

HUMBOLDT COUNTY

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

JUNE 30, 2008

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

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, 2008, 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, 2008, 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 17, 2009 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, 2007 (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 17, 2009

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, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental funds decreased 5%, or approximately \$517,000, from fiscal 2007 to fiscal 2008. Capital and operating grants increased approximately \$665,000. Other general revenues, largely derived from drainage assessments decreased \$1,140,000.
- ◆ Program expenses were 11%, or approximately \$954,000, more in fiscal 2008 than in fiscal 2007. Roads and transportation expense increased approximately \$1,277,000 while non-program expenses decreased approximately \$676,000.
- ◆ The County's net assets increased 4%, or approximately \$451,000, from June 30, 2007 to June 30, 2008.

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.

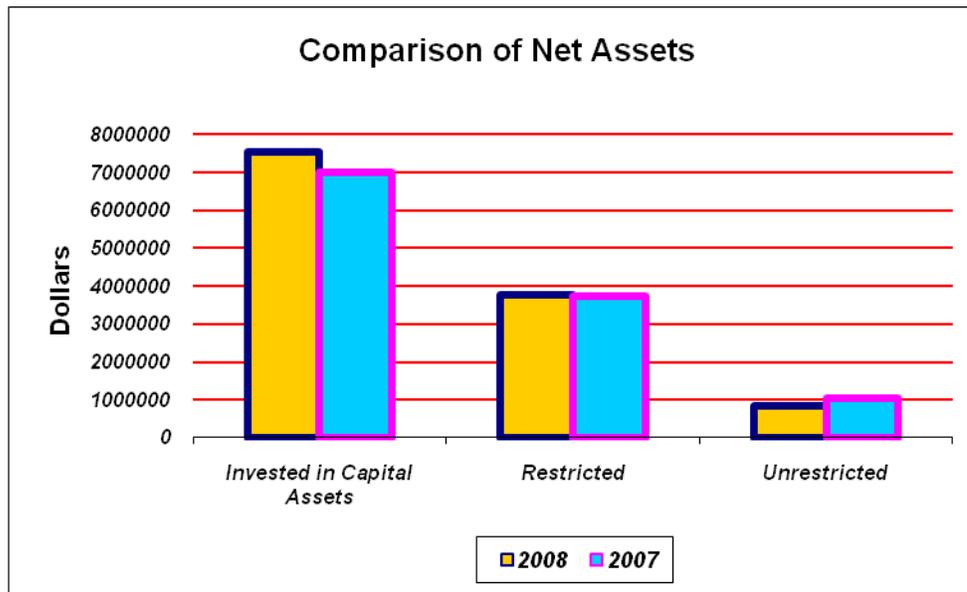
Reconciliation's between the government-wide financial statements and the fund financial statements follow the fund financial statements.

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 \$11.8 million to \$12.2 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

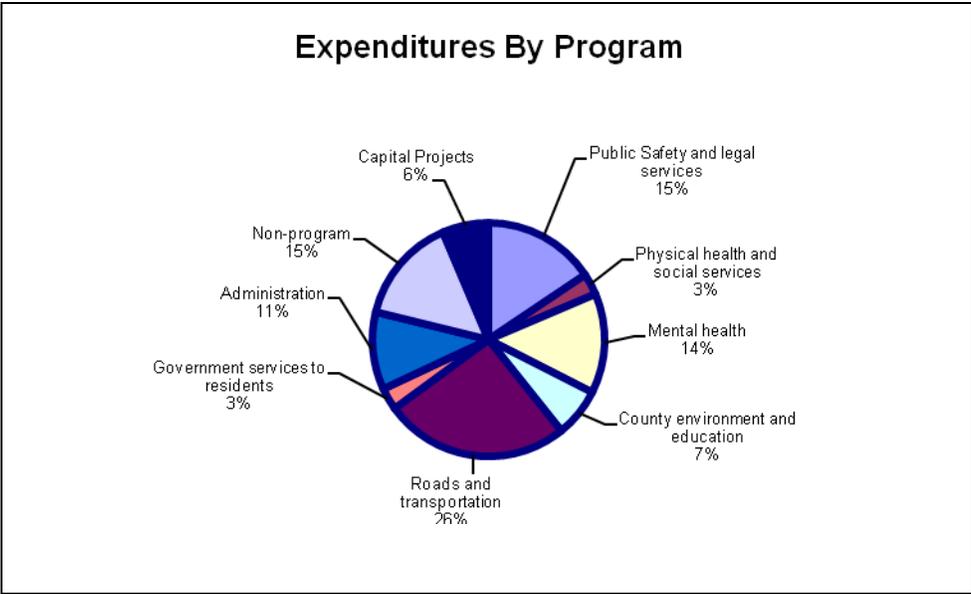
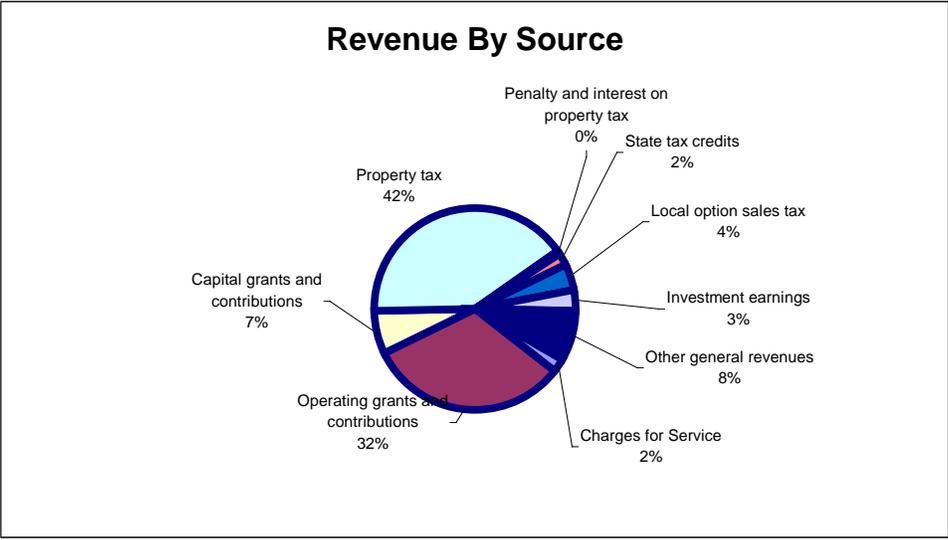
	June 30, 2008	June 30, 2007
Current and other assets	\$ 11,136	\$ 11,108
Capital Assets	7,546	6,993
Total Assets	18,682	18,101
Long-term debt outstanding	2,057	1,905
Other liabilities	4,411	4,433
Total Liabilities	6,468	6,338
Net Assets:		
Invested in capital assets	7,546	6,993
Restricted	3,817	3,721
Unrestricted	851	1,049
TOTAL NET ASSETS	\$ 12,214	\$ 11,763



