

HUMBOLDT COUNTY

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

JUNE 30, 2009

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

Table of Contents

	<u>Page</u>	
Officials	1	
Independent Auditor’s Report	2-3	
Management’s Discussion and Analysis	4-11	
Basic Financial Statements		<u>Exhibit</u>
Government-wide Financial Statements:		
Statement of Net Assets	12	A
Statement of Activities	13	B
Governmental Fund Financial Statements:		
Balance Sheet	14	C
Reconciliation of the Balance Sheet – Governmental Funds to Statement of Net Assets	15	D
Statement of Revenues, Expenditures And Changes in Fund Balances	16	E
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds to Statement of Activities	17	F
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	18	G
Notes to Financial Statements	19-31	
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements And Changes in Balances – Budget and Actual (Cash Basis) All Governmental Funds	32	
Budgetary Comparison Schedule – Budget to GAAP Reconciliation	33	
Notes to Required Supplementary Information – Budgetary Reporting	34	

Table of Contents - continued

Other Supplementary Information	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	36
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	37
Combining Statement of Changes in Fiduciary Assets and Liabilities	4	38
Schedule of Revenues by Source and Expenditures By Function - All Governmental Funds	5	39
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		40-41
Schedule of Findings		42-44

HUMBOLDT COUNTY

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
John (Mort) Christianson	12-31-2012	Supervisor
Harley Hett	12-31-2010	Supervisor
Carl Mattes	12-31-2010	Supervisor
Harlan Hansen	12-31-2010	Supervisor
Jerry Haverly	12-31-2012	Supervisor
Peggy Rice	12-31-2012	County Auditor
Jana Bratland	12-31-2010	County Treasurer
Linda Fort	12-31-2010	County Recorder
Dean Kruger	12-31-2012	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, 2009, 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, 2009, 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 22, 2010 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 32 through 34 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 seven years ended June 30, 2008 (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 22, 2010

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, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental funds increased 3%, or approximately \$269,000, from fiscal 2008 to fiscal 2009. Capital and operating grants decreased approximately \$775,000. Other general revenues, largely derived from drainage assessments increased \$1,044,000.
- ◆ Program expenses were 2%, or approximately \$145,000, more in fiscal 2008 than in fiscal 2009. Capital project expense decreased approximately \$441,000 while non-program expenses increased approximately \$503,000.
- ◆ The County's net assets increased 7%, or approximately \$865,000, from June 30, 2008 to June 30, 2009.

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.

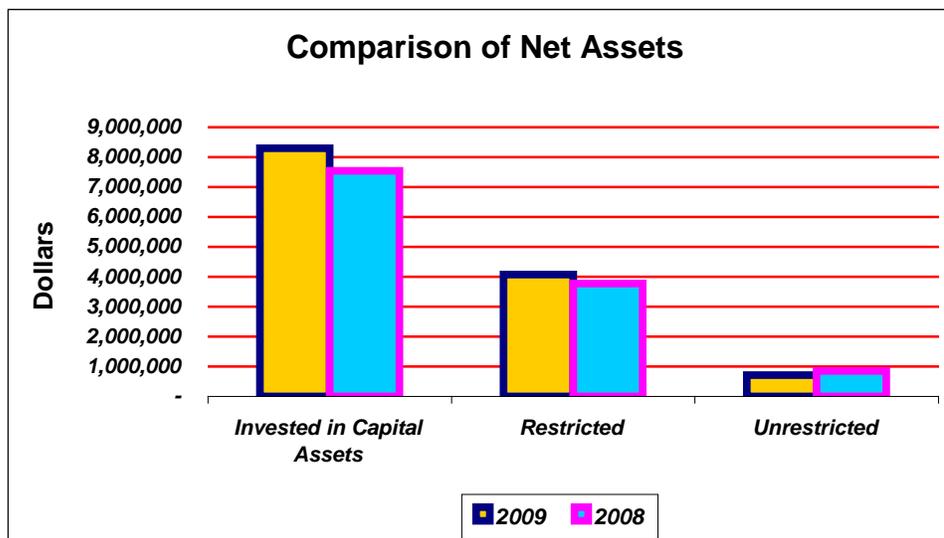
Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Humboldt County's combined net assets increased from a year ago from \$12.2 million to \$13.1 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

