

HANCOCK COUNTY

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

June 30, 2005

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HANCOCK COUNTY
Garner, Iowa

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
W. David Smith	Board of Supervisors	Jan 2007
Florence Thomas-Greiman	Board of Supervisors	Jan 2007
Jerry Tlach	Board of Supervisors	Jan 2005
Debra Bellinghausen	County Auditor	Jan 2005
Jean Bell	County Treasurer	Jan 2007
Sandra Brunsen	County Recorder	Jan 2007
Robert Gerdes	County Sheriff (retired)	June 2005
Scott Dodd	County Sheriff	Jan 2009
Karen Kaufman - Salic	County Attorney	Jan 2007
Marianne Welsch	County Assessor	Appointed

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Hancock County
Garner, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Hancock County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hancock County at June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2006 on our consideration of Hancock 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 assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hancock County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

January 5, 2006

Renner & Birchem, P.C.

Hancock County
Garner, Iowa

Exhibit A

Statement of Net Assets
June 30, 2005

Governmental
Activities

Assets	
Cash and pooled investments	\$ 8,775,346
Receivables:	
Property tax:	
Delinquent	9,701
Succeeding year	3,452,451
Accounts	47,984
Interest	5,000
Drainage assessments	285,101
Due from other governments	611,794
Inventories	258,919
Prepaid insurance	80,729
Capital assets (net of accumulated depreciation) (note 5)	<u>16,209,420</u>
Total assets	<u>29,736,445</u>

Liabilities	
Accounts payable	278,809
Salaries and benefits payable	80,753
Due to other governments	173,876
Deferred revenue:	
Succeeding year property tax	3,452,451
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Compensated absences	27,461
Portion due or payable after one year:	
Drainage district warrants and certificates payable	<u>299,424</u>
Total Liabilities	<u>4,312,774</u>

Net Assets	
Invested in capital assets net of related debt	16,209,420
Restricted for:	
Mental health purposes	238,593
Secondary roads purposes	3,580,638
Other purposes	113,764
Unrestricted	<u>5,281,256</u>
Total net assets	<u>\$ 25,423,671</u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit B

Statement of Activities
Year ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 964,065	236,178	15,928	(711,959)
Physical health and social services	1,922,065	696,749	993,632	(231,684)
Mental health	1,306,593		339,308	(967,285)
County environment and education	584,257	60,868		(523,389)
Roads & transportation	4,228,775	351,528	2,502,960	(1,374,287)
Governmental services to residents	335,640	237,970	2,011	(95,659)
Administrative services	1,028,658	6,284	1,348	(1,021,026)
Non-program	323,713	88,757		(234,956)
Total	\$ 10,693,766	1,678,334	3,855,187	(5,160,245)

General Revenues:

Property and other county tax levied for				
General purposes				3,325,542
Penalty and interest on property tax				28,282
State tax credits				212,158
Local option sales tax				391,271
Grants and contributions not restricted to specific purpose				622,817
Unrestricted investment earnings				247,237
Miscellaneous				372,071
Total general revenues				5,199,378

Change in net assets **39,133**

Net assets beginning of year **25,384,538**

Net assets end of year **\$ 25,423,671**

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2005

General	Public Health	Special Revenue Mental	Rural	Secondary	Nonmajor Special
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	General	Supplemental	Nurses	Health	Services	Roads	Revenue	Total
Assets								
Cash and pooled investments	\$ 2,212,433	38,984	28,997	248,670	238,981	3,280,540	2,440,492	8,489,097
Receivables:								
Property tax:								
Delinquent	5,966	764		2,053	918			9,701
Succeeding year	1,798,196	217,051		610,498	826,706			3,452,451
Accounts	40,316	255	3,065			3,581	767	47,984
Accrued interest	5,000							5,000
Drainage assessments							285,101	285,101
Due from other governments	63,270		216,815	28,761	50,561	252,387		611,794
Inventories						258,919		258,919
Prepaid insurance	64,768					15,961		80,729
Total assets	\$ 4,189,949	257,054	248,877	889,982	1,117,166	3,811,388	2,726,360	13,240,776
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 38,548	7,870	23,668	31,574	5,493	170,301		277,454
Salaries and benefits payable	35,136	740	6,586	7,292	341	30,658		80,753
Due to other governments			173,876					173,876
Deferred revenue:								
Succeeding year property tax	1,798,196	217,051		610,498	826,706			3,452,451
Other	5,883	754		2,025	918		221,633	231,213
Total liabilities	1,877,763	226,415	204,130	651,389	833,458	200,959	221,633	4,215,747
Fund balances:								
Reserved for:								
Supplemental levy purposes		30,639						30,639
Inventories						258,919		258,919
Prepaid insurance	64,768					15,961		80,729
Drainage improvement certificates							77,791	77,791
Resource enhancement and protection							36,345	36,345
Unreserved, reported in:								
General fund	2,247,418							2,247,418
Special revenue funds			44,747	238,593	283,708	3,335,549	2,390,591	6,293,188
Total fund balances	2,312,186	30,639	44,747	238,593	283,708	3,610,429	2,504,727	9,025,029
Total liabilities and fund balances	\$ 4,189,949	257,054	248,877	889,982	1,117,166	3,811,388	2,726,360	13,240,776

