

**HUMBOLDT COUNTY**

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

**JUNE 30, 2012**

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

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## HUMBOLDT COUNTY

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John (Mort) Christianson	Supervisor	12-31-2012
Harley Hett	Supervisor	12-31-2012
Carl Mattes	Supervisor	12-31-2014
Harlan Hansen	Supervisor	12-31-2012
Jerry Haverly	Supervisor	12-31-2012
Peggy Rice	County Auditor	12-31-2012
Jana Bratland	County Treasurer	12-31-2014
Linda Fort	County Recorder	12-31-2014
Dean Kruger	County Sheriff	12-31-2012
Linda Fallesen	Assessor	Appointed
Jonathan Beaty	County Attorney	12-31-2012



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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Humboldt County  
Dakota City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Humboldt County, Iowa, as of and for the year ended June 30, 2012, 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 auditing standards generally accepted in the United States 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 21, 2013 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.

Accounting principles generally accepted in the United States require Management's Discussion and Analysis and budgetary comparison information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 34 through 37 be presented to supplement the basis financial statements. Such information, although not a part of the basis financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting principles generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted 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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information 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 21, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Humboldt County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental funds increased 5%, or approximately \$470,000, from fiscal 2011 to fiscal 2012. Miscellaneous revenues increased approximately \$467,000.
- ◆ Program expenses were 8%, or approximately \$676,000, more in fiscal 2012 than in fiscal 2011. Capital project expense decreased approximately \$240,000 while non-program expenses increased approximately \$1,594,000.
- ◆ The County's net assets increased 8%, or approximately \$1,358,000, from June 30, 2011 to June 30, 2012.

### 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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.

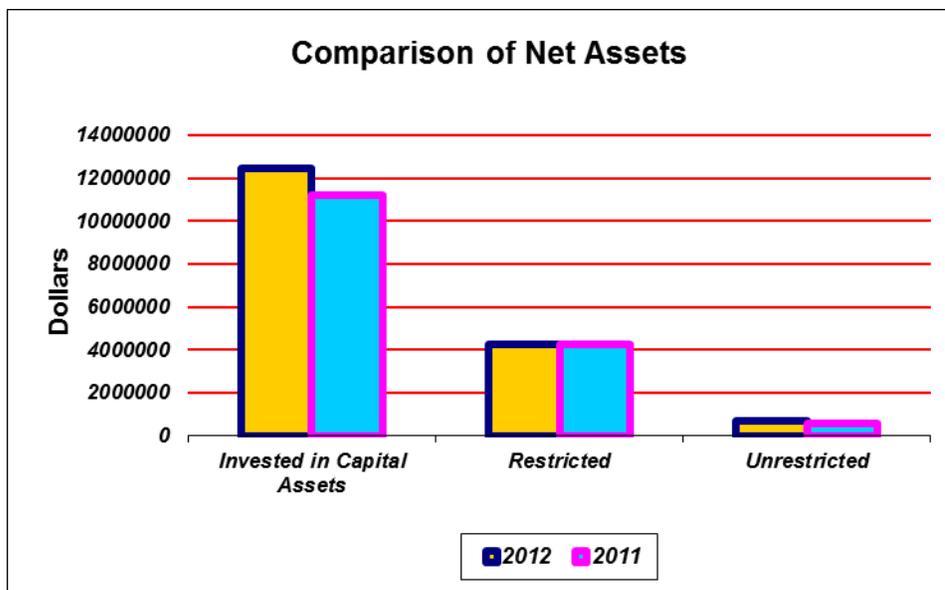
Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## 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 \$16.1 million to \$17.4 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, 2012	June 30, 2011
Current and other assets	\$ 12,439	\$ 12,690
Capital assets	13,661	11,202
<b>Total Assets</b>	<b>26,100</b>	<b>23,892</b>
Long-term debt outstanding	3,403	2,815
Other liabilities	5,261	4,998
<b>Total Liabilities</b>	<b>8,664</b>	<b>7,813</b>
<b>Net Assets:</b>		
Invested in capital assets	12,439	11,202
Restricted	4,272	4,270
Unrestricted	725	607
<b>TOTAL NET ASSETS</b>	<b>\$ 17,436</b>	<b>\$ 16,079</b>



Net assets of Humboldt County's governmental activities increased by approximately 8% (\$17.4 million compared to \$16.0 million). The largest portion of the County's net assets is the amount 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.

