfill closure costs	49	54
Compensated absences	54	52
Total	\$ 1,905	\$ 1,567

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 2008 budget, tax rates, and the fees that will be charged for various County activities.

Amounts available for appropriation in the operating budget are \$8.1 million, an increase of 5 percent over the final 2007 budget. Property tax and grant receipts are expected to decrease slightly during fiscal year 2008. Humboldt County will use these proceeds to finance programs we currently offer and offset the effects of any inflation that may occur. The County has added no major new programs or initiatives to the 2008 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by June 30, 2008.

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, 2007****Assets**

Cash and pooled investments	\$	5,203,749
Receivables		
Property tax:		
Delinquent		9,448
Succeeding year		3,991,915
Accounts		74,605
Accrued interest		18,101
Drainage assessments		529,390
Due from other governments		263,443
Inventory		52,673
Prepaid drainage improvement costs		964,746
Capital assets (net of accumulated depreciation)		<u>6,992,778</u>
Total assets	\$	<u><u>18,100,848</u></u>

Liabilities

Accounts payable	\$	321,794
Salaries and benefits payable		56,042
Due to other governments		62,703
Deferred revenue:		
Succeeding year property tax		3,991,915
Long-term liabilities:		
Portion due or payable within one year:		
Compensated absences		54,482
Portion due or payable after one year:		
Drainage warrants payable		1,802,222
Landfill closure liability		<u>48,729</u>
Total liabilities	\$	<u><u>6,337,887</u></u>

Net Assets

Invested in capital assets, net of related debt	\$	6,992,778
Restricted for:		
Supplemental levy purposes		437,163
Mental health purposes		59,188
Secondary road purposes		2,686,881
Other purposes		537,950
Unrestricted		<u>1,049,001</u>
Total net assts	\$	<u><u>11,762,961</u></u>

See Notes to the financial statements

HUMBOLDT COUNTY

Exhibit B

Statement of Activities

Year ended June 30, 2007

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	\$ 1,348,317	71,274	917	-	\$ (1,276,126)
Physical health and social services	258,625	-	-	-	(258,625)
Mental health	1,291,186	-	620,752	-	(670,434)
County environment and education	597,084	26,652	19,419	-	(551,013)
Roads and transportation	1,099,874	-	1,995,725	92,036	987,887
Governmental services to residents	321,364	139,013	-	-	(182,351)
Administration	850,109	32,000	15,605	-	(802,504)
Non-program	2,043,931	-	-	-	(2,043,931)
Capital projects	495,593	-	-	384,781	(110,812)
	<u>\$ 8,306,083</u>	<u>268,939</u>	<u>2,652,418</u>	<u>476,817</u>	<u>(4,907,909)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					3,937,943
Penalty and interest on property tax					30,982
State tax credits					230,869
Local option sales tax					392,243
Unrestricted investment earnings					373,748
Miscellaneous					1,863,646
Total general revenues					<u>6,829,431</u>
Change in net assets					1,921,522
Net assets beginning of year					<u>9,841,439</u>
Net assets end of year					<u>\$ 11,762,961</u>