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit D

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

June 30, 2005

Total governmental fund balances (page 17)

\$ 9,025,029

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$33,173,601 and the accumulated depreciation is \$16,964,181. 16,209,420

Other long-term assets are not available to pay for current period Expenditures and, therefore, are deferred in the funds. 231,213

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are Included in governmental activities in the statement of net assets. 284,894

Long-term liabilities, including drainage warrants and certificates and compensated Absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (326,885)

Net assets of governmental activities (page 15) \$ 25,423,671

See notes to financial statements.

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

Year ended June 30, 2005

	General	General Supplemental	Public Health Nurses	Special Revenue			Nonmajor Special Revenue	Total
				Mental Health	Rural Services	Secondary Roads		
Revenue:								
Property and other County tax	\$ 1,716,020	219,657		590,531	1,191,164			3,717,372
Interest and penalty on property tax	28,282							28,282
Intergovernmental	432,159	16,034	1,306,563	971,100	49,536	2,584,447	13,986	5,373,825
Licenses and permits	1,075							1,075
Charges for services	411,005		27,215			1,090	18,029	457,339
Use of money and property	191,843					16,370	34,675	242,888
Miscellaneous	109,356	34,941	21,140			324,948	65,546	555,931
Total revenues	<u>2,889,740</u>	<u>270,632</u>	<u>1,354,918</u>	<u>1,561,631</u>	<u>1,240,700</u>	<u>2,926,855</u>	<u>132,236</u>	<u>10,376,712</u>
Expenditures:								
Current:								
Public safety and legal services	1,099,982				10,000		25	1,110,007
Physical health and social services	490,234	26,417	1,426,571				18,295	1,961,517
Mental health				1,306,593				1,306,593
County environment and education services	305,240				251,679		10,694	567,613
Roads and transportation						3,253,904		3,253,904
Governmental services to residents	210,158	67,297			3,927		26,161	307,543
Administrative services	709,510	146,279			1,977			857,766
Non-program	645						323,068	323,713
Capital projects						216,835	8,246	225,081
Total expenditures	<u>2,815,769</u>	<u>239,993</u>	<u>1,426,571</u>	<u>1,306,593</u>	<u>267,583</u>	<u>3,470,739</u>	<u>386,489</u>	<u>9,913,737</u>
Excess(deficiency) of revenue over (under) expenditures	<u>73,971</u>	<u>30,639</u>	<u>(71,653)</u>	<u>255,038</u>	<u>973,117</u>	<u>(543,884)</u>	<u>(254,253)</u>	<u>462,975</u>
Other financing sources (uses):								
Operating transfers in			116,537			1,122,240		1,238,777
Operating transfers out	(116,537)				(1,122,240)			(1,238,777)
Drainage proceeds							109,324	109,324
Total other financing sources (uses)	<u>(116,537)</u>		<u>116,537</u>		<u>(1,122,240)</u>	<u>1,122,240</u>	<u>109,324</u>	<u>109,324</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(42,566)</u>	<u>30,639</u>	<u>44,884</u>	<u>255,038</u>	<u>(149,123)</u>	<u>578,356</u>	<u>(144,929)</u>	<u>572,299</u>
Fund balances beginning of year	2,351,682		(137)	(16,445)	432,831	3,059,720	2,649,656	8,477,307
Increase (decrease) in reserve for:								
Inventories						(27,887)		(27,887)
Prepaid insurance	3,070					240		3,310
Fund balances end of year	<u>\$ 2,312,186</u>	<u>30,639</u>	<u>44,747</u>	<u>238,593</u>	<u>283,708</u>	<u>3,610,429</u>	<u>2,504,727</u>	<u>9,025,029</u>

See notes to financial statements.

Net change in fund balances - Total governmental fund (page 19) \$ 572,299

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. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	637,746	
Depreciation expense	<u>(1,397,143)</u>	(759,397)

Because some 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.

Property tax	27,760	
Other	<u>115,902</u>	143,662

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 governmental funds, as follows:

Compensated absences		(7,241)
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The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue (loss) of the Internal Service Fund is reported with governmental activities.