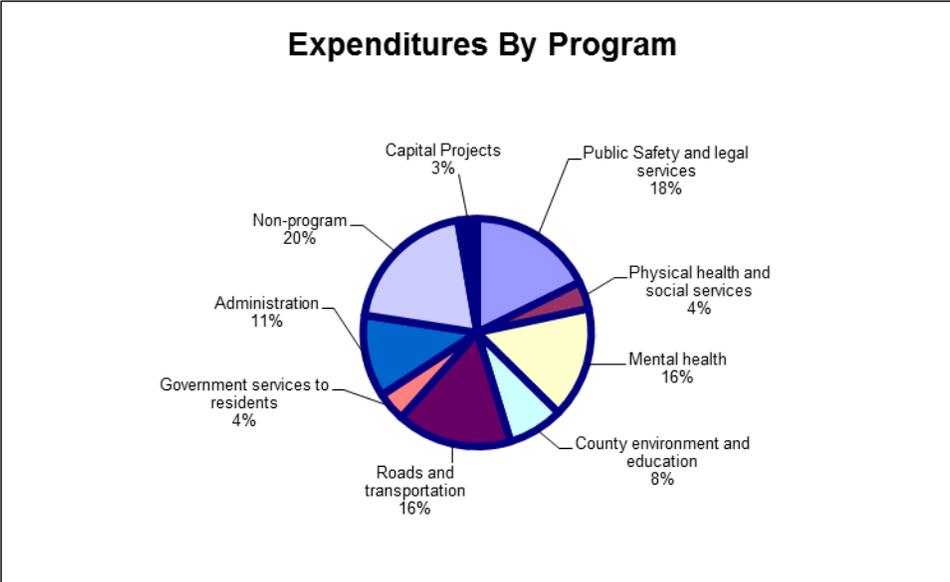
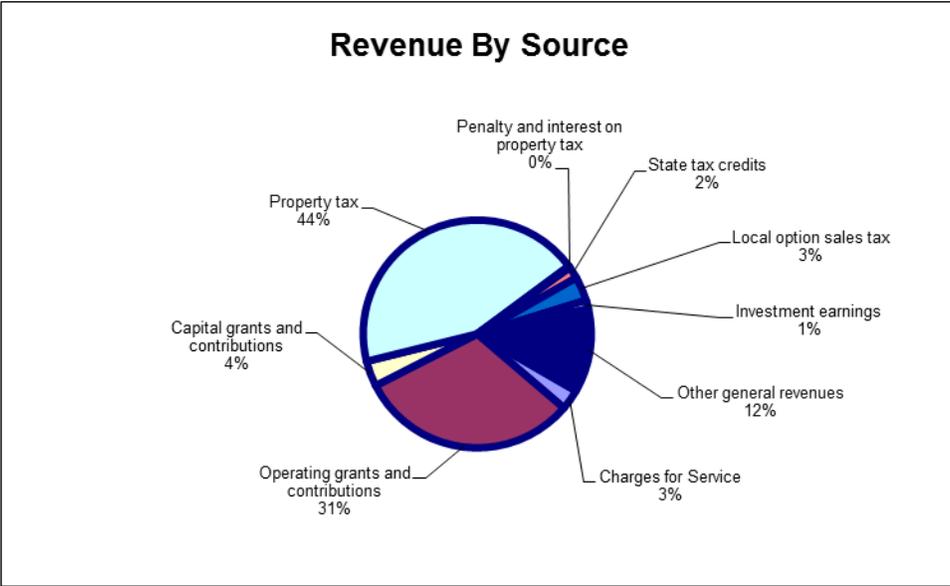
Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements – increased from approximately \$607,000 at June 30, 2011 to approximately \$725,000 at the end of this year.

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

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Revenues:	June 30, 2012	June 30, 2011
Program revenues:		
Charges for service	\$ 303	\$ 395
Operating grants and contributions	3,216	3,066
Capital grants and contributions	374	480
General revenues:		
Property tax	4,504	4,439
Penalty and interest on property tax	27	32
State tax credits	173	188
Local option sales tax	354	391
Unrestricted investment earnings	128	85
Other general revenues	1,223	756
	10,302	9,832
Program Expenses		
Public safety and legal services	1,586	1,423
Physical health and social services	349	357
Mental health	1,410	1,299
County environment and education	705	734
Roads and transportation	1,462	2,439
Government services to residents	371	379
Administration	1,044	974
Non-program	1,775	181
Capital projects	243	483
Total expenses	8,945	8,269
Increase in net assets	1,357	1,563
Net assets beginning of year, as restated	16,079	14,516
Net assets end of year	\$ 17,436	\$ 16,079



The cost of all governmental activities this year was \$8.9 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 \$5.1 million because some of the cost was paid by those who directly benefited from the programs (\$303,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,590,000).

Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services, decreased in 2012 from approximately \$3,941,000 to \$3,893,000. The County paid for the remaining “public benefit” portion of governmental activities with approximately \$5,031,000 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 \$0.04502 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 Fiscal Year 2012	For Taxes Levied Fiscal Year 2011
Countywide taxable value	\$ 537,287,089	\$ 509,673,664
Countywide levy rate	6.24622	6.29124
Dollars levied	3,356,013	3,206,480
Rural taxable value	334,027,821	319,818,481
Rural tax levy rate	3.95	3.95
Dollars levied rural area only	1,319,410	1,263,283
Total countywide rate	10.19622	10.24124
Total dollars levied countywide	\$ 4,675,423	\$ 4,469,763

## INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$5.0 million, which is approximately \$80,000 more than last year's total. The increase in fund balance is attributable to higher other financing sources.

General Fund revenues increased by approximately \$208,000 when compared to the prior year. The ending fund balance showed an increase from the prior year from \$1,011,000 to \$1,163,000. Mainly due to an increase in intergovernmental revenues.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,338,000. The Mental Health Fund balance at year end increased by approximately \$124,000, or 47%, from the prior year.

The Rural Services fund ended Fiscal Year 2012 with a balance of \$30,000 compared to the prior year-end balance of \$24,000. The increase of \$6,000 in the fund was mainly attributable to an increase in net operating revenues.

Secondary Roads Fund expenditures decreased by approximately \$101,000 from the prior year, due principally to the purchase of new secondary road equipment in 2011. The receipts in the Secondary Road fund were insufficient and there was a decrease in the Fund's fund balance of \$80,000.

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 \$167,000 for the year ended June 30, 2012.

## 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 on October 3, 2011 and increased budgeted expenditures by \$1,856,968. The increase was for the secondary road department for drainage and building improvements and capital projects. The second amendment was made in April of 2012 and resulted in an increase in budgeted revenues of \$468,312 and an increase in budgeted

expenditures of \$259,033. This increase was to pay for increased expenses for a new conservation employee and to set a budget for the REAP fund and repairs and maintenance and other capital projects.