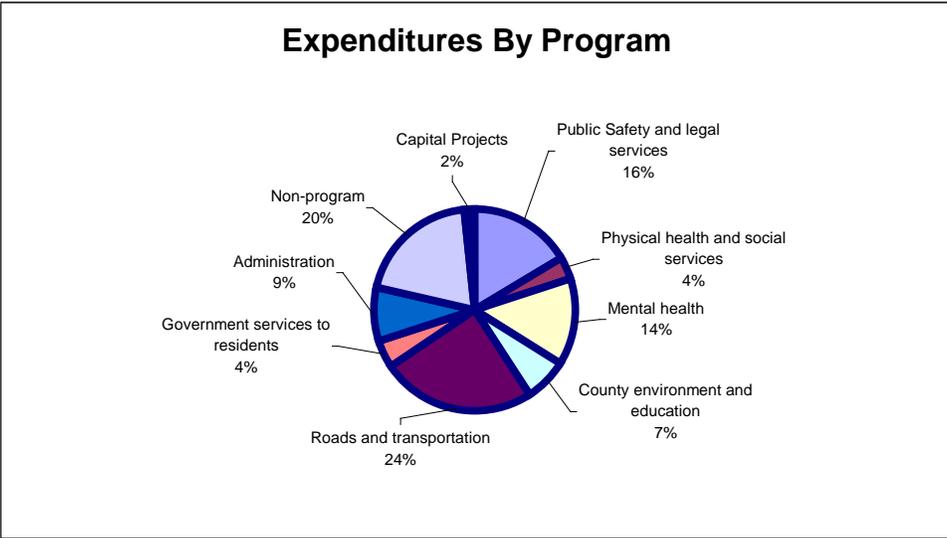
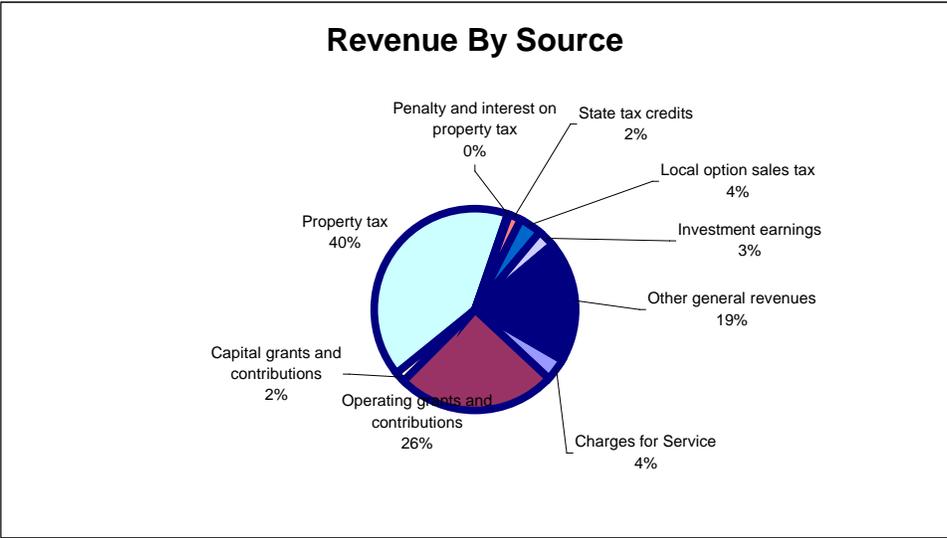
	June 30, 2009	June 30, 2008
Current and other assets	\$ 10,157	\$ 11,136
Capital assets	8,296	7,546
Total Assets	18,453	18,682
Long-term debt outstanding	943	2,057
Other liabilities	4,431	4,411
Total Liabilities	5,374	6,468
Net Assets:		
Invested in capital assets	8,296	7,546
Restricted	4,068	3,817
Unrestricted	715	851
TOTAL NET ASSETS	\$ 13,079	\$ 12,214



Net assets of Humboldt County's governmental activities increased by approximately 7% (\$13.1 million compared to \$12.2 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 stating 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 \$851,000 at June 30, 2008 to approximately \$715,000 at the end of this year.

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

Revenues:	June 30, 2009	June 30, 2008
Program revenues:		
Charges for service	\$ 361	\$ 227
Operating grants and contributions	2,529	3,108
Capital grants and contributions	490	686
General revenues:		
Property tax	4,046	3,946
Penalty and interest on property tax	29	31
State tax credits	203	205
Local option sales tax	357	409
Unrestricted investment earnings	358	327
Other general revenues	1,607	772
	9,980	9,711
Program Expenses		
Public safety and legal services	1,467	1,444
Physical health and social services	336	277
Mental health	1,276	1,288
County environment and education	609	628
Roads and transportation	2,237	2,377
Government services to residents	401	286
Administration	766	1,000
Non-program	1,871	1,368
Capital projects	152	592
Total expenses	9,115	9,260
Increase in net assets	865	451
Net assets beginning of year, as restated	12,214	11,763
Net assets end of year	\$ 13,079	\$ 12,214



The cost of all governmental activities this year was \$9.1 million compared to \$9.3 million last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was only \$5.7 million because some of the cost was paid by those who directly benefited from the programs (\$361,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,019,000). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services, decreased in 2009 from approximately \$4,021,928 to \$3,379,689. The County paid for the remaining “public benefit” portion of governmental activities with approximately \$4,606,000 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 \$0.09766 per \$1,000 of valuation in the countywide 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 2009	For Taxes Levied FY 2008
Countywide taxable value	\$ 440,822,542	\$ 427,401,953
Countywide levy rate	6.83572	6.93171
Dollars levied	3,013,340	2,962,626
Rural taxable value	275,378,284	260,087,717
Rural tax levy rate	3.95	3.95
Dollars levied rural area only	1,087,744	1,027,346
Total countywide rate	10.78572	10.88171
Total dollars levied countywide	\$ 4,101,084	\$ 3,989,972

THE COUNTY’S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$5.2 million, which is approximately \$78,000 more than last year’s total.