		<u>89,810</u>
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Change in net assets of governmental activities (page 16) \$ 39,133

See notes to financial statements.

Hancock County
Garner, Iowa

Statement of Net Assets

Proprietary Fund

June 30, 2005

Exhibit G

Medical
Benefits

Assets

Cash and cash equivalents	\$ 286,249
Total assets	<u>286,249</u>

Liabilities

Accounts payable	1,355
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Net Assets	<u>284,894</u>
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Unrestricted	<u>\$ 286,249</u>
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See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit H

Statement of Revenues, Expenses, and Changes
in Fund Net Assets

Proprietary Fund

Year ended June 30, 2005

Medical

	<u>Benefits</u>
Operating revenues:	
Reimbursements	\$ 858,291
Operating expenses:	
Medical claims	<u>772,830</u>
Operating income	85,461
Non-operating revenues:	
Interest	<u>4,349</u>
Net income	89,810
Net assets beginning of year	<u>195,084</u>
Net assets end of year	<u><u>\$ 284,894</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit I

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2005

Medical

	<u>Benefits</u>
Cash flows from operating activities:	
Cash received from reimbursements	\$ 858,291
Cash payments to suppliers for services	<u>777,979</u>
Net cash provided by operating activities	80,312
Cash flows from investing activities:	
Interest on investments	<u>4,349</u>
Net increase in cash and cash equivalents	84,661
Cash and cash equivalents at beginning of year	<u>201,588</u>
Cash and cash equivalents at end of year	<u><u>\$ 286,249</u></u>
Reconciliation of operating income to net cash	
Provided by operating activities:	
Operating income	\$ 89,810
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Decrease in accounts payable	<u>(5,149)</u>
Net cash provided by operating activities	<u><u>\$ 84,661</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit J

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 521,092
Other County officials	57,575
Property tax receivable:	
Delinquent	46,492
Succeeding year	11,046,553
Accounts receivable	12,737
Total assets	<u>\$ 11,684,449</u>

Liabilities

Accounts payable	\$ 1,106
Salaries payable	5,666
Due to other governments	11,616,108
Trust payable	60,715
Compensated absences	854
Total liabilities	<u>11,684,449</u>

Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

HANCOCK COUNTY
Garner, Iowa

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

1. Summary of Significant Accounting Policies

Hancock 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 Governmental Accounting Standards Board.

A. **REPORTING ENTITY**

For financial reporting purposes, Hancock 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 Hancock 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.

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 Hancock 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 Hancock County Auditor's office.

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 no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following board and commissions: Hancock County Assessor's Conference Board, Hancock County Emergency Management Commission, and Hancock County Joint E911 Service Board. 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 an Agency Fund 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 that are attributed 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 that are imposed by management, but 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 that are 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, contributions and interest restricted to meeting the operation or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Fund - Agency Funds are used to account for assets held by the county as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/ or other funds.

C. **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from

other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. **ASSETS, LIABILITIES, AND FUND EQUITY**

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the in non-negotiable certificates of deposit which are stated at cost.

For purpose of the statement of cash flows, all short-term cash investments that are highly

liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1 1/2% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

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 the amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty 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. Assessment receivable represent assessments which are due and payable but have not been collected.

Due From and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in fund financial statements.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other

governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutter, 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 repairs 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 the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives.

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings and improvements	20 – 50
Infrastructure	12 – 65
Equipment	5 – 10
Vehicles	5 – 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 represent 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 represent the amount of assets that have 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 receivables and other receivables not collected within sixty days after year end.

Deferred revenue on 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 accumulated a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary 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, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. **BUDGETS AND BUDGETARY ACCOUNTING**

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

2. **Cash and Pooled Investments**

The County's deposits at June 30, 2005 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; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the County or its agent in the County's name.

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, 2005 consisted of certificates of deposits and are not subject to risk categorization.

3. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:		
Public Health Nurses	General	\$ 116,537
Special Revenue:		
	Rural Services	<u>1,122,240</u>
		<u>\$1,238,777</u>

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

4. **Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 356,891	_____	_____	356,891
Total capital assets not being depreciated	<u>356,891</u>	_____	_____	<u>356,891</u>