The County did exceed the budgeted amounts in the public safety program service areas for the year ended June 30, 2012.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2011, Humboldt County had approximately \$11.20 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$1,237,000. 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)				
	2012		June 30, 2011	
Land	\$	205	\$	200
Buildings and improvements		1,597		1,643
Equipment and vehicles		1,576		1,865
Infrastructure		9,061		7,494
Total	\$	12,439	\$	11,202

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

New vehicles and equipment for sheriff	63
New equipment and trails – conservation	65
Bridge/culvert project	146
4 resurfacing projects	1,956
Other	105
	<u>2,335</u>

The County had depreciation expense of \$1,092,464 during the year ended June 30, 2012 and total accumulated depreciation of \$9,471,797 as of June 30, 2012.

**LONG TERM DEBT**

At June 30, 2012, Humboldt County had approximately \$2,815,000 in outstanding obligations. They are displayed below in the chart.

Outstanding Debt of Governmental Activities at Year-End  
(Expressed in Thousands)

	June 30,	
	2012	2011
Drainage warrants and improvement certificates	\$ 3,221	\$ 2,648
Landfill closure costs	31	33
Other post employment benefits	67	45
Compensated absences	84	89
Total	<u>\$ 3,403</u>	<u>\$ 2,815</u>

Debt increased as a result of additional outstanding drainage warrants during the year and increased OPEB liability.

**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 2011 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 2010 budget. Property tax and grant receipts are expected to decrease slightly during fiscal year 2011. 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 2011 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by June 30, 2012.

**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, 2012****Assets**

Cash and pooled investments	\$	5,217,316
Receivables		
Property tax:		
Delinquent		10,776
Succeeding year		4,865,215
Accounts		56,650
Accrued interest		536
Drainage assessments		270,270
Due from other governments		64,079
Inventory		70,682
Construction in progress		3,105,423
Capital assets (net of accumulated depreciation)		<u>12,439,370</u>
Total assets	\$	<u><u>26,100,317</u></u>

**Liabilities**

Accounts payable	\$	342,715
Salaries and benefits payable		53,574
Due to other governments		143
Deferred revenue:		
Succeeding year property tax		4,865,098
Long-term liabilities:		
Portion due or payable within one year:		
Compensated absences		84,311
Landfill closure liability		5,000
Portion due or payable after one year:		
Other postemployment benefits		66,873
Drainage warrants payable		3,220,465
Landfill closure liability		<u>26,048</u>
Total liabilities	\$	<u><u>8,664,227</u></u>

**Net Assets**

Invested in capital assets, net of related debt	\$	12,439,370
Restricted for:		
Supplemental levy purposes		331,413
Mental health purposes		379,731
Secondary road purposes		3,405,478
Other purposes		155,359
Unrestricted		<u>724,739</u>
Total net assets	\$	<u><u>17,436,090</u></u>

See notes to the financial statements

HUMBOLDT COUNTY

Exhibit B

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 1,586,026	46,123	68,380	-	\$ (1,471,523)
Physical health and social services	349,538	250	-	-	(349,288)
Mental health	1,410,031	-	1,003,051	-	(406,980)
County environment and education	704,564	68,073	10,004	-	(626,487)
Roads and transportation	1,462,362	-	2,107,418	117,010	762,066
Governmental services to residents	370,930	179,792	-	-	(191,138)
Administration	1,044,133	8,857	26,788	-	(1,008,488)
Non-program	1,774,507	-	-	257,004	(1,517,503)
Capital projects	242,868	-	-	-	(242,868)
	<u>\$ 8,944,959</u>	<u>303,095</u>	<u>3,215,641</u>	<u>374,014</u>	<u>(5,052,209)</u>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					4,504,275
Penalty and interest on property tax					27,254
State tax credits					173,077
Local option sales tax					354,140
Unrestricted investment earnings					128,241
Miscellaneous					1,222,732
Total general revenues					<u>6,409,719</u>
Change in net assets					1,357,510
Net assets beginning of year					<u>16,078,580</u>
Net assets end of year					<u>\$ 17,436,090</u>

See notes to financial statements.

HUMBOLDT COUNTY

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2012

Assets	Special Revenue						Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts	Nonmajor	
Cash and investments	\$ 1,175,601	542,831	29,995	2,772,229	333,900	362,760	\$ 5,217,316
Receivables:							
Property tax:							
Delinquent	8,465	1,293	1,018	-	-	-	10,776
Succeeding year	3,008,045	459,404	1,397,766	-	-	-	4,865,215
Accounts receivable	25,536	22,928	-	2,206	-	5,980	56,650
Accrued interest	477	-	-	32	-	27	536
Drainage assessments	-	-	-	-	270,270	-	270,270
Due from other funds	-	-	-	-	-	-	-
Due from other governments	30,736	3,991	-	753	-	28,599	64,079
Inventory	-	-	-	70,682	-	-	70,682
	<u>4,248,860</u>	<u>1,030,447</u>	<u>1,428,779</u>	<u>2,845,902</u>	<u>604,170</u>	<u>397,366</u>	<u>10,555,524</u>
Liabilities and Fund Balance							
Liabilities							
Accounts payable	54,912	173,409	-	114,394	-	-	342,715
Salaries and benefits payable	14,481	9,969	-	26,374	-	2,750	53,574
Due to other funds	-	-	-	-	-	-	-
Due to other governments	143	-	-	-	-	-	143
Deferred revenue:							
Succeeding year property tax	8,465	1,293	1,018	-	-	-	10,776
Other	3,007,943	459,389	1,397,766	-	270,270	-	5,135,368
	<u>3,085,944</u>	<u>644,060</u>	<u>1,398,784</u>	<u>140,768</u>	<u>270,270</u>	<u>2,750</u>	<u>5,542,576</u>
Fund balances:							
Nonspendable:							
Inventories				70,682			70,682
Restricted for:							
Supplemental levy purposes	331,513	-	-	-	-	-	331,513
Mental health purposes		386,387					386,387
Rural services purposes			29,995				29,995
Secondary road purposes				2,634,452			2,634,452
Drainage warrants/drainage improvement certificates	-	-	-	-	333,900	-	333,900
Resource enhancement and protection	-	-	-	-	-	72,647	72,647
Other purposes						321,969	321,969
Unassigned	831,403	-	-	-	-	-	831,403
	<u>1,162,916</u>	<u>386,387</u>	<u>29,995</u>	<u>2,705,134</u>	<u>333,900</u>	<u>394,616</u>	<u>5,012,948</u>
	<u>\$ 4,248,860</u>	<u>1,030,447</u>	<u>1,428,779</u>	<u>2,845,902</u>	<u>604,170</u>	<u>397,366</u>	<u>\$ 10,555,524</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, 2012