The increase in fund balance is attributable to higher revenues and lower capital project expenses.

General Fund revenues increased by approximately \$162,000 when compared to the prior year. The ending fund balance showed a decrease from the prior year of \$1,464,000 to \$1,286,000. Mainly due to an increase in expenses.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,208,000. The Mental Health Fund balance at year end decreased by approximately \$125,000, or 50% from the prior year.

The Rural Services fund ended Fiscal Year 2009 with a balance of \$88,000 compared to the prior year-end balance of \$95,000. The decrease of \$6,500 in the fund was mainly attributable to an increase in net operating transfers.

Secondary Roads Fund expenditures decreased by approximately \$872,000 from the prior year, due principally to the construction of new secondary road projects in 2009. The receipts in the Secondary Road fund were sufficient and there was an increase in the Fund’s fund balance of \$540,000.

Significant work in Humboldt County drainage districts continued. The work consisted of continued cleaning and maintenance of the drainage districts. The fund balance for the drainage districts as a whole decreased \$56,200 for the year ended June 30, 2009.

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 four times. The first amendment was made in October of 2008 and resulted in an increase in budgeted expenditures of \$389,000. This increase was to pay for a revolving loan fund, increased expenses for the mapping maintenance, the electrical renovation at the courthouse, and other capital projects. The second amendment was made on April 6, 2009 in order to approve additional expenditures for juvenile court services, higher substance abuse services and to record the Public Health Nurse reimbursement as well as additional expenditures for the mapping maintenance project. The third amendment for the year was made on June 15, 2009 in order to approve additional expenditures to purchase sheriff vehicles and equipment, pay the Public Health Nurse reimbursement, to fund repairs, and to increase capital projects for bridge inspection, seal coating and fuel costs. The final amendment for the year was made on June 29, 2009 in order to approve additional expenditures for grant funds for Veteran Affairs.

The County did not exceed the budgeted amounts in any program service areas for the year ended June 30, 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, Humboldt County had approximately \$8.3 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 \$750,000. 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,	
	2009	2008
Land	\$ 200	\$ 142
Buildings and improvements	1,333	1,131
Equipment and vehicles	1,294	1,307
Infrastructure	5,469	4,966
Total	\$ 8,296	\$ 7,546

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

Wetland improvements	58
New vehicle and equipment for sheriff	46
Mapping project	96
New equipment – conservation	56
4 bridge/culvert projects	782
Electrical renovation to courthouse	277
Other	165
	1,480

The County had depreciation expense of \$728,111 during the year ended June 30, 2009 and total accumulated depreciation of \$6,825,819 as of June 30, 2009.

LONG TERM DEBT

At June 30, 2009, Humboldt County had approximately \$943,000 in outstanding obligations. They are displayed below in the chart.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2009	2008
Drainage warrants and improvement certificates	\$ 802	\$ 1,898
Landfill closure costs	44	46
Compensated absences	97	113
Total	\$ 943	\$ 2,057

Debt decreased as a result of redeeming outstanding drainage warrants during the year.

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 currently offered 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, 2010.

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, 2009

Assets

Cash and pooled investments	\$ 5,241,662
Receivables	
Property tax:	
Delinquent	9,164
Succeeding year	4,199,226
Accounts	18,940
Accrued interest	5,009
Drainage assessments	409,090
Due from other governments	132,937
Inventory	70,667
Prepaid drainage improvement costs	69,952
Capital assets (net of accumulated depreciation)	8,296,489
	<hr/>
Total assets	\$ 18,453,136
	<hr/> <hr/>

Liabilities

Accounts payable	\$ 144,028
Salaries and benefits payable	34,821
Due to other governments	52,964
Deferred revenue:	
Succeeding year property tax	4,199,040
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	97,210
Portion due or payable after one year:	
Drainage warrants payable	802,292
Landfill closure liability	43,610
	<hr/>
Total liabilities	\$ 5,373,965
	<hr/> <hr/>

Net Assets

Invested in capital assets, net of related debt	\$ 8,296,489
Restricted for:	
Supplemental levy purposes	488,190
Mental health purposes	114,392
Secondary road purposes	3,038,682
Other purposes	426,327
Unrestricted	715,091
	<hr/>
Total net assets	\$ 13,079,171
	<hr/> <hr/>

See notes to the financial statements

HUMBOLDT COUNTY

Exhibit B

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Contributions and Restricted Interest	Contributions and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 1,467,345	64,740	1,000	-	\$ (1,401,605)
Physical health and social services	335,663	75,189	-	-	(260,474)
Mental health	1,276,239	-	610,750	-	(665,489)
County environment and education	609,049	29,679	12,630	-	(566,740)
Roads and transportation	2,237,270	-	1,854,300	111,843	(271,127)
Governmental services to residents	401,145	156,756	-	-	(244,389)
Administration	765,490	34,456	49,920	-	(681,114)
Non-program	1,871,037	-	-	378,426	(1,492,611)
Capital projects	151,680	-	-	-	(151,680)
	<u>\$ 9,114,918</u>	<u>360,820</u>	<u>2,528,600</u>	<u>490,269</u>	<u>(5,735,229)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					4,046,066
Penalty and interest on property tax					29,381
State tax credits					203,067
Local option sales tax					356,849
Unrestricted investment earnings					357,596
Miscellaneous					1,607,025
Total general revenues					<u>6,599,984</u>
Change in net assets					864,755
Net assets beginning of year					<u>12,214,416</u>
Net assets end of year					<u>\$ 13,079,171</u>

See notes to financial statements.