Net assets of Humboldt County's governmental activities increased by approximately 4% (\$12.2 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 – decreased from approximately \$1,049,000 at June 30, 2007 to approximately \$851,000 at the end of this year.

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

Revenues:	June 30, 2008	June 30, 2007
Program revenues:		
Charges for Service	\$ 227	\$ 269
Operating grants and contributions	3,108	2,652
Capital grants and contributions	686	477
General revenues:		
Property taxes	3,946	3,938
Penalty and interest on property tax	31	31
State tax credits	205	231
Local option sales tax	409	392
Unrestricted investment earnings	327	374
Other general revenues	772	1,864
	9,711	10,228
Program Expenses		
Public safety and legal services	1,444	1,348
Physical health and social services	277	259
Mental Health	1,288	1,291
County environment and education	628	597
Roads and transportation	2,377	1,100
Government services to residents	286	321
Administration	1,000	850
Non-program	1,368	2,044
Capital Projects	592	496
Total expenses	9,260	8,306
Increase in net assets	451	1,922
Net assets beginning of year, as restated	11,763	9,841
Net assets end of year	\$ 12,214	\$ 11,763



The cost of all governmental activities this year was \$9.3 million compared to \$8.3 million last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was only \$5.2 million because some of the cost was paid by those directly benefited from the programs (\$227,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,794,000). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services increased in 2008 from approximately \$3,398,000 to \$4,021,928. The County paid for the remaining “public benefit” portion of governmental activities with approximately \$4,560,000 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 \$0.00258 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 2008	For Taxes Levied FY 2007
Countywide taxable value	\$ 427,401,953	\$ 428,130,422
Countywide levy rate	6.93171	6.93429
Dollars levied	2,962,626	2,968,781
Rural taxable value	260,087,717	263,828,160
Rural tax levy rate	3.95	3.95
Dollars levied rural area only	1,027,346	1,042,121
Total countywide rate	10.88171	10.88429
Total dollars levied countywide	\$ 3,989,972	\$ 4,010,902

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 \$12,000 less than last year’s total.

The decrease in fund balance is attributable to lower revenues and lower drainage district warrants issued.

General Fund revenues increased by approximately \$37,000 when compared to the prior year. The ending fund balance showed an increase from the prior year of \$1,355,000 to \$1,464,000. 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 \$1,214,000. The Mental Health Fund balance at year ended increased by approximately \$186,000 or 298% from the prior year.

The Rural Services fund ended FY08 with a balance of \$95,000 compared to the prior year-end balance of \$92,000. The increase of \$3,000 in the fund was mainly attributable to a decrease in net operating transfers.

Secondary Roads Fund expenditures increased by approximately \$646,000 from the prior year, due principally to the construction of new secondary road projects in 2008. The receipts in the Secondary Road fund were insufficient and there was a decrease in the Fund’s fund balance of \$173,000.

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 decreased \$126,300 for the year ended June 30, 2008.