See notes to financial statements

HUMBOLDT COUNTY

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2007

Assets	Special Revenue						Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts	Nonmajor	
Cash and investments	\$ 1,401,642	195,694	92,040	2,792,944	308,085	413,344	\$ 5,203,749
Receivables:							
Property tax:							
Delinquent	7,833	1,423	192	-	-	-	9,448
Succeeding year	2,508,774	455,945	1,027,196	-	-	-	3,991,915
Accounts receivable	10,318	6,692	-	57,469	-	126	74,605
Accrued interest	17,674	-	-	232	-	195	18,101
Drainage assessments	-	-	-	-	529,390	-	529,390
Due from other funds	209	-	-	-	-	-	209
Due from other governments	30,233	2,064	-	80	198,029	33,037	263,443
Inventory	-	-	-	52,673	-	-	52,673
	<u>3,976,683</u>	<u>661,818</u>	<u>1,119,428</u>	<u>2,903,398</u>	<u>1,035,504</u>	<u>446,702</u>	<u>10,143,533</u>
Liabilities and Fund Balance							
Liabilities							
Accounts payable	73,829	85,820	37	161,160	-	948	321,794
Salaries and benefits payable	17,344	7,657	-	31,041	-	-	56,042
Due to other funds	-	209	-	-	-	-	209
Due to other governments	14,367	48,336	-	-	-	-	62,703
Deferred revenue:							
Succeeding year property tax	7,737	1,406	192	-	-	-	9,335
Other	2,508,774	455,945	1,027,195	-	529,390	-	4,521,304
	<u>2,622,051</u>	<u>599,373</u>	<u>1,027,424</u>	<u>192,201</u>	<u>529,390</u>	<u>948</u>	<u>4,971,387</u>
Fund balances:							
Reserved for:							
Supplemental levy purposes	437,163	-	-	-	-	-	437,163
Drainage warrants/drainage improvement certificates	-	-	-	-	506,114	-	506,114
Resource enhancement and protection	-	-	-	-	-	39,298	39,298
Unreserved, reported in:							
General fund	917,469	-	-	-	-	-	917,469
Special revenue funds	-	62,445	92,004	2,711,197	-	406,456	3,272,102
	<u>1,354,632</u>	<u>62,445</u>	<u>92,004</u>	<u>2,711,197</u>	<u>506,114</u>	<u>445,754</u>	<u>5,172,146</u>
	<u>\$ 3,976,683</u>	<u>661,818</u>	<u>1,119,428</u>	<u>2,903,398</u>	<u>1,035,504</u>	<u>446,702</u>	<u>\$ 10,143,533</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, 2007

Total governmental fund balances (page 14)	\$ 5,172,146
<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 \$12,915,617 and the accumulated depreciation is \$5,922,839.	6,992,778
Other long-term assets are not available to pay current period expenditures and therefore, are deferred in the funds.	538,724
Prepaid drainage improvement costs included as assets on the statement of net assets but not reported in the funds	964,746
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>(1,905,433)</u>
Net assets of governmental activities (page 12)	<u>\$ 11,762,961</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, 2007

	Special Revenue					Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts		
Revenues							
Property and other county tax	\$2,466,246	447,561	1,024,896	-	-	-	3,938,703
Interest and penalty on property tax	30,982	-	-	-	-	-	30,982
Intergovernmental	169,361	572,113	62,088	2,087,761	384,781	476,243	3,752,347
Licenses and permits	1,143	-	-	24,907	-	-	26,050
Charges for service	260,598	-	-	-	-	8,341	268,939
Use of money and property	293,797	-	-	-	76,047	3,904	373,748
Fines, forfeitures and defaults	-	-	-	-	-	-	-
Miscellaneous	54,199	5,623	-	51,625	1,713,161	2,240	1,826,848
	<u>3,276,326</u>	<u>1,025,297</u>	<u>1,086,984</u>	<u>2,164,293</u>	<u>2,173,989</u>	<u>490,728</u>	<u>10,217,617</u>
Expenditures:							
Operating:							
Public safety and legal service	1,207,414	-	158,576	-	-	1,324	1,367,314
Physical health and social services	258,625	-	-	-	-	-	258,625
Mental Health	-	1,229,748	-	-	-	63,620	1,293,368
County environment and education	321,384	-	123,300	-	-	157,520	602,204
Roads and transportation	8,704	-	-	2,409,006	-	-	2,417,710
Governmental services to residents	318,512	-	2,852	-	-	-	321,364
Administration	909,549	-	-	-	-	5,324	914,873
Non-program	-	-	-	-	4,070,029	-	4,070,029
Capital projects	-	-	-	495,593	-	-	495,593
	<u>3,024,188</u>	<u>1,229,748</u>	<u>284,728</u>	<u>2,904,599</u>	<u>4,070,029</u>	<u>227,788</u>	<u>11,741,080</u>
Excess (deficiency) of revenues over (under) expenditures	252,138	(204,451)	802,256	(740,306)	(1,896,040)	262,940	(1,523,463)
Other financing sources (uses):							
Sale of capital assets	1,710	-	-	450	-	-	2,160
Operating transfers in	85,450	-	-	1,076,942	-	-	1,162,392
Operating transfers out	(75,059)	-	(786,398)	-	-	(300,935)	(1,162,392)
Drainage warrants/drainage improvement improvement certificates issued	-	-	-	-	1,984,022	-	1,984,022
	<u>12,101</u>	<u>-</u>	<u>(786,398)</u>	<u>1,077,392</u>	<u>1,984,022</u>	<u>(300,935)</u>	<u>1,986,182</u>
Net change in fund balances	264,239	(204,451)	15,858	337,086	87,982	(37,995)	462,719
Fund balances beginning 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>
Fund balances end of year	<u>\$1,354,632</u>	<u>62,445</u>	<u>92,004</u>	<u>2,711,197</u>	<u>506,114</u>	<u>445,754</u>	<u>5,172,146</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, 2007