Capital assets being depreciated:			
Buildings	7,732,566	31,514	7,764,080
Machinery and equipment	6,622,394	606,232	(362,168)
Infrastructure	<u>18,186,172</u>		<u>18,186,172</u>
Total capital assets being depreciated	<u>32,541,132</u>	<u>637,746</u>	<u>(362,168)</u>
Less accumulated depreciation for:			
Buildings	1,645,718	183,331	1,829,049
Machinery and equipment	3,925,779	552,117	(362,168)
Infrastructure, road network	<u>10,357,710</u>	<u>661,695</u>	<u>11,019,405</u>
Total accumulated depreciation	<u>15,929,207</u>	<u>1,397,143</u>	<u>(362,168)</u>
Total capital assets being depreciated, net	<u>16,611,925</u>	<u>(759,397)</u>	<u>15,852,528</u>
Governmental activities capital assets, net	<u>\$ 16,968,816</u>	<u>(759,397)</u>	<u>16,209,419</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
Public safety and legal services	\$ 64,110
Physical health and social services	25,026
County environment and education	31,111
Roads and transportation	1,113,002
Governmental services to residents	32,676
Administrative services	<u>131,218</u>
Total depreciation expense - Governmental activities	<u>\$ 1,397,143</u>

5. Due to Other Governments

The County 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>
Public Health Nurses		\$ <u>173,876</u>
Total for Governmental Funds		\$ <u>173,876</u>
Agency:		
Schools	Collections	\$ 7,480,834
Community Colleges		326,258
Corporations		2,118,671

Auto License & Use Tax	210,053
Townships	180,281
County Hospital	769,211
All other	<u>530,800</u>
Total for Agency Funds	<u>\$11,616,108</u>

6. **Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	Compensated <u>Absences</u>	<u>Total</u>
Balance beginning of year	\$ 34,702	\$ 34,702
Decreases	<u>(7,241)</u>	<u>(7,241)</u>
Balance end of year	<u>\$ 27,461</u>	<u>\$ 27,461</u>
Due within one year	<u>\$ 27,461</u>	<u>\$ 27,461</u>

7. **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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 5.10% and 7.66%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement

employees and the County were 5.37% and 7.48%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$193,947, \$177,382, and \$173,789 respectively, equal to the required contributions for each year.

8. **Risk Management**

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. **Employee Health Insurance Plan**

The Hancock County Employee Medical Benefits Fund was established to account for the partial self funding of the County's health insurance benefit plan. Hancock County has entered into an

administrative services agreement with Blue Cross and Blue Shield of Iowa to administer the plan. The agreement is subject to automatic renewal provisions.

Monthly payments of services fees and plan contributions to the Hancock County Medical Benefits Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Blue Cross and Blue Shield of Iowa from the County Medical Benefits Fund. The County records the plan assets and related liabilities of the Hancock County Medical Benefits Fund as an Internal Service Fund.

10. **Contingent Liability**

On November 1, 1996 the County entered into an agreement to borrow \$700,000 to renovate Hancock County Memorial Hospital, with annual maturities on December 1, through 2012 interest rate at 4.00 to 5.50%; interest payable semi-annually on June 1 and December 1.

Bonds were issued to provide partial funding of the cost of construction and equipping of an addition to Hancock County Memorial Hospital and remodeling and equipping portions of the existing hospital.

The County and Hancock County Memorial Hospital entered into an agreement providing for the payment of the annual debt service solely from the revenues and income of the hospital.

On June 26, 1996 the County entered into an agreement to borrow \$1,200,000, Hospital Revenue Note, Series A, to provide partial funding for the Hancock County Memorial Hospital renovation. The bonds have annual maturities of December 1 through 2012. Interest rate at 5.75 to 7.00% is payable semi-annually on June 1 and December 1. The revenue note is not a general obligation of the County, and under no circumstances shall the County be liable by reason of failure of the aforesaid revenues of the hospital to be sufficient to pay the note and interest thereon.

During the year ended June 30, 2005 principal of \$110,000 and interest of \$77,225 was paid by Hancock County Memorial Hospital on the above debt. These payments are not included in the County's financial statements. The liability for these bonds is not recorded in the General Long-term Debt account group on Exhibit A since the bonds are to be paid from other than County resources.

A summary of the above indebtedness at June 30, 2005 is as follows:

Year Ending <u>June 30</u>	Hospital General <u>Obligation County Bonds</u>			<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 45,000	21,358	66,358	75,000	49,164	124,164
2007	45,000	19,130	64,130	80,000	44,125	124,125
2008	50,000	16,730	66,730	85,000	38,721	123,721
2009	50,000	14,155	64,155	90,000	32,900	122,900

2010	55,000	11,425	66,425	95,000	26,656	121,656
2011	60,000	8,405	68,405	105,000	19,775	124,775
2012	60,000	5,195	65,195	110,000	12,250	122,250
2013	<u>65,000</u>	<u>1,788</u>	<u>66,788</u>	<u>120,000</u>	<u>4,200</u>	<u>124,200</u>
	\$ <u>430,000</u>	<u>98,186</u>	<u>528,186</u>	<u>760,000</u>	<u>227,791</u>	<u>987,791</u>