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 February of 2008 and resulted in an increase in budgeted expenditures of \$1,744,000 to pay for the underground storage tank cleanup, bridge repair and new equipment for secondary road, capital projects increased to show construction projects carried over from prior years. The final amendment for the year was made on May 15, 2008 in order to approve additional expenditures for purchase of new chairs and tables in the Magistrate’s Courtroom and for building improvements at the jail, to cover unspent grant money for Veteran Affairs carried forward and Sanitarian department wages and resulted in an increase in expenditures of 21,000.

The County did not exceed the budgeted amounts in any program service areas for the year ended June 30, 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, Humboldt County had approximately \$7.5 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 \$0.6 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,	
	2008	2007
Land	\$ 142	\$ 142
Buildings and improvements	1,131	1,206
Equipment and vehicles	1,307	1,143
Infrastructure	4,966	4,501
Total	\$ 7,546	\$ 6,992

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

2 new vehicles for the Sheriff’s office	43
A mapping project	41
New Equipment – Secondary Road	360
New Equipment – Conservation	49
6 Bridge/Culvert projects	672
Other	72
	<u>1,237</u>

The County had depreciation expense of \$683,982 during FY2008 and total accumulated depreciation of \$6,182,165 as of June 30, 2008.

LONG TERM DEBT

At June 30, 2008, Humboldt County had approximately \$2,057,000 in outstanding obligations. They are displayed below in the chart.

	Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)	
	2008	2007
Drainage warrants and improvement certificates	\$ 1,898	\$ 1,802
Landfill closure costs	46	49
Compensated absences	113	54
Total	\$ 2,057	\$ 1,905

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 2009 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 2008 budget. Property tax and grant receipts are expected to decrease slightly during fiscal year 2009. 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 2009 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by June 30, 2009.

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, 2008

Assets

Cash and pooled investments	\$ 5,087,685
Receivables	
Property tax:	
Delinquent	10,421
Succeeding year	4,098,019
Accounts	29,195
Accrued interest	8,050
Drainage assessments	400,363
Due from other governments	270,636
Inventory	77,362
Prepaid drainage improvement costs	1,154,875
Capital assets (net of accumulated depreciation)	7,545,705
	<hr/>
Total assets	\$ 18,682,311
	<hr/> <hr/>

Liabilities

Accounts payable	\$ 223,451
Salaries and benefits payable	24,289
Due to other governments	66,224
Deferred revenue:	
Succeeding year property tax	4,097,082
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	112,587
Portion due or payable after one year:	
Drainage warrants payable	1,898,263
Landfill closure liability	45,999
	<hr/>
Total liabilities	\$ 6,467,895
	<hr/> <hr/>

Net Assets

Invested in capital assets, net of related debt	\$ 7,545,705
Restricted for:	
Supplemental levy purposes	493,361
Mental health purposes	243,619
Secondary road purposes	2,515,072
Other purposes	565,776
Unrestricted	850,883
	<hr/>
Total net assts	\$ 12,214,416
	<hr/> <hr/>

See Notes to the financial statements

HUMBOLDT COUNTY

Exhibit B

Statement of Activities

Year ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating grants, Contributions and Restricted Interest	Capital grants Contributions and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 1,443,799	74,887	-	-	\$ (1,368,912)
Physical health and social services	276,753	-	-	-	(276,753)
Mental health	1,287,667	-	1,002,421	-	(285,246)
County environment and education	628,621	25,653	35,675	-	(567,293)
Roads and transportation	2,377,520	-	2,031,855	164,346	(181,319)
Governmental services to residents	285,869	89,856	-	-	(196,013)
Administration	999,701	36,868	38,045	-	(924,788)
Non-program	1,368,162	-	-	522,322	(845,840)
Capital projects	592,457	-	-	-	(592,457)
	<u>\$ 9,260,549</u>	<u>227,264</u>	<u>3,107,996</u>	<u>686,668</u>	<u>(5,238,621)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					3,946,951
Penalty and interest on property tax					30,608
State tax credits					204,579
Local option sales tax					408,921
Unrestricted investment earnings					326,728
Miscellaneous					772,289
Total general revenues					<u>5,690,076</u>
Change in net assets					451,455
Net assets beginning of year					<u>11,762,961</u>
Net assets end of year					<u>\$ 12,214,416</u>