Net change in fund balances - Total governmental funds (page - 16) \$ 462,719

*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	2,020,327	
Depreciation expense	<u>(608,819)</u>	1,411,508

Loss on disposal of asset (4,932)

Drainage improvement costs that are expenditures paid for governmental fund reporting but matched with the revenues for governmental activities 383,073

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	(760)	
Drainage assessments	<u>8,588</u>	7,828

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 an 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	(1,984,022)	
Drainage warrants repaid	<u>1,643,025</u>	(340,997)

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	(2,797)	
Landfill closure liability	<u>5,120</u>	2,323

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.

-

Changes in net assets of governmental activities (page 13) \$ 1,921,522

See notes to the financial statements

HUMBOLDT COUNTY

Exhibit G

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

Year ended June 30, 2007

Assets	
Cash and pooled investments	
County Treasurer	\$ 575,924
Other County officials	13,591
Property tax receivable	
Delinquent	37,937
Succeeding year	9,517,549
Accounts Receivable	14,839
Due from other governments	5,861
Capital Assets	117,434
	<hr/>
Total Assets	10,283,135
	<hr/>
Liabilities	
Accounts payable	2,722
Salaries and benefits payable	4,280
Due to other governments	10,187,476
Notes payable	67,405
Trusts payable	14,576
Compensated absences	6,676
	<hr/>
Total Liabilities	10,283,135
	<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 U.S. 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 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:

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 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 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2006.

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, 2007, 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.

**HUMBOLDT COUNTY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 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, 2007. 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.

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 \$4,713,567 money market savings accounts) at June 30, 2007 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 at June 30, 2007 are as follows:

<u>Type</u>	<u>Fair Value</u>
Stamped Drainage Warrants	<u>\$1,499,061</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.

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, 2007, 2006 and 2005 were \$160,106, \$156,042 and 150,386, respectively, equal to the required contributions for each year.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2007, is as follows:

Receivable Fund	Payable Fund	
General	Special Revenue	
	Mental Health	<u>\$209</u>

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.

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	\$ 14,367
Special Revenue:		
Mental health	Services	<u>48,336</u>
Total for governmental funds		<u>\$ 62,703</u>
Agency:		
Agricultural Extension Education	Collections	\$ 130,883
County Assessor		177,856
Schools		5,975,126
Community Colleges		296,764
Corporations		2,584,777
Townships		138,644
Auto License and Use Tax		100,303
Hospital		295,577
Special Appraisals		217,522
All other		<u>270,024</u>
Total for agency funds		<u>\$10,187,476</u>

HUMBOLDT COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – INTERFUND TRANSFERS

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

Transfer to	Transfer from:	Amount
General:	Special Revenue	
	Community Betterment	85,450
Special Revenue		
Secondary Road	General Fund	75,059
	Special Revenue	
	Rural Services	786,398
	Secondary Road Lost	215,485
		1,076,942
		1,162,392