HUMBOLDT COUNTY

Exhibit C

**Balance Sheet
Governmental Funds**

June 30, 2009

Assets	Special Revenue						Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts	Nonmajor	
Cash and investments	\$ 1,288,034	190,138	88,091	3,081,824	323,250	270,325	\$ 5,241,662
Receivables:							
Property tax:							
Delinquent	7,446	1,294	424	-	-	-	9,164
Succeeding year	2,610,450	453,481	1,135,295	-	-	-	4,199,226
Accounts receivable	5,405	2,031	-	10,817	-	687	18,940
Accrued interest	4,808	-	-	130	-	71	5,009
Drainage assessments	-	-	-	-	409,090	-	409,090
Due from other funds	214	-	-	-	-	35,142	35,356
Due from other governments	43,130	55,304	-	1,537	325	32,641	132,937
Inventory	-	-	-	70,667	-	-	70,667
	<u>3,959,487</u>	<u>702,248</u>	<u>1,223,810</u>	<u>3,164,975</u>	<u>732,665</u>	<u>338,866</u>	<u>10,122,051</u>
 Liabilities and Fund Balance							
Liabilities							
Accounts payable	39,724	38,325	-	65,475	-	504	144,028
Salaries and benefits payable	10,216	3,522	-	20,208	-	875	34,821
Due to other funds	-	35,356	-	-	-	-	35,356
Due to other governments	5,495	46,648	-	821	-	-	52,964
Deferred revenue:							
Succeeding year property tax	7,446	1,294	424	-	-	-	9,164
Other	2,610,292	453,453	1,135,295	-	409,090	-	4,608,130
	<u>2,673,173</u>	<u>578,598</u>	<u>1,135,719</u>	<u>86,504</u>	<u>409,090</u>	<u>1,379</u>	<u>4,884,463</u>
 Fund balances:							
Reserved for:							
Supplemental levy purposes	488,190	-	-	-	-	-	488,190
Drainage warrants/drainage improvement certificates	-	-	-	-	323,575	-	323,575
Resource enhancement and protection	-	-	-	-	-	72,983	72,983
Unreserved, reported in:							
General fund	798,124	-	-	-	-	-	798,124
Special revenue funds	-	123,650	88,091	3,078,471	-	264,504	3,554,716
	<u>1,286,314</u>	<u>123,650</u>	<u>88,091</u>	<u>3,078,471</u>	<u>323,575</u>	<u>337,487</u>	<u>5,237,588</u>
	<u>\$ 3,959,487</u>	<u>702,248</u>	<u>1,223,810</u>	<u>3,164,975</u>	<u>732,665</u>	<u>338,866</u>	<u>\$ 10,122,051</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, 2009

Total governmental fund balances (page 14)	\$ 5,237,588
<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 \$15,122,308 and the accumulated depreciation is \$6,825,818.	8,296,489
Other long-term assets are not available to pay current period expenditures and therefore, are deferred in the funds.	418,254
Prepaid drainage improvement costs included as assets on the statement of net assets but not reported in the funds	69,952
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>(943,112)</u>
Net assets of governmental activities (page 12)	<u>\$ 13,079,171</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, 2009

	Special Revenue					Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts		
Revenues							
Property and other county tax	\$2,522,104	448,206	1,077,013	-	-	-	4,047,323
Interest and penalty on property tax	29,381	-	-	-	-	-	29,381
Intergovernmental	174,998	633,236	54,028	1,966,143	378,426	371,954	3,578,785
Licenses and permits	1,093	-	-	24,991	-	-	26,084
Charges for service	352,662	-	-	3,742	-	4,416	360,820
Use of money and property	237,518	-	-	-	118,779	1,299	357,596
Miscellaneous	85,451	1,512	46	71,714	1,328,707	83,452	1,570,882
	<u>3,403,207</u>	<u>1,082,954</u>	<u>1,131,087</u>	<u>2,066,590</u>	<u>1,825,912</u>	<u>461,121</u>	<u>9,970,871</u>
Expenditures:							
Operating							
Public safety and legal service	1,284,955	-	185,311	-	-	6,309	1,476,575
Physical health and social services	335,663	-	-	-	-	-	335,663
Mental health	-	1,208,121	-	-	-	68,576	1,276,697
County environment and education	381,513	-	110,098	-	-	119,886	611,497
Roads and transportation	10,455	-	-	2,526,981	-	-	2,537,436
Governmental services to residents	399,261	-	1,884	-	-	-	401,145
Administration	1,219,546	-	-	-	-	2,192	1,221,738
Non-program	-	-	-	-	2,500,432	-	2,500,432
Capital projects	-	-	-	151,680	-	-	151,680
	<u>3,631,393</u>	<u>1,208,121</u>	<u>297,293</u>	<u>2,678,661</u>	<u>2,500,432</u>	<u>196,963</u>	<u>10,512,863</u>
Excess (deficiency) of revenues over (under) expenditures	(228,186)	(125,167)	833,794	(612,071)	(674,520)	264,158	(541,992)
Other financing sources (uses)							
Sale of capital assets	281	-	-	1,051	-	-	1,332
Operating transfers in	127,000	-	20,000	1,151,365	-	-	1,298,365
Operating transfers out	(77,151)	-	(860,314)	-	-	(360,900)	(1,298,365)
Drainage warrants/drainage improvement improvement certificates issued	-	-	-	-	618,347	-	618,347
	<u>50,130</u>	<u>-</u>	<u>(840,314)</u>	<u>1,152,416</u>	<u>618,347</u>	<u>(360,900)</u>	<u>619,679</u>
Net change in fund balances	(178,056)	(125,167)	(6,520)	540,345	(56,173)	(96,742)	77,687
Fund balances beginning of year	1,464,370	248,817	94,611	2,538,126	379,748	434,229	5,159,901
Fund balances end of year	<u>\$1,286,314</u>	<u>123,650</u>	<u>88,091</u>	<u>3,078,471</u>	<u>323,575</u>	<u>337,487</u>	<u>5,237,588</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, 2009