See notes to financial statements

HUMBOLDT COUNTY

Exhibit C

**Balance Sheet
Governmental Funds**

June 30, 2008

Assets	Special Revenue						Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts	Nonmajor	
Cash and investments	\$ 1,513,865	362,128	94,607	2,386,783	343,025	387,277	\$ 5,087,685
Receivables:							
Property tax:							
Delinquent	8,668	1,540	213	-	-	-	10,421
Succeeding year	2,556,162	454,181	1,087,676	-	-	-	4,098,019
Accounts receivable	10,393	-	-	10,318	-	8,484	29,195
Accrued interest	7,701	-	-	241	-	108	8,050
Drainage assessments	-	-	-	-	400,363	-	400,363
Due from other funds	9,449	-	-	-	-	-	9,449
Due from other governments	29,366	1,175	-	164,346	36,723	39,026	270,636
Inventory	-	-	-	77,362	-	-	77,362
	<u>4,135,604</u>	<u>819,024</u>	<u>1,182,496</u>	<u>2,639,050</u>	<u>780,111</u>	<u>434,895</u>	<u>9,991,180</u>
 Liabilities and Fund Balance							
Liabilities							
Accounts payable	95,588	41,834	-	85,363	-	666	223,451
Salaries and benefits payable	8,631	277	-	15,381	-	-	24,289
Due to other funds	-	9,449	-	-	-	-	9,449
Due to other governments	2,978	63,066	-	180	-	-	66,224
Deferred revenue:							
Succeeding year property tax	8,668	1,540	213	-	-	-	10,421
Other	2,555,369	454,041	1,087,672	-	400,363	-	4,497,445
	<u>2,671,234</u>	<u>570,207</u>	<u>1,087,885</u>	<u>100,924</u>	<u>400,363</u>	<u>666</u>	<u>4,831,279</u>
 Fund balances:							
Reserved for:							
Supplemental levy purposes	493,361	-	-	-	-	-	493,361
Drainage warrants/drainage improvement certificates	-	-	-	-	379,748	-	379,748
Resource enhancement and protection	-	-	-	-	-	56,775	56,775
Unreserved, reported in:							
General fund	971,009	-	-	-	-	-	971,009
Special revenue funds	-	248,817	94,611	2,538,126	-	377,454	3,259,008
	<u>1,464,370</u>	<u>248,817</u>	<u>94,611</u>	<u>2,538,126</u>	<u>379,748</u>	<u>434,229</u>	<u>5,159,901</u>
	<u>\$ 4,135,604</u>	<u>819,024</u>	<u>1,182,496</u>	<u>2,639,050</u>	<u>780,111</u>	<u>434,895</u>	<u>\$ 9,991,180</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, 2008

Total governmental fund balances (page 14)	\$ 5,159,901
<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.	7,545,705
Other long-term assets are not available to pay current period expenditures and therefore, are deferred in the funds.	410,784
Prepaid drainage improvement costs included as assets on the statement of net assets but not reported in the funds	1,154,875
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>(2,056,849)</u>
Net assets of governmental activities (page 12)	<u>\$ 12,214,416</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, 2008

	Special Revenue					Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts		
Revenues							
Property and other county tax	\$2,478,755	450,427	1,016,683	-	-	-	3,945,865
Interest and penalty on property tax	30,608	-	-	-	-	-	30,608
Intergovernmental	185,784	942,987	53,182	2,196,201	522,322	507,688	4,408,164
Licenses and permits	1,495	-	-	36,574	-	-	38,069
Charges for service	216,651	-	-	5,649	-	4,964	227,264
Use of money and property	232,868	-	-	-	92,028	1,832	326,728
Fines, forfeitures and defaults	-	-	-	-	-	-	-
Miscellaneous	93,656	7,102	-	32,875	721,534	6,477	861,644
	<u>3,239,817</u>	<u>1,400,516</u>	<u>1,069,865</u>	<u>2,271,299</u>	<u>1,335,884</u>	<u>520,961</u>	<u>9,838,342</u>
Expenditures:							
Operating:							
Public safety and legal service	1,254,285	-	168,601	-	-	5,158	1,428,044
Physical health and social services	276,753	-	-	-	-	-	276,753
Mental Health	-	1,214,144	-	-	-	67,176	1,281,320
County environment and education	353,596	-	118,463	-	-	160,790	632,849
Roads and transportation	11,325	-	-	2,957,934	-	-	2,969,259
Governmental services to residents	283,608	-	2,261	-	-	-	285,869
Administration	918,157	-	-	-	-	5,232	923,389
Non-program	-	-	-	-	2,940,939	-	2,940,939
Capital projects	-	-	-	592,457	-	-	592,457
	<u>3,097,724</u>	<u>1,214,144</u>	<u>289,325</u>	<u>3,550,391</u>	<u>2,940,939</u>	<u>238,356</u>	<u>11,330,879</u>
Excess (deficiency) of revenues over (under) expenditures	142,093	186,372	780,540	(1,279,092)	(1,605,055)	282,605	(1,492,537)
Other financing sources (uses):							
Sale of capital assets	1,004	-	-	599	-	-	1,603
Operating transfers in	41,600	-	38,000	1,105,422	-	-	1,185,022
Operating transfers out	(74,959)	-	(815,933)	-	-	(294,130)	(1,185,022)
Drainage warrants/drainage improvement improvement certificates issued	-	-	-	-	1,478,689	-	1,478,689
	<u>(32,355)</u>	<u>-</u>	<u>(777,933)</u>	<u>1,106,021</u>	<u>1,478,689</u>	<u>(294,130)</u>	<u>1,480,292</u>
Net change in fund balances	109,738	186,372	2,607	(173,071)	(126,366)	(11,525)	(12,245)
Fund balances beginning 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>
Fund balances end of year	<u>\$1,464,370</u>	<u>248,817</u>	<u>94,611</u>	<u>2,538,126</u>	<u>379,748</u>	<u>434,229</u>	<u>5,159,901</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, 2008