REQUIRED SUPPLEMENTARY INFORMATION

Hancock County
Garner, Iowa

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, 2005

Governmental Fund Types	Less Funds not Required to be Budgeted	Net	<u>Budgeted Amounts</u>		Final to Net
Actual			Original	Final	

Receipts:

Property and other County tax	\$ 3,685,085		3,685,085	3,879,012	3,797,485	(112,400)
Interest and penalty on property tax	28,282		28,282	26,000	26,000	2,282
Intergovernmental	5,295,777		5,295,777	5,671,051	5,436,611	(140,834)
Licenses and permits	2,085		2,085	3,763	3,763	(1,678)
Charges for services	437,890		437,890	405,077	405,077	32,813
Use of money and property	237,889		237,889	204,000	204,000	33,889
Miscellaneous	551,604	59,429	492,175	105,191	305,191	186,984
Total receipts	<u>10,238,612</u>	<u>59,429</u>	<u>10,179,183</u>	<u>10,294,094</u>	<u>10,178,127</u>	<u>1,056</u>
Disbursements:						
Public safety and legal services	1,130,985		1,130,985	1,166,020	1,166,020	35,035
Physical health and social services	2,038,255		2,038,255	2,597,936	2,343,586	305,331
Mental health	1,370,856		1,370,856	1,411,200	1,411,200	40,344
County environment and education services	581,803		581,803	588,144	588,144	6,341
Roads and transportation	3,250,947		3,250,947	3,840,000	3,398,000	147,053
Governmental services to residents	312,738		312,738	294,559	360,619	47,881
Administrative services	864,109		864,109	997,640	950,640	86,531
Non-program	362		362	2,000	2,000	1,638
Capital projects	490,918	323,068	167,850	730,000	580,000	412,150
Total disbursements	<u>10,040,973</u>	<u>323,068</u>	<u>9,717,905</u>	<u>11,627,499</u>	<u>10,800,209</u>	<u>1,082,304</u>
Excess (deficiency) of receipts over (under) disbursements	197,639	(263,639)	461,278	(1,333,405)	(622,082)	1,083,360
Other financing sources, net	<u>148,199</u>	<u>148,199</u>		<u>44,000</u>	<u>44,000</u>	<u>(44,000)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	345,838	(115,440)	461,278	(1,289,405)	(578,082)	1,039,360
Balance beginning of year	<u>8,143,254</u>	<u>129,763</u>	<u>8,013,491</u>	<u>8,013,491</u>	<u>8,013,491</u>	<u>2,278,853</u>
Balance end of year	<u>\$ 8,489,092</u>	<u>14,323</u>	<u>8,474,769</u>	<u>6,724,086</u>	<u>7,435,409</u>	<u>3,318,213</u>

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

Governmental Fund Types		
Cash Basis	Accrual Adjust- ments	Modified Accrual Basis

Revenues	\$ 10,238,612	138,100	10,376,712
Expenditures	10,040,973	(127,236)	9,913,737
Net	197,639	265,336	462,975
Other financing sources, net	148,199	(38,875)	109,324
Beginning fund balances	8,143,254	309,476	8,452,730
Ending fund balances	\$ 8,489,092	535,937	9,025,029

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

In accordance with 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.

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, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$827,290. 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.

OTHER SUPPLEMENTARY INFORMATION

HANCOCK COUNTY
Garner, Iowa

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2005

	Communi- cations Revolving	Drainage Districts	Secondary Road Highway 111	Conservation Land Acquisition Trust	County Government Assistance	Resource Enhancement & Protection	County Recorders Records Management	County Recorders Electronic Transaction Fee	Mokry Poor Trust	Funnemark Trust	Total
ASSETS											
Cash and pooled investments	\$ 40,653	14,323	1,401,263	57,150	26,919	36,345	29,983	11,122	770,388	52,346	2,440,492
Receivables:											
Accounts							767				767
Drainage assessments		285,101									285,101
TOTAL ASSETS	<u>40,653</u>	<u>299,424</u>	<u>1,401,263</u>	<u>57,150</u>	<u>26,919</u>	<u>36,345</u>	<u>30,750</u>	<u>11,122</u>	<u>770,388</u>	<u>52,346</u>	<u>2,726,360</u>
LIABILITIES AND FUND EQUITY											
Liabilities:											
Deferred revenue:											
Other		221,633									221,633
Total liabilities		221,633									221,633
Fund equity:											
Fund balance:											
Reserved for:											
Drainage		77,791									77,791
Unreserved	40,653		1,401,263	57,150	26,919	36,345	30,750	11,122	770,388	52,346	2,426,936
Total fund equity	40,653	77,791	1,401,263	57,150	26,919	36,345	30,750	11,122	770,388	52,346	2,504,727
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 40,653</u>	<u>299,424</u>	<u>1,401,263</u>	<u>57,150</u>	<u>26,919</u>	<u>36,345</u>	<u>30,750</u>	<u>11,122</u>	<u>770,388</u>	<u>52,346</u>	<u>2,726,360</u>

See accompanying independent auditor's report.