Net change in fund balances - total governmental funds (page - 16)		\$ 77,687
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 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	1,480,455	
Depreciation expense	<u>(728,111)</u>	752,344
Loss on disposal of asset		(1,560)
Drainage improvement costs that are expenditures paid for governmental fund reporting but matched with the revenues for entity wide reporting		(1,084,923)
 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	(1,257)	
Drainage assessments	<u>8,727</u>	7,470
 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	(618,347)	
Drainage warrants repaid	<u>1,714,318</u>	1,095,971
 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	15,377	
Landfill closure liability	<u>2,389</u>	17,766
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.		<u>-</u>
Changes in net assets of governmental activities (page 13)		<u>\$ 864,755</u>
See notes to the financial statements.		

HUMBOLDT COUNTY

Exhibit G

Statement of Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2009

Assets	
Cash and pooled investments	
County Treasurer	\$ 605,297
Other County officials	20,560
Property tax receivable	
Delinquent	36,976
Succeeding year	10,551,714
Accounts receivable	18,604
Due from other governments	5,990
Capital assets	117,434
	<hr/>
Total Assets	11,356,575
	<hr/>
Liabilities	
Accounts payable	9,236
Salaries and benefits payable	5,470
Due to other governments	11,278,091
Notes payable	42,156
Trusts payable	21,622
Compensated absences	-
	<hr/>
Total Liabilities	11,356,575
	<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 principles as prescribed by the Government Accounting Standards Board.

A. – Reporting Entity

For financial reporting purposes, Humboldt 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 an 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.

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 becomes 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2008.

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 represents 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 represents 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, 2009, 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, 2009. 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 \$5,547,283 money market savings accounts) at June 30, 2009 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, 2009 are as follows:

<u>Type</u>	<u>Fair Value</u>
Stamped Drainage Warrants	<u>\$532,117</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) to 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 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 8% 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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$192,058, \$164,722 and 160,106, 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, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Special Revenue Mental Health	<u>\$ 214</u>
Nonmajor	Special Revenue Mental Health	<u>\$ 35,142</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	\$ 5,495
Special Revenue:		
Mental Health	Services	46,648
Secondary Road	Services	821
Total for governmental funds		<u>\$ 52,964</u>
Agency:		
Agricultural Extension Education	Collections	\$ 139,135
County Assessor		172,481
Schools		6,392,039
Community Colleges		434,128
Corporations		2,960,018
Townships		151,303
Public Safety		<u>1,028,987</u>
Total for agency funds		<u>\$ 11,278,091</u>

HUMBOLDT COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from:	Amount
General	Special Revenue Community Betterment	127,000
Special Revenue Rural Services	Special Revenue Community Betterment	20,000
Secondary Road	General Fund Special Revenue Rural Services Secondary Road Lost	77,151 860,314 213,900
		1,151,365
		1,298,365

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, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets not being depreciated:				
Land	142,143	58,076	-	200,219
Capital Assets being depreciated:				
Buildings and improvements	2,741,120	293,330	-	3,034,450
Equipment and vehicles	5,048,117	341,871	86,018	5,303,970
Infrastructure, road network	5,796,490	787,179	-	6,583,669
Total capital assets being depreciated	13,585,727	1,422,380	86,018	14,922,089
Less accumulated depreciation for:				
Buildings and improvements	1,610,106	91,137	-	1,701,243
Equipment and vehicles	3,741,183	353,556	84,457	4,010,282
Infrastructure, road network	830,876	283,418	-	1,114,294
Total accumulated depreciation	6,182,165	728,111	84,457	6,825,819
Total capital assets being depreciated, net	7,403,562			8,096,270
Governmental activities capital assets, net	\$ 7,545,705			8,296,489

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – CAPITAL ASSETS - continued

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety	37,069
County Environment	56,061
Roads and Transportation	499,954
Administration	135,027
	<u>728,111</u>

NOTE 8 –LONG-TERM LIABILITIES

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	<u>Postclosure Costs</u>	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 45,999	\$ 1,898,263	\$ 112,587	\$ 2,056,849
Increases		618,347	-	618,347
Decreases	<u>2,389</u>	<u>1,714,318</u>	<u>15,377</u>	<u>1,732,084</u>
Balance end of year	<u>\$ 43,610</u>	<u>\$ 802,292</u>	<u>\$ 97,210</u>	<u>\$ 943,112</u>
Due within one year	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 97,210</u>	<u>\$ 102,210</u>

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

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 omissions; 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 - 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 \$327,250 as of June 30, 2009. This 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 \$43,610 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, 2009, Humboldt County paid \$2,389 in fees to the Humboldt County Solid Waste Commission.