Total governmental fund balances (page 14)	\$ 5,012,948
<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 \$21,911,167 and the accumulated depreciation is \$9,471,797.	12,439,370
Other long-term assets are not available to pay current period expenditures and therefore, are deferred in the funds.	281,046
Construction in progress included as assets on the statement of net assets but not reported in the funds	3,105,423
Long-term liabilities, including compensated absences payable, other postemployment benefits 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>(3,402,697)</u>
Net assets of governmental activities (page 12)	<u>\$ 17,436,090</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, 2012

	Special Revenue					Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads	Drainage Districts		
Revenues							
Property and other county tax	\$2,795,262	438,032	1,270,289	-	-	-	4,503,583
Interest and penalty on property tax	27,339	(112)	27	-	-	-	27,254
Intergovernmental	426,561	1,019,802	95,424	2,224,428	257,004	364,144	4,387,363
Licenses and permits	4,916	-	-	40,378	-	-	45,294
Charges for service	297,576	-	-	-	-	5,519	303,095
Use of money and property	131,646	-	-	(4,066)	-	661	128,241
Miscellaneous	112,456	3,553	-	57,347	755,941	83,652	1,012,949
	<u>3,795,756</u>	<u>1,461,275</u>	<u>1,365,740</u>	<u>2,318,087</u>	<u>1,012,945</u>	<u>453,976</u>	<u>10,407,779</u>
Expenditures:							
Operating							
Public safety and legal service	1,362,225	-	218,511	-	-	6,187	1,586,923
Physical health and social services	349,538	-	-	-	-	-	349,538
Mental health	-	1,337,511	-	-	-	73,320	1,410,831
County environment and education	481,825	-	172,421	-	-	51,268	705,514
Roads and transportation	10,978	-	-	3,490,038	-	-	3,501,016
Governmental services to residents	368,427	-	2,503	-	-	-	370,930
Administration	978,509	-	-	-	-	6,029	984,538
Non-program	-	-	-	-	2,811,422	-	2,811,422
Capital projects	-	-	-	242,868	-	-	242,868
	<u>3,551,502</u>	<u>1,337,511</u>	<u>393,435</u>	<u>3,732,906</u>	<u>2,811,422</u>	<u>136,804</u>	<u>11,963,580</u>
Excess (deficiency) of revenues over (under) expenditures	244,254	123,764	972,305	(1,414,819)	(1,798,477)	317,172	(1,555,801)
Other financing sources (uses)							
Sale of capital assets	1,302	-	-	2,989	-	-	4,291
Operating transfers in	-	-	71,824	1,331,873	-	-	1,403,697
Operating transfers out	(93,547)	-	(1,038,326)	-	-	(271,824)	(1,403,697)
Drainage warrants/drainage improvement improvement certificates issued	-	-	-	-	1,631,117	-	1,631,117
	<u>(92,245)</u>	<u>-</u>	<u>(966,502)</u>	<u>1,334,862</u>	<u>1,631,117</u>	<u>(271,824)</u>	<u>1,635,408</u>
Net change in fund balances	152,009	123,764	5,803	(79,957)	(167,360)	45,348	79,607
Fund balances beginning of year	1,010,907	262,623	24,192	2,785,091	501,260	349,268	4,933,341
Fund balances end of year	<u>\$1,162,916</u>	<u>386,387</u>	<u>29,995</u>	<u>2,705,134</u>	<u>333,900</u>	<u>394,616</u>	<u>5,012,948</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, 2012

Net change in fund balances - total governmental funds (page - 16) \$ 79,607

*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	3,094,374	
Depreciation expense	<u>(1,092,464)</u>	2,001,910

In the statement of activities, the loss on the disposal of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (5,117)

Drainage improvement costs that are expenditures paid for governmental fund reporting but matched with the revenues for entity wide reporting (21,822)

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	692	
Drainage assessments	<u>(110,293)</u>	(109,601)

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	(1,631,117)	
Drainage warrants repaid	<u>1,058,737</u>	(572,380)

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	4,886	
Other postemployment benefits	(22,291)	
Landfill closure liability	<u>2,318</u>	(15,087)

Changes in net assets of governmental activities (page 13) \$ 1,357,510

See notes to the financial statements.

HUMBOLDT COUNTY

Exhibit G

Statement of Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2012

Assets	
Cash and pooled investments	
County Treasurer	\$ 682,346
Other County officials	16,631
Property tax receivable	
Delinquent	38,474
Succeeding year	12,239,444
Accounts receivable	22,922
Due from other governments	-
Capital assets	117,434
	<hr/>
Total Assets	13,117,251
	<hr/>
Liabilities	
Accounts payable	7,521
Salaries and benefits payable	9,373
Due to other governments	13,083,008
Notes payable	-
Trusts payable	17,349
Compensated absences	-
	<hr/>
Total Liabilities	13,117,251
	<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 the road use tax allocation from the state of Iowa, required transfers from the General and the Special Revenue, Rural Services Fund and other revenues to be used 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.