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

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets not being depreciated:				
Land	\$ 87,500	54,643	-	142,143
Capital Assets being depreciated:				
Buildings and improvements	2,674,410	66,710	-	2,741,120
Equipment and vehicles	5,076,916	151,011	254,739	4,973,188
Infrastructure, road network	3,311,203	1,747,962	-	5,059,165
Total capital assets being depreciated	11,062,529	1,965,683	254,739	12,773,473
Less accumulated depreciation for:				
Buildings and improvements	1,470,886	64,353	-	1,535,239
Equipment and vehicles	3,798,748	280,821	249,808	3,829,761
Infrastructure, road network	294,193	263,645	-	557,838
Total accumulated depreciation	5,563,827	608,819	249,808	5,922,838
Total capital assets being depreciated, net	5,498,702			6,850,635
Governmental activities capital assets, net	\$ 5,586,202			6,992,778

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – CAPITAL ASSETS - continued

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety	42,689
Roads and Transportation	427,840
Administration	138,290
	608,819

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	Postclosure Costs	Drainage Warrants	Compensated Absences	Total
Balance beginning of year	\$ 53,849	\$ 1,461,225	\$ 51,685	\$ 1,566,759
Increases		1,984,022	2,797	1,986,819
Decreases	5,120	1,643,025	-	1,648,145
Balance end of year	\$ 48,729	\$ 1,802,222	\$ 54,482	\$ 1,905,433
Due within one year	\$ 5,000	\$ -	\$ 54,482	\$ 59,482

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 drainage assessments against benefited properties.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

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 – 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 11 - 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, 2007 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 \$48,729 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, 2007, Humboldt County paid \$5,120 in fees to the Humboldt County Solid Waste Commission.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - 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, 2007:

Additions:

Contributions from governmental units:

Humboldt County	\$ 175,045
City of Humboldt	75,019
Other financing sources	<u>5,639</u>
	\$ 255,073

Deductions:

Salaries	\$ 131,869	
Benefits	56,156	
Office supplies	7,317	
Office equipment	19,178	
Uniforms	-	
Telephone	7,319	
Utilities	9,117	
Training	366	
Insurance	6,731	
Interest	4,063	
Miscellaneous	<u>2,597</u>	
		<u>244,713</u>

Net		\$ 10,360
Balance beginning of year		<u>71,276</u>
Balance end of year		<u>\$ 81,636</u>

The LEC borrowed \$79,000 from a local bank during the FY 2006 in order to finance certain new equipment purchased. The loan accrues interest at a rate of 5% and matures November 1, 2011. The balance on the note as of June 30, 2007 is 67,405. The future principal and interest payments on the loan are as follows:

Year Ended	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
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>67,405</u>	<u>10,597</u>

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – 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, 2007 11 individuals were receiving assistance. The individuals being assisted held a total of \$13,084 as of June 30, 2007. The dollars in this program are insured by AARP.

NOTE 14 – 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, 2007

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property tax and other county tax	\$ 4,334,897	-	4,334,897
Interest and penalty on property tax	30,982	-	30,982
Intergovernmental	3,168,915	246,123	2,922,792
Licenses and permits	27,168	-	27,168
Charges for service	257,544	-	257,544
Use of money and property	371,561	76,047	295,514
Miscellaneous	1,915,935	1,713,161	202,774
	<u>10,107,002</u>	<u>2,035,331</u>	<u>8,071,671</u>
Disbursements:			
Program			
Public safety and legal services	1,371,750	-	1,371,750
Physical health and social services	285,395	-	285,395
Mental health	1,237,204	-	1,237,204
County environment and education	604,688	-	604,688
Roads and transportation	2,385,315	-	2,385,315
Government services to residents	344,105	-	344,105
Administration	899,535	-	899,535
Capital Projects	412,252	-	412,252
Non-program	2,085,995	2,085,995	-
	<u>9,626,239</u>	<u>2,085,995</u>	<u>7,540,244</u>
Excess (deficiency) of receipts over disbursements	480,763	(50,664)	531,427
Other financing sources	1,710	-	1,710
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	482,473	(50,664)	533,137
Balance beginning of year	<u>4,721,276</u>	<u>358,750</u>	<u>4,362,310</u>
Balance end of year	<u>\$ 5,203,749</u>	<u>308,086</u>	<u>4,895,447</u>