NOTE 11 – 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, 2009, 16 individuals were receiving assistance. The individuals being assisted held a total of \$18,507 as of June 30, 2009. The dollars in this program are insured by AARP.

NOTE 12 – 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.

HUMBOLDT COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

Humboldt County participates in the Humboldt County Law Enforcement Center (LEC), a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an agency fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2009:

Additions:

Contributions from governmental units:

Humboldt County	\$ 207,124	
City of Humboldt	<u>88,768</u>	
		\$ 295,892

Deductions:

Salaries	\$ 151,711	
Benefits	55,028	
Office supplies	9,152	
Office equipment	53,552	
Uniforms	1,084	
Telephone	5,735	
Utilities	5,009	
Training	1,386	
Insurance	5,293	
Interest	2,789	
Miscellaneous	<u>8,755</u>	
		<u>299,494</u>

Net \$ (3,620)

Balance beginning of year 112,740

Balance end of year \$ 109,138

The LEC borrowed \$79,000 from a local bank during the year ended June 30, 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, 2009 is \$42,156. The future principal and interest payments on the loan are as follows:

Year Ended	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2010	13,450	2,208
2011	14,131	1,527
2012	<u>14,575</u>	<u>1,083</u>
	<u>42,156</u>	<u>4,818</u>

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, 2009

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property tax and other county tax	\$ 4,412,139	-	4,412,139
Interest and penalty on property tax	28,608	-	28,608
Intergovernmental	3,153,819	155,185	2,998,634
Licenses and permits	34,077	-	34,077
Charges for service	249,759	-	249,759
Use of money and property	276,965	32,029	244,936
Miscellaneous	1,881,132	1,630,447	250,685
	<u>10,036,499</u>	<u>1,817,661</u>	<u>8,218,838</u>
Disbursements:			
Program			
Public safety and legal services	1,501,739	-	1,501,739
Physical health and social services	345,388	-	345,388
Mental health	1,226,702	-	1,226,702
County environment and education	623,975	-	623,975
Roads and transportation	2,573,457	-	2,573,457
Government services to residents	387,166	-	387,166
Administration	1,249,174	-	1,249,174
Capital Projects	181,490	-	181,490
Non-program	1,795,335	1,795,335	-
	<u>9,884,426</u>	<u>1,795,335</u>	<u>8,089,091</u>
Excess (deficiency) of receipts over disbursements	152,073	22,326	129,747
Other financing sources	1,904	12,018	(10,114)
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing	153,977	34,344	119,633
Balance beginning of year	5,087,685	288,906	4,798,779
Balance end of year	<u>\$ 5,241,662</u>	<u>323,250</u>	<u>4,918,412</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,405,965	4,405,965	6,174
-	-	28,608
2,938,727	3,034,727	(36,093)
18,100	18,100	15,977
220,550	220,550	29,209
225,975	165,975	78,961
158,164	174,164	76,521
7,967,481	8,019,481	199,357
1,478,208	1,518,208	16,469
343,474	421,474	76,086
1,476,632	1,476,632	249,930
635,029	678,029	54,054
2,691,603	2,762,103	188,646
454,917	454,917	67,751
1,021,105	1,263,605	14,431
354,000	1,340,800	1,159,310
-	-	-
8,454,968	9,915,768	1,826,677
(487,487)	(1,896,287)	2,026,034
1,000	1,000	(11,114)
(486,487)	(1,895,287)	2,014,920
4,991,850	4,991,850	(193,071)
4,505,363	3,096,563	1,821,849

HUMBOLDT COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,036,499	(65,628)	9,970,871
Expenditures	9,884,426	628,437	10,512,863
Net	152,073	(694,065)	(541,992)
Other Financing Sources, net	1,904	617,775	619,679
Beginning Fund Balances	5,087,685	72,216	5,159,901
Ending Fund Balances	\$ 5,241,662	(4,074)	5,237,588

See accompanying independent auditor's report.

HUMBOLDT COUNTY

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 33).

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, four budget amendments increased budgeted disbursements by \$1,460,800. 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, 2009 disbursements did not exceed the amounts budgeted in any function.