HANCOCK COUNTY
Garner, Iowa

Schedule 2

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year ended June 30, 2005

	Communi- cations Revolving	Drainage Districts	Secondary Road Highway 111	Conservation Land Acquisition Trust	County Government Assistance	Resource Enhancement & Protection	County Recorder's Records Management	Mokry Poor Trust	Funnemark Trust	County Recorder's Electronic Transaction Fee	Total
REVENUES:											
Intergovernmental	\$ 4,325					9,661					13,986
Charges for services							3,833			14,196	18,029
Uses of money and property			20,990			453	474	11,657	784	317	34,675
Miscellaneous		59,429		6,117							65,546
Total revenues	4,325	59,429	20,990	6,117		10,114	4,307	11,657	784	14,513	132,236
EXPENDITURES:											
Operating:											
Public safety and legal services	25										25
Physical health social services								18,295			18,295
County environment and education				10,694							10,694
Government services to residents										26,161	26,161
Capital projects				8,246							8,246
Non-Program		323,068									323,068
Total expenditures	25	323,068		18,940				18,295		26,161	386,489
Excess (deficiency) of revenues over (under) expenditures	4,300	(263,639)	20,990	(12,823)		10,114	4,307	(6,638)	784	(11,648)	(254,253)
Other financing sources (uses):											
Drainage proceeds		109,324									109,324
Total other financing sources (uses):		109,324	0			0					109,324
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	4,300	(154,315)	20,990	(12,823)	0	10,114	4,307	(6,638)	784	(11,648)	(144,929)
Fund balances beginning of year	36,353	232,106	1,380,273	69,973	26,919	26,231	26,443	777,026	51,562	22,770	2,649,656
Fund balances end of year	\$ 40,653	77,791	1,401,263	57,150	26,919	36,345	30,750	770,388	52,346	11,122	2,504,727

See accompanying independent auditor's report.

HANCOCK COUNTY
Garnet, Iowa
AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2005

Schedule 3

HANCOCK COUNTY
Garnet, Iowa
AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2005

Schedule 3
(continued)

HANCOCK COUNTY
Garnet, Iowa
AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2005

Schedule 3
(continued)

	County Hospital	Auto License & Use Tax	Miscellaneous & Tuberculosis Eradication	County Offices			Emergency Management Services	ASSETS	County Assessor	Special Appraiser	Schools	Community Colleges	Corporations	Townships	Advance Tax	ASSETS	Ag Extension Education	Economic Development	Capital Tax Payment	Mobile Home Replacement	Recorder Electronic Transaction Fee	Total
				E-911	Recorder	Sheriff																
Cash and pooled investments:																						
County treasurer	\$ 11,316	210,053	816	36,222	27,477	30,098	15,779	55,340	36,145	110,773	4,755	21,726	3,009	105	1,541	13,070	150	10	282	521,092		
Other County officials																					57,575	
Receivables:																						
Property tax:	2,540		7					458	222	24,621	1,067	17,045	186		346						46,492	
Delinquent			2,055					153,802	105,754	7,345,440	320,436	2,079,900	177,086		106,725						11,046,533	
Succeeding year	755,355																				12,537	
Accounts				12,737																		
TOTAL ASSETS	769,211	210,053	2,878	48,959	27,477	30,098	15,779	299,600	142,121	7,480,834	326,258	2,118,671	180,281	105	108,612	13,070	150	10	282	11,684,449		
LIABILITIES																						
Salaries payable							723	2,566													5,666	
Accounts payable				442			247	417									2,377				1,106	
Due to other governments	769,211	210,053	2,878	48,517	7,553	14,809	14,809	205,763	142,121	7,480,834	326,258	2,118,671	180,281	105	108,612		10,693	150	10	282	11,616,108	
Trans payable					19,924	30,098		854													60,715	
Compensated absences																					254	
TOTAL LIABILITIES	\$ 769,211	210,053	2,878	48,959	27,477	30,098	15,779	299,600	142,121	7,480,834	326,258	2,118,671	180,281	105	108,612	13,070	150	10	282	11,684,449		

See accompanying independent auditor's report.