Net change in fund balances - Total governmental funds (page - 16) \$ (12,245)

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

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

Expenditures for capital assets	1,236,909	
Depreciation expense	<u>(683,981)</u>	552,928

Loss on disposal of asset -

Drainage improvement costs that are expenditures paid for governmental fund reporting but matched with the revenues for governmental activities 190,129

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	1,086	
Drainage assessments	<u>(129,027)</u>	(127,941)

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	(1,478,689)	
Drainage warrants repaid	<u>1,382,648</u>	(96,041)

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	(58,105)	
Landfill closure liability	<u>2,730</u>	(55,375)

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) \$ 451,455

See notes to the financial statements

HUMBOLDT COUNTY

Exhibit G

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

Year ended June 30, 2008

Assets	
Cash and pooled investments	
County Treasurer	\$ 646,069
Other County officials	14,924
Property tax receivable	
Delinquent	42,630
Succeeding year	9,578,656
Accounts Receivable	19,670
Due from other governments	4,750
Capital Assets	117,434
	<hr/>
Total Assets	10,424,133
	<hr/>
Liabilities	
Accounts payable	3,555
Salaries and benefits payable	5,424
Due to other governments	10,344,178
Notes payable	55,024
Trusts payable	15,952
Compensated absences	-
	<hr/>
Total Liabilities	10,424,133
	<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 three 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2007.

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, 2008, 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, 2008. 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 \$4,361,485 money market savings accounts) at June 30, 2008 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, 2008 are as follows:

<u>Type</u>	<u>Fair Value</u>
Stamped Drainage Warrants	<u>\$1,681,328</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 28% 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 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$164,722, \$160,106 and 156,042, 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, 2008, is as follows:

Receivable Fund	Payable Fund	
General	Special Revenue	
	Mental Health	<u>\$9,449</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	\$ 2,978
Special Revenue:		
Mental health	Services	63,066
Secondary Road	Services	<u>180</u>
Total for governmental funds		<u>\$ 66,224</u>
Agency:		
Agricultural Extension Education	Collections	\$ 134,568
County Assessor		150,115
Schools		5,765,954
Community Colleges		460,007
Corporations		2,653,910
Townships		144,193
Auto License and Use Tax		102,164
Hospital		294,811
Special Appraisals		254,536
All other		<u>383,920</u>
Total for agency funds		<u>\$10,344,178</u>

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from:	Amount
General:	Special Revenue	
	Community Betterment	41,600
Special Revenue	Special Revenue	
Rural Services	Community Betterment	38,000
Secondary Road	General Fund	74,959
	Special Revenue	
	Rural Services	815,933
	Secondary Road Lost	214,530
		<u>1,105,422</u>
		<u>1,185,022</u>

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, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets not being depreciated:				
Land	142,143	-	-	142,143
Capital Assets being depreciated:				
Buildings and improvements	2,741,120	-	-	2,741,120
Equipment and vehicles	4,973,188	499,584	424,655	5,048,117
Infrastructure, road network	5,059,165	737,325	-	5,796,490
Total capital assets being depreciated	<u>12,773,473</u>	<u>1,236,909</u>	<u>424,655</u>	<u>13,585,727</u>
Less accumulated depreciation for:				
Buildings and improvements	1,535,239	74,867	-	1,610,106
Equipment and vehicles	3,829,761	336,077	424,655	3,741,183
Infrastructure, road network	557,838	273,038	-	830,876
Total accumulated depreciation	<u>5,922,838</u>	<u>683,982</u>	<u>424,655</u>	<u>6,182,165</u>
Total capital assets being depreciated, net	<u>6,850,635</u>			<u>7,403,562</u>
Governmental activities capital assets, net	<u>\$ 6,992,778</u>			<u>7,545,705</u>

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – CAPITAL ASSETS - continued

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety	65,385
County Environment	47,397
Roads and Transportation	492,542
Administration	78,658
	683,982

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Postclosure Costs	Drainage Warrants	Compensated Absences	Total
Balance beginning of year	\$ 48,729	\$ 1,802,222	\$ 54,482	\$ 1,905,433
Increases		1,478,689	58,105	1,536,794
Decreases	2,730	1,382,648	-	1,385,378
Balance end of year	\$ 45,999	\$ 1,898,263	\$ 112,587	\$ 2,056,849
Due within one year	\$ 5,000	\$ -	\$ 112,587	\$ 117,587

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.