Other Supplementary Information

HUMBOLDT COUNTY

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2009

Assets	Special Revenue				
	Records		Jail	Community	Secondary
	Management	REAP	Assessments	LOST	LOST
Cash and investments	\$ 12,306	72,923	702	26,847	131,125
Receivables					
Accounts receivable	-	-	687	-	-
Accrued interest	11	60	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	6,481	15,230
Total Assets	12,317	72,983	1,389	33,328	146,355
Liabilities and Fund Balance					
Liabilities					
Accounts payable	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Fund balances					
Reserved for					
Resource enhancement and protection	-	72,983	-	-	-
Unreserved, reported in					
Special revenue funds	12,317	-	1,389	33,328	146,355
Total fund balances	12,317	72,983	1,389	33,328	146,355
Total liabilities and fund balances	\$ 12,317	72,983	1,389	33,328	146,355

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	
-	10,432	11,236	334	236	879	3,305	\$	270,325
-	-	-	-	-	-	-		687
-	-	-	-	-	-	-		71
-	-	-	-	-	-	35,142		35,142
10,693	-	-	-	-	237	-		32,641
10,693	10,432	11,236	334	236	1,116	38,447		338,866
-	-	-	-	-	-	504		504
-	-	-	-	-	-	875		875
-	-	-	-	-	-	1,379		1,379
-	-	-	-	-	-	-		72,983
10,693	10,432	11,236	334	236	1,116	37,068		264,504
10,693	10,432	11,236	334	236	1,116	37,068		337,487
10,693	10,432	11,236	334	236	1,116	38,447	\$	338,866

HUMBOLDT COUNTY

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

Year ended June 30, 2009

	Special Revenue				
	Records Management	REAP	Jail Assessments	Community Betterment LOST	Secondary Roads LOST
Revenues					
Intergovernmental	\$ -	15,105	-	71,370	167,719
Charges for service	1,560	-	2,856	-	-
Use of money and property	194	1,103	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	1,754	16,208	2,856	71,370	167,719
Expenditures:					
Operating					
Public safety and legal service	-	-	5,641	-	-
Mental health	-	-	-	-	-
County environment and education	-	-	-	-	-
Administration	-	-	-	-	-
Total expenditures	-	-	5,641	-	-
Excess (deficiency) of revenues over (under) expenditures	1,754	16,208	(2,785)	71,370	167,719
Other financing (uses)					
Operating transfers out	-	-	-	(147,000)	(213,900)
Total other financing (uses)	-	-	-	(147,000)	(213,900)
Net change in fund balances	1,754	16,208	(2,785)	(75,630)	(46,181)
Fund balances beginning of year	10,563	56,775	4,174	108,958	192,536
Fund balances end of year	\$ 12,317	72,983	1,389	33,328	146,355

Schedule 2

Special Revenue							
Schools LOST	Conservation Land Acquisition Trust	DARE	K9	Seniors and Lawman	Recorder's Electronic Fees	Drop-In	Total
117,760	-	-	-	-	-	-	\$ 371,954
-	-	-	-	-	-	-	4,416
-	-	-	-	-	2	-	1,299
-	2,070	-	-	-	2,295	79,087	83,452
117,760	2,070	-	-	-	2,297	79,087	461,121
-	-	383	-	285	-	-	6,309
-	-	-	-	-	-	68,576	68,576
119,886	-	-	-	-	-	-	119,886
-	-	-	-	-	2,192	-	2,192
119,886	-	383	-	285	2,192	68,576	196,963
(2,126)	2,070	(383)	-	(285)	105	10,511	264,158
-	-	-	-	-	-	-	(360,900)
-	-	-	-	-	-	-	(360,900)
(2,126)	2,070	(383)	-	(285)	105	10,511	(96,742)
12,819	8,362	11,619	334	521	1,011	26,557	434,229
10,693	10,432	11,236	334	236	1,116	37,068	\$ 337,487

HUMBOLDT COUNTY

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

Year Ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and Pooled Investments				
County Treasurer	\$ -	1,595	49,074	72,088
Other County officials	20,560	-	-	-
Receivables				
Accounts receivable	1,057	-	-	-
Property tax	-			
Delinquent	-	391	353	18,749
Succeeding year	-	137,149	123,653	6,301,202
Due from other governments	-	-	6	-
Capital Assets	-	-	-	-
Total assets	<u>21,617</u>	<u>139,135</u>	<u>173,086</u>	<u>6,392,039</u>
Liabilities				
Accounts payable	-	-	605	-
Salaries and benefits payable	-	-	-	-
Due to other governments		139,135	172,481	6,392,039
Notes Payable	-	-	-	-
Trusts payable	21,617	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 21,617</u>	<u>139,135</u>	<u>173,086</u>	<u>6,392,039</u>

See Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	Other	Total
5,483	29,116	1,896	446,045	\$ 605,297
-	-	-	-	20,560
-	-	-	17,547	18,604
1,209	14,807	50	1,417	36,976
427,436	2,916,095	149,357	496,822	10,551,714
-	-	-	5,984	5,990
-	-	-	117,434	117,434
<u>434,128</u>	<u>2,960,018</u>	<u>151,303</u>	<u>1,085,249</u>	<u>11,356,575</u>
-	-	-	8,631	9,236
-	-	-	5,470	5,470
434,128	2,960,018	151,303	1,028,987	11,278,091
-	-	-	42,156	42,156
-	-	-	5	21,622
-	-	-	-	-
<u>434,128</u>	<u>2,960,018</u>	<u>151,303</u>	<u>1,085,249</u>	<u>\$ 11,356,575</u>