See accompanying independent auditor's report

Budgeted Amounts		Final to Net Variance
Original	Final	
4,256,263	4,282,263	52,634
6,025	6,025	24,957
2,911,034	2,941,034	(18,242)
10,150	10,150	17,018
217,800	217,800	39,744
134,850	248,850	46,664
153,963	163,963	38,811
7,690,085	7,870,085	201,586
1,334,196	1,398,482	26,732
328,232	328,232	42,837
1,334,561	1,334,561	97,357
516,203	623,203	18,515
2,780,805	3,221,868	836,553
341,491	356,491	12,386
940,318	1,027,318	127,783
270,000	1,504,000	1,091,748
		-
7,845,806	9,794,155	2,253,911
(155,721)	(1,924,070)	2,455,497
4,000	(51,000)	52,710
(151,721)	(1,975,070)	2,508,207
2,192,968	4,362,526	(216)
2,041,247	2,387,456	2,507,991

HUMBOLDT COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,107,002	110,615	10,217,617
Expenditures	9,626,239	2,114,841	11,741,080
Net	480,763	(2,004,226)	(1,523,463)
Other Financing Sources, net	1,710	1,984,472	1,986,182
Beginning Fund Balances	4,721,276	(11,849)	4,709,427
Ending Fund Balances	\$ 5,203,749	(31,603)	5,172,146

See accompanying independent auditor's report.

HUMBOLDT COUNTY

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 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 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, two budget amendments increased budgeted disbursements by \$1,948,349. 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, 2007 disbursements did not exceed the amounts budgeted in any function.

Other Supplementary Information

HUMBOLDT COUNTY

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2007

Assets	Special Revenue				
	Record's Management	REAP	Jail Assessments	Community Betterment LOST	Secondary Roads LOST
Cash and investments	\$ 10,353	36,479	6,364	100,833	200,913
Receivables:					
Property tax:	-	-	-	-	-
Accounts receivable	-	-	126	-	-
Accrued interest	50	145	-	-	-
Due from other governments	491	2,674	-	5,941	13,961
Total Assets	10,894	39,298	6,490	106,774	214,874
 Liabilities and Fund Balance					
Liabilities					
Accounts payable	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Fund balances:					
Reserved for:					
Resource enhancement and protection	-	39,298	-	-	-
Unreserved, reported in:					
Special revenue funds	10,894	-	6,490	106,774	214,874
Total fund balances	10,894	39,298	6,490	106,774	214,874
Total liabilities and fund balances	\$ 10,894	39,298	6,490	106,774	214,874

See Independent Auditor's Report

Schedule 1

Special Revenue								
Schools	Conservation Land Acquisition				Seniors and Lawman	Recorder's Electronic Fees	Drop-In	Total
LOST	Trust	DARE	K9					
28,863	4,222	11,549	374		720	804	11,870	\$ 413,344
-	-	-	-		-	-	-	-
-	-	-	-		-	-	-	126
-	-	-	-		-	-	-	195
9,802	-	-	-		-	168	-	33,037
38,665	4,222	11,549	374		720	972	11,870	446,702
-	-	-	-		94	-	854	948
-	-	-	-		94	-	854	948
-	-	-	-		-	-	-	39,298
38,665	4,222	11,549	374		626	972	11,016	406,456
38,665	4,222	11,549	374		626	972	11,016	445,754
38,665	4,222	11,549	374		720	972	11,870	\$ 446,702