HANCOCK COUNTY Garnett, Iowa		Schedule 4						
AGENCY FUNDS COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES Year ended June 30, 2005								
County	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	Auditor	Recorder	Sheriff	Emergency Management Services	ASSETS AND LIABILITIES
ASSETS AND LIABILITIES								
Balance beginning of year	\$ 767,815	219,574	2,787	61,449		27,541	22,901	5,322
Additions:								
Property and other County tax	730,917		1,988					
E-911 surcharge			72,781					
State tax credits	47,999		129					
Office fees and collections				1,347	179,553	119,309		
Auto licenses, use tax and postage		2,766,733						
Assessments								
Trusts			22,302		4,564	213,987		
Miscellaneous			95,084	1,347		16,618	57,758	
Total additions	778,916	2,766,733	2,117	1,347	184,117	334,914	57,758	
Deductions:								
Agency remittances:								
To other funds		120,718		1,347	90,571	121,035		
To other governments	777,520	2,655,536	2,026	107,574	89,046	47,301		
Trans paid out					4,564	206,684		
Total deductions	777,520	2,776,254	2,026	107,574	1,347	184,921	327,719	47,301
Balance end of year	\$ 769,311	210,053	2,878	48,959	27,477	10,996	15,779	

HANCOCK COUNTY Garnett, Iowa		Schedule 4						
AGENCY FUNDS COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES Year ended June 30, 2005								
County	Special Appraiser	Schools	Community Colleges	Cooperation	Townships	City Special Assessments	ASSETS AND LIABILITIES	
ASSETS AND LIABILITIES								
Balance beginning of year	181,474	93,109	7,410,098	373,315	2,365,672	186,200	913	
Additions:								
Property and other County tax	143,301	103,825	7,103,116	310,015	2,021,798	170,890		
E-911 surcharge			8,646	4,187	469,184	20,170		
State tax credits			3,680					
Office fees and collections								
Auto licenses, use tax and postage								
Assessments								
Trusts								
Miscellaneous	99,000						10,454	
Total additions	244,227	108,012	7,572,300	330,185	2,163,599	181,960	10,454	
Deductions:								
Agency remittances:								
To other funds		59,000						
To other governments	186,501		7,501,564	327,242	2,410,594	187,888	11,367	
Trans paid out								
Total deductions	186,501	59,000	7,501,564	327,242	2,410,594	187,888	11,367	
Balance end of year	299,600	142,121	7,480,834	326,258	2,118,671	180,281		

See accompanying independent auditor's report.

HANCOCK COUNTY Garnett, Iowa		Schedule 4						
AGENCY FUNDS COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES Year ended June 30, 2005								
Advance Tax	Agricultural Extension Education	Economic Development	Partial Tax Payments	Mobile Home Replacement	Recorder Electronic Transaction Fee	Total		
ASSETS AND LIABILITIES								
Balance beginning of year	105	104,490	9,341	3,706	10	11,285,824		
Additions:								
Property and other County tax		103,409				10,689,259		
E-911 surcharge						72,781		
State tax credits		6,555				797,724		
Office fees and collections					4,417	308,306		
Auto licenses, use tax and postage						2,766,733		
Assessments						10,454		
Trusts						218,551		
Miscellaneous			51,188			191,867		
Total additions		109,944	51,188		4,417	14,067,025		
Deductions:								
Agency remittances:								
To other funds						392,671		
To other governments		105,822		3,556	4,135	14,211,171		
Trans paid out			47,459			445,208		
Total deductions		105,822	47,459	3,556	4,135	15,050,005		
Balance end of year	105	108,612	11,070	150	10	11,684,449		

HANCOCK COUNTY
Garner, Iowa

Schedule 5

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Property and other County tax	\$ 3,717,372	3,612,065	2,544,678	2,595,694
Interest and penalty on property tax	28,282	28,236	32,693	26,677
Intergovernmental	5,373,825	5,220,159	4,349,814	3,634,021
Licenses and permits	1,075	2,850	3,613	3,470
Charges for service	457,339	420,296	399,495	377,231
Use of money and property	242,888	230,508	325,387	486,214
Miscellaneous, including drainage	665,255	595,770	945,524	449,636
Total	<u>\$ 10,486,036</u>	<u>10,109,884</u>	<u>8,601,204</u>	<u>7,572,943</u>

Expenditures:
Current:

Public safety and legal services	\$ 1,110,007	1,006,704	968,116	1,198,340
Physical health and social services	1,961,517	2,290,820	1,326,664	1,178,533
Mental health	1,306,593	1,318,828	1,274,341	1,252,102
County environment and education services	567,613	480,131	464,718	301,220
Roads and transportation	3,253,904	3,264,047	2,813,596	3,356,206
Governmental services to residents	307,543	266,368	260,287	269,347
Administrative services	857,766	818,195	780,356	812,249
Non-program	323,713	210,263	849	15,370
Capital projects	225,081	204,308	682,308	826,822
Total	<u>\$ 9,913,737</u>	<u>9,859,664</u>	<u>8,571,235</u>	<u>9,210,189</u>

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Schedule 6

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Iowa Department of Public Health I-4 Immunization Grant	93.268	5884I447	\$ 4,425
Breast & Cervical Cancer Prevention	93.283	5884NBIZ	8,382
Public Health Preparedness and Response for Bioterrorism	93.283	5885BT08	817,135
Wisewoman Cardiovascular	93.283	5883NW25	943
Total			\$ 830,885

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Hancock County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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

To the Officials of Hancock County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hancock County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 5, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hancock County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hancock County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hancock County and other parties to whom Hancock 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 Hancock 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.

January 5, 2006

Renner & Birchem, P.C.

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
In Accordance with OMB Circular A-133

To the Officials of Hancock County:

Compliance

We have audited the compliance of Hancock County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Hancock County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal program is the responsibility of Hancock County's management. Our responsibility is to express an opinion on Hancock County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards,

issued by the Comptroller General of the United States, and OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hancock County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hancock County's compliance with those requirements.

In our opinion Hancock County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed no instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Hancock County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal program. In planning and performing our audit, we considered Hancock County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A- 133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Hancock County's ability to administer a major federal program in accordance with applicable requirements of laws, regulation, contracts and grant agreements. Reportable conditions are described as item III-A-05, in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hancock County and other parties to whom Hancock 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.

HANCOCK COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 93.283 – Public Health Preparedness and

Response for Bioterrorism.

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Hancock County did not qualify as a low risk auditee.

HANCOCK COUNTY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part II: Findings Related to the General Purpose Financial Statements:

II-A-05 Segregation of Duties-During our review of the internal accounting control structure, the existing procedures is evaluated in order 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.

Recommendation-We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Treasurer should continue to review the operating procedures of the office to obtain maximum internal control possible under the circumstances.

Response-In small Counties where there are fewer employees, they sometimes do a variety of duties which may overlap from time to time. However, we try to comply with the segregation of duties as much as possible and continue our review of that work.

Conclusion-Response accepted.

HANCOCK COUNTY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part III: Findings For Federal Awards:

Reportable Conditions:

CFDA Number 93.283: Public Health Preparedness and Response for Bioterrorism
Pass-through Agency Number: 5885BT08
Federal Award Year: August 31,2004 – August 30, 2005
Department of Homeland Security
Passed through the Iowa Department of Public Health

- III-A-05 Segregation of Duties over Federal Revenues** – The County did not properly segregate custody, records keeping and reconciling functions for revenues and expenditures, including those related to federal programs. See item II-A-05.

HANCOCK COUNTY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-05 Official Depositories**-A resolution naming official depository banks has been adopted by the board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget**-Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.
- IV-C-05 Questionable Expenditures**-We noted no expenditures that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-05 Travel Expense**-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-05 Business Transactions**-No business transactions between the County and County officials or employees were noted.
- IV-F-05 Bond Coverage**-Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.
- IV-G-05 Board Minutes**-No transactions were found that we believe should have been approved in the board minutes but were not.

IV-H-05 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.

IV-I-05 Resource Enhancement and Protection Certification-The County properly dedicated property tax revenue to 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 (b)(3).

IV-J-05 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 for the County Extension Office during the year ended June 30, 2005 did not exceed the amount budgeted.

HANCOCK COUNTY
FEDERAL AWARDS
AUDITOR'S COMMENTS ON AUDIT RESOLUTION MATTERS
Year Ended June 30, 2005

FINDING III-A-04: SEGREGATION OF DUTIES

Due to a limited number of personnel performing accounting functions, the County does not have adequate segregation of duties over accounting transactions. As a result of this condition, there is a higher risk that errors or misappropriations could occur and not be detected within a timely period.

The County has not taken corrective action on this finding from the prior year, but management continues to monitor transactions and monthly financial records.

FINDING III-B-04: SUBRECIPIENT MONITORING

The County has established files documenting monitoring activity and has followed up on corrective action on deficiencies noted during award monitoring.

FINDING III-C-04: PROCUREMENT POLICIES

The County follows the procurement policy regarding awards as required. The small number of reliable technical contractors in the rural area limit the choices and lead to using contractors they have previous experience with.