When an expenditure is incurred in governmental funds, which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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 financial statements:

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012; and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2011.

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, 2012, 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, 2012. 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, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specific use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

#### E. - Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety and legal services function.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2 – CASH AND POOLED INVESTMENTS

The County's bank deposits (including \$2,636,356 money market savings accounts) at June 30, 2012 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.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County's investments at June 30, 2012 are as follows:

<u>Type</u>	<u>Fair Value</u>
Stamped Drainage Warrants	<u>\$3,188,022</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 25% 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.

**HUMBOLDT COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$237,968, \$201,864 and 188,865, respectively, equal to the required contributions for each year.

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

The detail of interfund receivables and payables at June 30, 2012, is as follows:

Receivable Fund	Payable Fund	
General	Special Revenue Mental Health	<u>\$ 0</u>
Nonmajor	Special Revenue Mental Health	<u>\$ 0</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	\$ 143
Total for governmental funds		<u>\$ 143</u>
Agency:		
Agricultural Extension Education	Collections	\$ 117,647
County Assessor		417,843
Schools		7,117,736
Community Colleges		470,986
Corporations		3,878,813
Townships		214,410
Public Safety		<u>865,573</u>
Total for agency funds		<u>\$13,083,008</u>

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 6 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from:	Amount
Rural Services	Community Better Lost	<u>71,824</u>
Secondary Road	General Fund	93,547
	Special Revenue	
	Rural Services	1,038,326
	Secondary Road Lost	<u>200,000</u>
		<u>\$1,331,873</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, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets not being depreciated:				
Land	200,219	5,000	-	205,219
Capital Assets being depreciated:				
Buildings and improvements	3,541,355	65,393	-	3,606,748
Equipment and vehicles	6,424,031	155,436	72,701	6,506,766
Infrastructure, road network	9,483,288	2,109,147	-	11,592,435
Total capital assets being depreciated	19,448,674	2,329,976	72,701	21,705,949
Less accumulated depreciation for:				
Buildings and improvements	1,898,787	110,739	-	2,009,526
Equipment and vehicles	4,558,701	439,724	67,584	4,930,841
Infrastructure, road network	1,989,430	542,001	-	2,531,431
Total accumulated depreciation	8,446,918	1,092,464	67,584	9,471,798
Total capital assets being depreciated, net	11,001,756			12,234,151
Governmental activities capital assets, net	\$ 11,201,975			12,439,370

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety	81,445
County Environment	78,237
Roads and Transportation	810,610
Administration	122,172
	1,092,464

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

**NOTE 8 –LONG-TERM LIABILITIES**

A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

	<u>Postclosure Costs</u>	<u>OPEB</u>	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Total</u>
Beginning balance	\$ 33,366	\$ 44,582	\$ 2,648,085	\$ 89,197	\$ 2,815,230
Increases	-	22,291	1,631,117	-	1,653,408
Decreases	<u>2,318</u>	<u>-</u>	<u>1,058,737</u>	<u>4,886</u>	<u>1,065,941</u>
Ending balance	<u>\$ 31,048</u>	<u>\$ 66,873</u>	<u>\$ 3,220,465</u>	<u>\$ 84,311</u>	<u>\$ 3,402,697</u>
Due within one year	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,311</u>	<u>\$ 89,311</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.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description. The County operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 64 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical coverage is administered by Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy. The implicit subsidies result in an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)-continued

Annual OPEB Cost and Net OPEB Obligation. The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

	2012
Annual required contribution	\$ 29,152
Interest on net OPEB obligation	-
Adjustment to annual required contribution	(6,861)
Annual OPEB cost	22,291
Net OPEB obligation beginning of year	44,582
Net OPEB obligation end of year	\$ 66,873

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the years ended June 30, 2012 and 2011.

For the years ended June 30, 2012 and 2011, the County did not contribute to the medical plan.

The County’s annual actuarially determined OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 and 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 29,152	\$ 6,861	\$ 66,873
June 30, 2011	\$ 29,152	\$ 6,861	\$ 44,582
June 30, 2010	\$ 29,152	\$ 6,861	\$ 22,291

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012 and July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$245,881, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$245,881. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,823,602 and the ratio of the UAAL to covered payroll was 10% for 2012 and 10% for 2011. As of June 30, 2012 and 2011, there were no trust fund assets.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)-continued

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the Utility's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based on national averages.

Projected claim costs of the medical plan are \$856 per month for retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### NOTE 10 - 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.

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### 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 \$310,100 as of June 30, 2012. 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 \$31,048 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, 2012, Humboldt County paid \$2,318 in fees to the Humboldt County Solid Waste Commission.

#### NOTE 12 – 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, 2012, 12 individuals were receiving assistance. The individuals being assisted held a total of \$12,237 as of June 30, 2012. The dollars in this program are insured by AARP.

#### 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, 2012:

Additions:

Contributions from governmental units:

Humboldt County	\$	230,503	
City of Humboldt		<u>99,066</u>	
	\$		329,569

## HUMBOLDT COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 14 - JOINTLY GOVERNED ORGANIZATION-continued

Deductions:		
Salaries	\$	156,125
Benefits		71,730
Office supplies		8,118
Office equipment		40,666
Uniforms		511
Telephone		5,313
Utilities		9,728
Repairs		5,856
Insurance		8,659
Interest		741
Miscellaneous		<u>3,796</u>
		<u>311,243</u>
Net	\$	18,326
Balance beginning of year		<u>144,987</u>
Balance end of year	\$	<u>163,313</u>

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. This loan is now paid in full.