HUMBOLDT COUNTY

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

Year ended June 30, 2007

	Special Revenue				
	Record's Management	REAP	Jail Assessments	Community Betterment LOST	Secondary Roads LOST
Revenues					
Intergovernmental	\$ -	9,364	-	78,449	184,354
Charges for service	2,148	-	6,193	-	-
Use of money and property	533	3,366	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	2,681	12,730	6,193	78,449	184,354
Expenditures:					
Operating:					
Public safety and legal service	-	-	231	-	-
Mental Health	-	-	-	-	-
County environment and education	-	54,643	-	-	-
Administration	3,000	-	-	-	-
Total expenditures	3,000	54,643	231	-	-
Excess (deficiency) of revenues over (under) expenditures	(319)	(41,913)	5,962	78,449	184,354
Other financing sources (uses):					
Operating transfers out	-	-	-	(85,450)	(215,485)
Total other financing sources (uses)	-	-	-	(85,450)	(215,485)
Net change in fund balances	(319)	(41,913)	5,962	(7,001)	(31,131)
Fund balances beginning of year	11,213	81,211	528	113,775	246,005
Fund balances end of year	\$ 10,894	39,298	6,490	106,774	214,874

Schedule 2

Special Revenue								
Schools LOST	Conservation Land Acquisition Trust	DARE	K9	Seniors and Lawman	Recorder's Electronic Fees	Drop-In	Total	
129,440	-	-	-	-	-	74,636	\$ 476,243	
-	-	-	-	-	-	-	8,341	
-	-	-	-	-	5	-	3,904	
-	-	50	-	-	2,190	-	2,240	
129,440	-	50	-	-	2,195	74,636	490,728	
-	-	-	999	94	-	-	1,324	
-	-	-	-	-	-	63,620	63,620	
102,877	-	-	-	-	-	-	157,520	
-	-	-	-	-	2,324	-	5,324	
102,877	-	-	999	94	2,324	63,620	227,788	
26,563	-	50	(999)	(94)	(129)	11,016	262,940	
-	-	-	-	-	-	-	(300,935)	
-	-	-	-	-	-	-	(300,935)	
26,563	-	50	(999)	(94)	(129)	-	(37,995)	
12,102	4,222	11,499	1,373	720	1,101	-	483,749	
38,665	4,222	11,549	374	626	972	-	\$ 445,754	

HUMBOLDT COUNTY

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

Year Ended June 30, 2007

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Schools</u>
Assets:				
Cash and Pooled Investments:				
County Treasurer	\$ -	2,424	58,072	113,524
Other County officials	13,591	-	-	-
Receivables:				
Accounts receivable	976	-	-	-
Property tax:				
Delinquent	-	400	395	19,175
Succeeding year	-	128,059	126,442	5,842,427
Due from other governments	-	-	-	-
Capital Assets	-	-	-	-
Total assets	<u>14,567</u>	<u>130,883</u>	<u>184,909</u>	<u>5,975,126</u>
Liabilities				
Accounts payable	-	-	643	-
Salaries and benefits payable	-	-	1,001	-
Due to other governments	-	130,883	177,856	5,975,126
Notes Payable	-	-	-	-
Trusts payable	14,567	-	-	-
Compensated absences	-	-	5,409	-
Total liabilities	<u>\$ 14,567</u>	<u>130,883</u>	<u>184,909</u>	<u>5,975,126</u>

See Independent Auditor's Report

Schedule 3

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>Other</u>	<u>Total</u>
5,923	31,369	2,905	361,707	\$ 575,924
-	-	-	-	13,591
-	-	-	13,863	14,839
906	15,614	19	1,428	37,937
289,935	2,537,794	135,720	457,172	9,517,549
-	-	-	5,861	5,861
-	-	-	117,434	117,434
<u>296,764</u>	<u>2,584,777</u>	<u>138,644</u>	<u>957,465</u>	<u>10,283,135</u>
-	-	-	2,079	2,722
-	-	-	3,279	4,280
296,764	2,584,777	138,644	883,426	10,187,476
-	-	-	67,405	67,405
-	-	-	9	14,576
-	-	-	1,267	6,676
<u>296,764</u>	<u>2,584,777</u>	<u>138,644</u>	<u>957,465</u>	<u>\$ 10,283,135</u>