The County has signed various contracts for services such as construction projects as of June 30, 2008. Amounts remaining to be paid under these contracts totaled \$232,141 and are to be paid as work progresses.

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 \$335,750 as of June 30, 2008 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 \$45,999 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, 2008, Humboldt County paid \$2,730 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, 2008:

Additions:

Contributions from governmental units:

Humboldt County	\$ 207,124
City of Humboldt	88,768
Other financing sources	<u>1,275</u>
	\$ 297,167

Deductions:

Salaries	\$ 137,515
Benefits	54,947
Office supplies	10,519
Office equipment	40,519
Uniforms	2,375
Telephone	4,225
Utilities	4,111
Training	726
Insurance	5,185
Interest	3,278
Miscellaneous	<u>2,663</u>

266,063

Net \$ 31,104

Balance beginning of year 81,636

Balance end of year \$ 112,740

The LEC borrowed \$79,000 from a local bank during 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, 2008 is 55,024. The future principal and interest payments on the loan are as follows:

Year Ended	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2009	12,793	2,865
2010	13,449	2,209
2011	14,131	1,527
2012	<u>14,651</u>	<u>1,007</u>
	<u>55,024</u>	<u>7,608</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, 2008 15 individuals were receiving assistance. The individuals being assisted held a total of \$19,664 as of June 30, 2008. 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, 2008

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property tax and other county tax	\$ 4,344,821	-	4,344,821
Interest and penalty on property tax	30,608	-	30,608
Intergovernmental	3,941,398	683,502	3,257,896
Licenses and permits	25,843	-	25,843
Charges for service	258,009	-	258,009
Use of money and property	338,949	92,028	246,921
Miscellaneous	706,176	392,386	313,790
	<u>9,645,804</u>	<u>1,167,916</u>	<u>8,477,888</u>
Disbursements:			
Program			
Public safety and legal services	1,435,194	-	1,435,194
Physical health and social services	291,428	-	291,428
Mental health	1,256,530	-	1,256,530
County environment and education	633,003	-	633,003
Roads and transportation	2,996,692	-	2,996,692
Government services to residents	347,170	-	347,170
Administration	929,915	-	929,915
Capital Projects	686,116	-	686,116
Non-program	1,187,096	1,187,096	-
	<u>9,763,144</u>	<u>1,187,096</u>	<u>8,576,048</u>
Excess (deficiency) of receipts over disbursements	(117,340)	(19,180)	(98,160)
Other financing sources	1,276	-	1,276
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing	(116,064)	(19,180)	(96,884)
Balance beginning of year	5,203,749	308,086	4,895,447
Balance end of year	<u>\$ 5,087,685</u>	<u>288,906</u>	<u>4,798,563</u>

See accompanying independent auditor's report

Budgeted Amounts		Final to Net Variance
Original	Final	
4,293,266	4,293,266	51,555
6,000	6,000	24,608
2,918,394	3,041,494	216,402
10,800	10,800	15,043
219,475	220,725	37,284
155,475	208,875	38,046
162,774	180,824	132,966
7,766,184	7,961,984	515,904
1,413,934	1,460,945	25,751
333,399	347,354	55,926
1,391,893	1,391,893	135,363
562,155	681,255	48,252
2,735,241	3,208,642	211,950
381,207	381,207	34,037
1,015,414	1,015,414	85,499
277,000	1,388,187	702,071
		-
8,110,243	9,874,897	1,298,849
(344,059)	(1,912,913)	1,814,753
1,000	1,000	276
(343,059)	(1,911,913)	1,815,029
4,254,589	4,254,589	640,858
3,911,530	2,342,676	2,455,887

HUMBOLDT COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,645,804	192,538	9,838,342
Expenditures	9,763,144	1,567,735	11,330,879
Net	(117,340)	(1,375,197)	(1,492,537)
Other Financing Sources, net	1,276	1,479,016	1,480,292
Beginning Fund Balances	5,203,749	(31,603)	5,172,146
Ending Fund Balances	\$ 5,087,685	72,216	5,159,901

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-three 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 \$1,764,654. 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, 2008 disbursements did not exceed the amounts budgeted in any function.

Other Supplementary Information

HUMBOLDT COUNTY

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2008

Assets	Special Revenue				
	Record's Management	REAP	Jail Assessments	Community Betterment LOST	Secondary Roads LOST
Cash and investments	\$ 9,939	56,689	4,120	101,189	174,279
Receivables:					
Property tax:	-	-	-	-	-
Accounts receivable	602	-	54	-	-
Accrued interest	22	86	-	-	-
Due from other governments	-	-	-	7,769	18,257
Total Assets	10,563	56,775	4,174	108,958	192,536
Liabilities and Fund Balance					
Liabilities					
Accounts payable	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Fund balances:					
Reserved for:					
Resource enhancement and protection	-	56,775	-	-	-
Unreserved, reported in:					
Special revenue funds	10,563	-	4,174	108,958	192,536
Total fund balances	10,563	56,775	4,174	108,958	192,536
Total liabilities and fund balances	\$ 10,563	56,775	4,174	108,958	192,536