#### NOTE 15 – CORRECTION OF AN ERROR

The capital assets and net assets as of June 30, 2011 were misstated by \$1,243,212 due to omitting a capital assets (Road resurfacing) \$1,512,015 less accumulated depreciation of \$268,803. These balances have been corrected in the financial statements as reflected below as of July 1, 2011.

##### Statement of Net Assets:

Capital assets (net of accumulated depreciation) as of June 30, 2011(unadjusted)	\$	9,958,763
Correction-Road resurfacing		<u>1,243,212</u>
Capital assets as of July 1, 2011(restated)		<u>\$ 11,201,975</u>

##### Statement of Activities:

Net Assets as of June 30, 2011(unadjusted)	\$	14,835,368
Correction-Road resurfacing		<u>1,243,212</u>
Capital assets as of July 1, 2011(restated)		<u>\$ 16,078,580</u>

The correction above reflects a correction of Net Assets (Invested in capital assets, net of related debt).

#### NOTE 16 – LITIGATION

Humboldt County has pending litigation involving drainage cases. The probable outcome or loss to the County resulting from this litigation has not been determined.

**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, 2012**

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property tax and other county tax	\$ 4,502,695	-	4,502,695
Interest and penalty on property tax	28,054	-	28,054
Intergovernmental	4,407,407	257,004	4,150,403
Licenses and permits	48,355	-	48,355
Charges for service	289,507	-	289,507
Use of money and property	135,272	-	135,272
Miscellaneous	2,781,586	2,608,079	173,507
	<u>12,192,876</u>	<u>2,865,083</u>	<u>9,327,793</u>
<b>Disbursements:</b>			
<b>Program</b>			
Public safety and legal services	1,586,117	-	1,586,117
Physical health and social services	357,892	-	357,892
Mental health	1,322,051	-	1,322,051
County environment and education	731,678	-	731,678
Roads and transportation	3,443,239	-	3,443,239
Government services to residents	373,185	-	373,185
Administration	973,274	-	973,274
Capital Projects	242,868	-	242,868
Non-program	2,811,422	2,811,422	-
	<u>11,841,726</u>	<u>2,811,422</u>	<u>9,030,304</u>
Excess (deficiency) of receipts over disbursements	351,150	53,661	297,489
Other financing sources	4,291	-	4,291
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing	355,441	53,661	301,780
Balance beginning of year	4,863,207	280,238	4,582,969
Balance end of year	<u>\$ 5,218,648</u>	<u>333,899</u>	<u>4,884,749</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
5,033,336	5,049,064	(546,369)
5,650	5,650	22,404
3,192,446	3,543,271	607,132
4,600	4,600	43,755
235,950	235,950	53,557
73,400	140,400	(5,128)
169,351	198,538	(25,031)
8,714,733	9,177,473	150,320
1,551,074	1,570,274	(15,843)
405,857	466,325	108,433
1,472,895	1,472,895	150,844
621,637	817,970	86,292
2,995,139	4,205,139	761,900
390,247	390,247	17,062
1,003,389	1,018,389	45,115
157,000	772,000	529,132
-	-	-
8,597,238	10,713,239	1,682,935
117,495	(1,535,766)	1,833,255
1,000	1,000	3,291
118,495	(1,534,766)	1,836,546
3,763,714	2,664,806	1,918,163
3,882,209	1,130,040	3,754,709

## HUMBOLDT COUNTY

### Budgetary Comparison Schedule - Budget to GAAP Reconciliation

#### Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,192,876	(153,980)	12,038,896
Expenditures	11,841,726	121,854	11,963,580
Net	351,150	(275,834)	75,316
Other Financing Sources, net	4,291	-	4,291
Beginning Fund Balances	4,863,207	70,134	4,933,341
Ending Fund Balances	\$ 5,218,648	(205,700)	5,012,948

See accompanying independent auditor's report.

## **HUMBOLDT COUNTY**

### **Notes to Required Supplementary Information – Budgetary Reporting**

**June 30, 2012**

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 a two budget amendments increased budgeted receipts by \$462,740 and increased budgeted disbursements by \$2,116,001. 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, 2012 disbursements exceeded the amounts budgeted in the public safety function.

## **Supplementary Information**

## HUMBOLDT COUNTY

### Schedule of Funding Progress for the Retiree Health Plan (In Thousands)

#### Required Supplementary Information

Year ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2010	July 1, 2009	\$ -	\$ 246	246	0.00%	\$ 2,800	8.78%
2011	July 1, 2009	\$ -	\$ 246	246	0.00%	\$ 2,824	8.71%
2012	July 1, 2009	\$ -	\$ 246	246	0.00%	\$ 2,928	8.40%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**HUMBOLDT COUNTY**

**Combining Balance Sheet  
Nonmajor Governmental Funds**

**June 30, 2012**

Assets	Special Revenue				
	Records		Jail	Community	Secondary
	Management	REAP	Assessments	LOST	LOST
Cash and investments	\$ 10,572	72,623	1,619	127,959	76,554
Receivables					
Accounts receivable	-	-	150	-	-
Accrued interest	3	24	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	579	-	-	8,353	19,489
<b>Total Assets</b>	<b>11,154</b>	<b>72,647</b>	<b>1,769</b>	<b>136,312</b>	<b>96,043</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>					
Reserved for					
Resource enhancement and protection	-	72,647	-	-	-
Unreserved, reported in					
Special revenue funds	11,154	-	1,769	136,312	96,043
<b>Total fund balances</b>	<b>11,154</b>	<b>72,647</b>	<b>1,769</b>	<b>136,312</b>	<b>96,043</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,154</b>	<b>72,647</b>	<b>1,769</b>	<b>136,312</b>	<b>96,043</b>