HUMBOLDT COUNTY

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

Year Ended June 30, 2007

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Schools</u>
Assets and Liabilities:				
Balance beginning of year	<u>\$ 17,236</u>	<u>123,562</u>	<u>211,226</u>	<u>5,824,114</u>
Additions:				
Property tax and other County tax	-	125,958	131,468	5,743,778
E911 surcharge	-	-	-	-
State tax credits	-	6,965	7,473	328,005
Drivers license fees	-	-	-	-
Office fees, collections and misc.	292,915	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	30,150	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>340,301</u>	<u>256,485</u>	<u>350,167</u>	<u>11,895,897</u>
Deductions:				
Agency remittances:				
To other funds	123,449	-	-	-
To other governments	172,135	125,602	165,258	5,920,771
Trusts paid out	<u>30,150</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u>325,734</u>	<u>125,602</u>	<u>165,258</u>	<u>5,920,771</u>
Balance end of year	<u>\$ 14,567</u>	<u>130,883</u>	<u>184,909</u>	<u>5,975,126</u>

See Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	Other	Total
304,244	2,515,712	128,431	876,176	\$ 10,000,701
284,760	2,494,864	133,234	449,177	9,363,239
-	-	-	85,783	85,783
17,038	120,865	7,514	25,734	513,594
-	-	-	17,483	17,483
-	-	-	139,061	431,976
-	-	-	2,449,345	2,449,345
-	-	-	280,618	280,618
-	-	-	-	30,150
-	3,124	-	334,055	337,179
606,042	5,134,565	269,179	4,657,432	23,510,068
-	-	-	105,158	228,607
309,278	2,549,788	130,535	3,250,291	12,623,658
-	-	-	344,518	374,668
309,278	2,549,788	130,535	3,699,967	13,226,933
296,764	2,584,777	138,644	957,465	\$ 10,283,135

HUMBOLDT COUNTY

Schedule 5

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

For the last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Property and other county tax	\$ 3,938,703	\$ 4,166,190	\$ 3,378,669	\$ 3,341,820
Interest and penalty on property tax	30,982	38,735	37,974	31,001
Intergovernmental	3,752,347	3,921,789	3,712,338	3,211,309
Licenses and permits	26,050	22,557	19,420	18,184
Charges for service	268,939	250,900	278,328	207,514
Use of Money and Property	373,748	355,043	225,457	117,368
Miscellaneous	1,826,848	497,216	521,746	1,585,413
Total	10,217,617	9,252,430	8,173,932	8,512,609
Expenditures				
Current				
Public Safety and legal services	1,367,314	1,336,999	1,284,879	1,272,084
Physical health and social services	258,625	289,473	265,112	306,926
Mental health	1,293,368	1,108,071	1,127,624	1,148,982
County environment and education	602,204	497,867	538,761	557,163
Roads and transportation	2,417,710	2,917,945	2,573,197	2,817,280
Governmental services to residents	321,364	457,539	313,775	304,668
Administration	914,873	985,062	981,952	937,732
Non-program	4,070,029	2,261,053	2,119,331	2,036,406
Capital Projects	495,593	436,146	158,660	368,521
Total	\$11,741,080	\$10,290,155	\$ 9,363,291	\$ 9,749,762

See Independent Auditor's report.

T.P. ANDERSON & COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

701 SUMNER, SUITE 200

HUMBOLDT, IOWA 50548

515-332-3466

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

To the Humboldt County
Board of Supervisors

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Humboldt County, Iowa as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 19, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Humboldt County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Humboldt County's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*. Prior year compliance matters have been resolved.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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.

March 19, 2008

HUMBOLDT COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part I: Summary of Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies 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, 2007

Part II: Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No Matters were reported.

SIGNIFICANT DEFICIENCIES:

07-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

07-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, 2007**

- 07-III-B 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.
- 07-III-C Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 07-III-D Business Transactions - No business transactions between the County and County Officials or employees were noted.
- 07-III-E Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- 07-III-F Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 07-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.
- 07-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).
- 07-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, 2007 for the County Extension Office did not exceed the amount budgeted.