HUMBOLDT COUNTY

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

Year Ended June 30, 2009

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Schools</u>
Assets and Liabilities				
Balance beginning of year	\$ 15,927	134,568	151,868	5,765,954
Additions				
Property tax and other county tax	-	135,388	122,067	6,217,887
E911 surcharge	-	-	-	-
State tax credits	-	6,538	5,891	286,665
Drivers license fees	-	-	-	-
Office fees, collections and misc.	200,102	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	19,300	-	-	-
Miscellaneous	-	-	10,058	-
Total additions	<u>235,329</u>	<u>276,494</u>	<u>289,884</u>	<u>12,270,506</u>
Deductions				
Agency remittances				
To other funds	112,246	-	-	-
To other governments	82,166	137,359	116,798	5,878,467
Trusts paid out	19,300	-	-	-
Total deductions	<u>213,712</u>	<u>137,359</u>	<u>116,798</u>	<u>5,878,467</u>
Balance end of year	<u>\$ 21,617</u>	<u>139,135</u>	<u>173,086</u>	<u>6,392,039</u>

See Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	Other	Total
460,007	2,653,910	144,193	1,097,706	\$ 10,424,133
424,012	2,871,539	147,417	473,816	10,392,126
-	-	-	90,284	90,284
22,494	115,193	7,074	23,737	467,592
-	-	-	53,521	53,521
-	-	-	181,657	381,759
-	-	-	2,645,025	2,645,025
-	-	-	295,252	295,252
-	-	-	-	19,300
-	8,521	-	408,496	427,075
906,513	5,649,163	298,684	5,269,494	25,196,067
-	-	-	-	112,246
472,385	2,689,145	147,381	3,543,438	13,067,139
-	-	-	640,807	660,107
472,385	2,689,145	147,381	4,184,245	13,839,492
434,128	2,960,018	151,303	1,085,249	\$ 11,356,575

HUMBOLDT COUNTY

Schedule 5

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

For the Last Eight Years

	Modified Accrual Basis							
	2009	2008	2007	2006	2005	2004	2003	2002
Revenues								
Property and other county tax	\$ 4,047,323	\$ 3,945,865	\$ 3,938,703	\$ 4,166,190	\$ 3,378,669	\$ 3,341,820	\$ 3,585,217	\$ 3,134,070
Interest and penalty on property tax	29,381	30,608	30,982	38,735	37,974	31,001	30,693	35,893
Intergovernmental	3,578,785	4,408,164	3,752,347	3,921,789	3,712,338	3,211,309	2,667,489	2,401,947
Licenses and permits	26,084	38,069	26,050	22,557	19,420	18,184	10,675	18,873
Charges for service	360,820	227,264	268,939	250,900	278,328	207,514	231,676	245,756
Use of Money and Property	357,596	326,728	373,748	355,043	225,457	117,368	163,341	239,018
Miscellaneous	1,570,882	861,644	1,826,848	497,216	521,746	1,585,413	414,167	99,907
Total	9,970,871	9,838,342	10,217,617	9,252,430	8,173,932	8,512,609	7,103,258	6,175,464
Expenditures								
Current								
Public safety and legal services	1,476,575	1,428,044	1,367,314	1,336,999	1,284,879	1,272,084	1,166,067	1,102,681
Physical health and social services	335,663	276,753	258,625	289,473	265,112	306,926	382,009	361,359
Mental health	1,276,697	1,281,320	1,293,368	1,108,071	1,127,624	1,148,982	1,143,230	1,147,205
County environment and education	611,497	632,849	602,204	497,867	538,761	557,163	439,132	410,294
Roads and transportation	2,537,436	2,969,259	2,417,710	2,917,945	2,573,197	2,817,280	1,733,240	1,819,891
Governmental services to residents	401,145	285,869	321,364	457,539	313,775	304,668	253,942	246,769
Administration	1,221,738	923,389	914,873	985,062	981,952	937,732	892,853	737,913
Non-program	2,500,432	2,940,939	4,070,029	2,261,053	2,119,331	2,036,406	1,598,564	783,608
Capital Projects	151,680	592,457	495,593	436,146	158,660	368,521	393,622	458,885
Total	\$10,512,863	\$11,330,879	\$ 11,741,080	\$ 10,290,155	\$ 9,363,291	\$ 9,749,762	\$ 8,002,659	\$ 7,068,605

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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 22, 2010. 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 or 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 09-II-A is a material weakness. The prior year reportable condition 08-II-A was not resolved.

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, 2009 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 22, 2010

HUMBOLDT COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2009

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, 2009**

Part II: Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

09-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, maximizes 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 internal control to the extent possible.

Conclusion - Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

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

09-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.

09-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, 2009**

09-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	\$ 611

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 did not exceeded \$1,500 for the year ended June 30, 2009.

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

09-III-F Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

09-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.

09-III-H Resource Enhancement and Protection Certification -The County properly dedicated property tax revenue and 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).

09-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, 2009 for the County Extension Office did not exceed the amount budgeted.