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	
-	16,642	10,008	374	-	191	46,218	\$	362,760
-	-	-	-	-	-	5,830		5,980
-	-	-	-	-	-	-		27
-	-	-	-	-	-	-		-
-	-	-	-	-	178	-		28,599
-	16,642	10,008	374	-	369	52,048		397,366
-	-	-	-	-	-	-		-
-	-	-	-	-	-	2,750		2,750
-	-	-	-	-	-	2,750		2,750
-	-	-	-	-	-	-		72,647
-	16,642	10,008	374	-	369	49,298		321,969
-	16,642	10,008	374	-	369	49,298		394,616
-	16,642	10,008	374	-	369	52,048	\$	397,366

**HUMBOLDT COUNTY**

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

**Year ended June 30, 2012**

	Special Revenue				
	Records Management	REAP	Jail Assessments	Community Betterment LOST	Secondary Roads LOST
Revenues					
Intergovernmental	\$ -	10,004	-	104,535	243,971
Charges for service	2,272	-	975	-	-
Use of money and property	66	595	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	2,338	10,599	975	104,535	243,971
Expenditures:					
Operating					
Public safety and legal service	-	-	5,995	-	-
Mental health	-	-	-	-	-
County environment and education	-	40,000	-	-	-
Administration	3,000	-	-	-	-
Total expenditures	3,000	40,000	5,995	-	-
Excess (deficiency) of revenues over (under) expenditures	(662)	(29,401)	(5,020)	104,535	243,971
Other financing (uses)					
Operating transfers out	-	-	-	(71,824)	(200,000)
Total other financing (uses)	-	-	-	(71,824)	(200,000)
Net change in fund balances	(662)	(29,401)	(5,020)	32,711	43,971
Fund balances beginning of year	11,816	102,048	6,789	103,601	52,072
Fund balances end of year	\$ 11,154	72,647	1,769	136,312	96,043

Schedule 2

Special Revenue							
Schools LOST	Conservation Land Acquisition Trust	DARE	K9	Seniors and Lawman	Recorder's Electronic Fees	Drop-In	Total
5,634	-	-	-	-	-	-	\$ 364,144
-	-	-	-	-	2,272	-	5,519
-	-	-	-	-	-	-	661
-	4,140	-	-	-	-	79,512	83,652
5,634	4,140	-	-	-	2,272	79,512	453,976
-	-	192	-	-	-	-	6,187
-	-	-	-	-	-	73,320	73,320
11,268	-	-	-	-	-	-	51,268
-	-	-	-	-	3,029	-	6,029
11,268	-	192	-	-	3,029	73,320	136,804
(5,634)	4,140	(192)	-	-	(757)	6,192	317,172
-	-	-	-	-	-	-	(271,824)
-	-	-	-	-	-	-	(271,824)
(5,634)	4,140	(192)	-	-	(757)	6,192	45,348
5,634	12,502	10,200	374	-	1,126	43,106	349,268
-	16,642	10,008	374	-	369	49,298	\$ 394,616

# HUMBOLDT COUNTY

## COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

Year Ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and Pooled Investments				
County Treasurer	\$ -	1,869	96,912	85,839
Other County officials	16,631	-	-	-
Receivables				
Accounts receivable	713	-	-	-
Property tax	-			
Delinquent	-	325	907	19,192
Succeeding year	-	115,453	322,451	7,012,705
Due from other governments	-	-	-	-
Capital Assets	-	-	-	-
Total assets	<u>17,344</u>	<u>117,647</u>	<u>420,270</u>	<u>7,117,736</u>
<b>Liabilities</b>				
Accounts payable	-	-	2,427	-
Salaries and benefits payable	-	-	-	-
Due to other governments		117,647	417,843	7,117,736
Notes Payable	-	-	-	-
Trusts payable	17,344	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 17,344</u>	<u>117,647</u>	<u>420,270</u>	<u>7,117,736</u>

See Independent Auditor's Report

**Schedule 3**

Community Colleges	Corporations	Townships	Other	Total
5,741	43,219	2,098	446,668	\$ 682,346
-	-	-	-	16,631
-	-	-	22,209	22,922
1,294	15,785	147	824	38,474
463,951	3,819,809	212,165	292,910	12,239,444
-	-	-	-	-
-	-	-	117,434	117,434
<u>470,986</u>	<u>3,878,813</u>	<u>214,410</u>	<u>880,045</u>	<u>13,117,251</u>
-	-	-	5,094	7,521
-	-	-	9,373	9,373
470,986	3,878,813	214,410	865,573	13,083,008
-	-	-	-	-
-	-	-	5	17,349
-	-	-	-	-
<u>470,986</u>	<u>3,878,813</u>	<u>214,410</u>	<u>880,045</u>	<u>\$ 13,117,251</u>

**HUMBOLDT COUNTY**

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

**Year Ended June 30, 2012**

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balance beginning of year	\$ 21,837	154,606	220,234	7,104,557
Additions				
Property tax and other county tax	-	114,721	322,358	6,983,122
E911 surcharge	-	-	-	-
State tax credits	-	5,606	5,297	259,679
Drivers license fees	-	-	-	-
Office fees, collections and misc.	238,922	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	32,300	-	-	-
Miscellaneous	-	-	465	-
Total additions	293,059	274,933	548,354	14,347,358
Deductions				
Agency remittances				
To other funds	121,859	-	-	-
To other governments	121,556	157,286	128,084	7,229,622
Trusts paid out	32,300	-	-	-
Total deductions	275,715	157,286	128,084	7,229,622
Balance end of year	\$ 17,344	117,647	420,270	7,117,736