See Independent Auditor's Report

Schedule 1

Special Revenue								
Schools LOST	Conservation Land Acquisition Trust	DARE	K9	Seniors and Lawman	Recorder's Electronic Fees	Drop-In	Total	
-	8,362	11,619	334	586	830	19,330	\$	387,277
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,828		8,484
-	-	-	-	-	-	-		108
12,819	-	-	-	-	181	-		39,026
12,819	8,362	11,619	334	586	1,011	27,158		434,895
-	-	-	-	65	-	601		666
-	-	-	-	65	-	601		666
-	-	-	-	-	-	-		56,775
12,819	8,362	11,619	334	521	1,011	26,557		377,454
12,819	8,362	11,619	334	521	1,011	26,557		434,229
12,819	8,362	11,619	334	586	1,011	27,158	\$	434,895

HUMBOLDT COUNTY

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

Year ended June 30, 2008

	Special Revenue				
	Record's Management	REAP	Jail Assessments	Community Betterment LOST	Secondary Roads LOST
Revenues					
Intergovernmental	\$ -	16,050	-	81,784	192,193
Charges for service	2,267	-	2,697	-	-
Use of money and property	402	1,427	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	2,669	17,477	2,697	81,784	192,193
Expenditures:					
Operating:					
Public safety and legal service	-	-	5,013	-	-
Mental Health	-	-	-	-	-
County environment and education	-	-	-	-	-
Administration	3,000	-	-	-	-
Total expenditures	3,000	-	5,013	-	-
Excess (deficiency) of revenues over (under) expenditures	(331)	17,477	(2,316)	81,784	192,193
Other financing sources (uses):					
Operating transfers out	-	-	-	(79,600)	(214,530)
Total other financing sources (uses)	-	-	-	(79,600)	(214,530)
Net change in fund balances	(331)	17,477	(2,316)	2,184	(22,337)
Fund balances beginning of year	10,894	39,298	6,490	106,774	214,874
Fund balances end of year	\$ 10,563	56,775	4,174	108,958	192,537

Schedule 2

Special Revenue								
Schools LOST	Conservation Land Acquisition Trust	DARE	K9	Seniors and Lawman	Recorder's Electronic Fees	Drop-In	Total	
134,944	-	-	-	-	-	82,717	\$ 507,688	
-	-	-	-	-	-	-	4,964	
-	-	-	-	-	3	-	1,832	
-	4,140	70	-	-	2,267	-	6,477	
134,944	4,140	70	-	-	2,270	82,717	520,961	
-	-	-	40	105	-	-	5,158	
-	-	-	-	-	-	67,176	67,176	
160,790	-	-	-	-	-	-	160,790	
-	-	-	-	-	2,232	-	5,232	
160,790	-	-	40	105	2,232	67,176	238,356	
(25,846)	4,140	70	(40)	(105)	38	15,541	282,605	
-	-	-	-	-	-	-	(294,130)	
-	-	-	-	-	-	-	(294,130)	
(25,846)	4,140	70	(40)	(105)	38	15,541	(11,525)	
38,665	4,222	11,549	374	626	972	11,016	445,754	
12,819	8,362	11,619	334	521	1,010	26,557	\$ 434,229	

HUMBOLDT COUNTY

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

Year Ended June 30, 2008

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Schools</u>
Assets:				
Cash and Pooled Investments:				
County Treasurer	\$ -	2,059	32,470	94,540
Other County officials	14,924	-	-	-
Receivables:				
Accounts receivable	1,003	-	-	-
Property tax:				
Delinquent	-	448	404	21,573
Succeeding year	-	132,061	118,994	5,649,841
Due from other government	-	-	-	-
Capital Assets	-	-	-	-
Total assets	<u>15,927</u>	<u>134,568</u>	<u>151,868</u>	<u>5,765,954</u>
Liabilities				
Accounts payable	-	-	503	-
Salaries and benefits payabl	-	-	1,250	-
Due to other governments	-	134,568	150,115	5,765,954
Notes Payable	-	-	-	-
Trusts payable	15,927	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 15,927</u>	<u>134,568</u>	<u>151,868</u>	<u>5,765,954</u>

See Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	Other	Total
4,660	23,648	2,647	486,045	\$ 646,069
-	-	-	-	14,924
-	-	-	18,667	19,670
1,536	17,058	20	1,591	42,630
453,811	2,613,204	141,526	469,219	9,578,656
-	-	-	4,750	4,750
-	-	-	117,434	117,434
<u>460,007</u>	<u>2,653,910</u>	<u>144,193</u>	<u>1,097,706</u>	<u>10,424,133</u>
-	-	-	3,052	3,555
-	-	-	4,174	5,424
460,007	2,653,910	144,193	1,035,431	10,344,178
-	-	-	55,024	55,024
-	-	-	25	15,952
-	-	-	-	-
<u>460,007</u>	<u>2,653,910</u>	<u>144,193</u>	<u>1,097,706</u>	<u>\$ 10,424,133</u>