See Independent Auditor's Report

**Schedule 4**

Community Colleges	Corporations	Townships	Other	Total
476,132	3,303,108	160,213	1,127,922	\$ 12,568,609
461,913	3,797,248	211,128	291,530	12,182,020
-	-	-	88,972	88,972
17,203	104,097	5,937	17,124	414,943
-	-	-	17,593	17,593
-	-	-	71,338	310,260
-	-	-	3,198,330	3,198,330
-	-	-	336,120	336,120
-	-	-	-	32,300
-	13,024	-	258,581	272,070
955,248	7,217,477	377,278	5,407,510	29,421,217
-	-	-	-	121,859
484,262	3,338,664	162,868	3,914,583	15,536,925
-	-	-	612,882	645,182
484,262	3,338,664	162,868	4,527,465	16,303,966
470,986	3,878,813	214,410	880,045	\$ 13,117,251

HUMBOLDT COUNTY

Schedule 5

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>									
Property and other county tax	\$ 4,503,583	\$ 4,438,639	\$ 4,150,452	\$ 4,047,323	\$ 3,945,865	\$ 3,938,703	\$ 4,166,190	\$ 3,378,669	\$ 3,341,820
Interest and penalty on property tax	27,254	32,175	27,632	29,381	30,608	30,982	38,735	37,974	31,001
Intergovernmental	4,387,363	4,125,211	3,783,358	3,578,785	4,408,164	3,752,347	3,921,789	3,712,338	3,211,309
Licenses and permits	45,294	37,775	19,910	26,084	38,069	26,050	22,557	19,420	18,184
Charges for service	303,095	394,908	395,404	360,820	227,264	268,939	250,900	278,328	207,514
Use of Money and Property	128,241	84,881	112,636	357,596	326,728	373,748	355,043	225,457	117,368
Miscellaneous	1,012,949	687,093	743,151	1,570,882	861,644	1,826,848	497,216	521,746	1,585,413
<b>Total</b>	<b>10,407,779</b>	<b>9,800,682</b>	<b>9,232,543</b>	<b>9,970,871</b>	<b>9,838,342</b>	<b>10,217,617</b>	<b>9,252,430</b>	<b>8,173,932</b>	<b>8,512,609</b>
<b>Expenditures</b>									
<b>Current</b>									
Public safety and legal services	1,586,923	1,717,125	1,525,119	1,476,575	1,428,044	1,367,314	1,336,999	1,284,879	1,272,084
Physical health and social services	349,538	356,967	343,191	335,663	276,753	258,625	289,473	265,112	306,926
Mental health	1,410,831	1,299,645	1,162,294	1,276,697	1,281,320	1,293,368	1,108,071	1,127,624	1,148,982
County environment and education	705,514	833,832	568,556	611,497	632,849	602,204	497,867	538,761	557,163
Roads and transportation	3,501,016	3,360,878	2,753,153	2,537,436	2,969,259	2,417,710	2,917,945	2,573,197	2,817,280
Governmental services to residents	370,930	379,381	392,300	401,145	285,869	321,364	457,539	313,775	304,668
Administration	984,538	952,032	951,143	1,221,738	923,389	914,873	985,062	981,952	937,732
Non-program	2,811,422	1,841,028	2,955,896	2,500,432	2,940,939	4,070,029	2,261,053	2,119,331	2,036,406
<b>Capital Projects</b>	<b>242,868</b>	<b>483,398</b>	<b>682,862</b>	<b>151,680</b>	<b>592,457</b>	<b>495,593</b>	<b>436,146</b>	<b>158,660</b>	<b>368,521</b>
<b>Total</b>	<b>\$ 11,963,580</b>	<b>\$11,224,286</b>	<b>\$11,334,514</b>	<b>\$ 10,512,863</b>	<b>\$ 11,330,879</b>	<b>\$ 11,741,080</b>	<b>\$ 10,290,155</b>	<b>\$ 9,363,291</b>	<b>\$ 9,749,762</b>

See Independent Auditor's report.



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

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**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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 21, 2013. 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

The management of Humboldt County, Iowa is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financing reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings item II-A-12 to be material weaknesses.

## 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. We noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 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 21, 2013

**HUMBOLDT COUNTY**  
**SCHEDULE OF FINDINGS**  
**Year Ended June 30, 2012**

Part I: Summary of Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (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, 2012**

Part II: Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

12-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

12-III-A Certified Budget – The County exceeded the budgeted disbursement limit in the public safety and legal services function.

Criteria – Chapter 384.20 of the Code of Iowa states, in part, “Public Monies may not be expended or encumbered except under an annual or continuing appropriation.”

Cause – Due to an oversight the county budget was exceeded in the public safety and legal services function.

Effect – The County did not comply with the Iowa Code, Chapter 384.20 for the year ended June 30, 2012.

Recommendation – The budget should be amended in accordance with the Code of Iowa, if needed, in the future.

Response – We will amend our budget in the future if needed.

Conclusion – Response accepted.

## HUMBOLDT COUNTY

### SCHEDULE OF FINDING Year Ended June 30, 2012

- 12-III-B Questionable Expenditures - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 12-III-C Travel Expense - No expenditures of County money for travel expenses of spouses, of County officials, or employees were noted.
- 12-III-D Business Transactions – No business transactions between the County and County officials or employees were noted.
- 12-III-E Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- 12-III-F Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 12-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.
- 12-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).
- 12-III-I Economic Development – During the year ended June 30, 2012, the County contributed \$40,000 to the Humboldt County Development Association. The economic development request did include an overview of how the funds are to be used and the Board is provided a copy of the Association audit report.
- 12-III-J County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.