HUMBOLDT COUNTY

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

Year Ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities:				
Balance beginning of year	\$ 14,567	130,883	184,909	5,975,126
Additions:				
Property tax and other County tax	-	130,522	128,428	5,577,398
E911 surcharge	-	-	-	-
State tax credits	-	6,539	6,457	300,422
Drivers license fees	-	-	-	-
Office fees, collections and misc.	261,138	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	22,500	-	-	-
Miscellaneous	-	-	-	-
Total additions	298,205	267,944	319,794	11,852,946
Deductions:				
Agency remittances:				
To other funds	123,404	-	-	-
To other governments	136,374	133,376	167,926	6,086,992
Trusts paid out	22,500	-	-	-
Total deductions	282,278	133,376	167,926	6,086,992
Balance end of year	\$ 15,927	134,568	151,868	5,765,954

See Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	Other	Total
296,764	2,584,777	138,644	957,465	\$ 10,283,135
450,862	2,576,542	140,892	452,440	9,457,084
-	-	-	92,607	92,607
14,811	118,411	5,802	23,346	475,788
-	-	-	41,946	41,946
-	-	-	124,964	386,102
-	-	-	2,589,198	2,589,198
-	-	-	339,186	339,186
-	-	-	-	22,500
-	856	-	410,395	411,251
762,437	5,280,586	285,338	5,031,547	24,098,797
-	-	-	-	123,404
302,430	2,626,676	141,145	3,412,472	13,007,391
-	-	-	521,369	543,869
302,430	2,626,676	141,145	3,933,841	13,674,664
460,007	2,653,910	144,193	1,097,706	\$ 10,424,133

HUMBOLDT COUNTY

Schedule 5

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

For the last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Property and other county tax	\$ 3,945,865	\$ 3,938,703	\$ 4,166,190	\$ 3,378,669
Interest and penalty on property tax	30,608	30,982	38,735	37,974
Intergovernmental	4,408,164	3,752,347	3,921,789	3,712,338
Licenses and permits	38,069	26,050	22,557	19,420
Charges for service	227,264	268,939	250,900	278,328
Use of Money and Property	326,728	373,748	355,043	225,457
Miscellaneous	861,644	1,826,848	497,216	521,746
Total	9,838,342	10,217,617	9,252,430	8,173,932
Expenditures				
Current				
Public Safety and legal services	1,428,044	1,367,314	1,336,999	1,284,879
Physical health and social services	276,753	258,625	289,473	265,112
Mental health	1,281,320	1,293,368	1,108,071	1,127,624
County environment and education	632,849	602,204	497,867	538,761
Roads and transportation	2,969,259	2,417,710	2,917,945	2,573,197
Governmental services to residents	285,869	321,364	457,539	313,775
Administration	923,389	914,873	985,062	981,952
Non-program	2,940,939	4,070,029	2,261,053	2,119,331
Capital Projects	592,457	495,593	436,146	158,660
Total	\$11,330,879	\$11,741,080	\$10,290,155	\$ 9,363,291

See Independent Auditor's report.



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

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

To the 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, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 17, 2009. 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-08 is a material weakness. Prior year reportable conditions have been resolved except for II-A-08.

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, 2008 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 17, 2009

HUMBOLDT COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

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, 2008**

Part II: Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No Matters were reported.

SIGNIFICANT DEFICIENCIES:

08-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

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

08-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.

08-III-C Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

HUMBOLDT COUNTY

**SCHEDULE OF FINDING
Year Ended June 30, 2008**

08-III-D Business Transactions – Business transactions between the County offices and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Linda Fallesen, County Assessor Spouse of Fallesen Auto's owner	Auto Repair	\$ 1,858

In accordance with Chapter 331.342 of the Code of Iowa, transactions with a cumulative total purchase price exceeding \$1,500 in a fiscal year with a county official may represent a conflict of interest. The transactions with Fallesen Auto exceeded \$1,500 for the year ended June 30, 2008.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – We were not aware of this code section and will no longer conduct business with related parties in excess of the threshold set forth in the Iowa code.

Conclusion – Response accepted.

08-III-E Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions.

08-III-F Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not. We did note that the gross salaries for fiscal year 2008 were not published.

Chapter 372.13 of the Code of Iowa requires that the County publish actual gross salaries. We noted that the County did not publish the gross salaries during the fiscal year 2008.

Recommendation – The County should publish actual gross salaries as required by the Code of Iowa.

Response – The County will publish actual gross wages as required by Chapter 372.13 of the Code of Iowa.

Conclusion – Response accepted.

HUMBOLDT COUNTY

**SCHEDULE OF FINDING
Year Ended June 30, 2008**

- 08-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.
- 08-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).
- 08-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, 2008 for the County Extension Office did not exceed the amount budgeted.