

HARDIN COUNTY

**Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings**

June 30, 2005

Hardin County

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Hardin County

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Hardin County

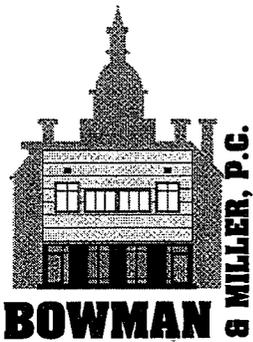
Officials

(Before January, 2005)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Jim Johnson	Board of Supervisors	January 2005
Ed Bear	Board of Supervisors	January 2007
Ervin Miller	Board of Supervisors	January 2007
Renee McClellan	County Auditor	January 2005
Glena Nolting	County Treasurer	January 2007
Steven A. Pence	County Recorder	January 2007
Tim Smith	County Sheriff	January 2005
Richard Dunn	County Attorney	January 2007
Don Knoell	County Assessor	January 2005

(After January, 2005)

<u>Name</u>		
Jim Johnson	Board of Supervisors	January 2009
Ed Bear	Board of Supervisors	January 2007
Ervin Miller	Board of Supervisors	January 2007
Renee McClellan	County Auditor	January 2009
Glena Nolting	County Treasurer	January 2007
Steven A. Pence	County Recorder	January 2007
Tim Smith	County Sheriff	January 2009
Richard Dunn	County Attorney	January 2007
Don Knoell	County Assessor	January 2006



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-309-5461 • FAX 515-278-0287

James R. Bowman, CPA • jim@syscompia.com
Elizabeth A. Miller, CPA • beth@syscompia.com
Debra J. Osborn, CPA • deb@syscompia.com
Suzanne M. Mead, CPA • suzanne@syscompia.com

Independent Auditors' Report

To the Officials of Hardin County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin 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 Hardin 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 of America 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 respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County at June 30, 2005, 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 of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2005 on our consideration of Hardin 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 4 through 10 and 39 through 42 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 required 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 Hardin 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 (which are not presented herein) and expressed an unqualified opinion on the financial statements for the year ended June 30, 2004 and qualified opinions for the two years ended June 30, 2003. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

October 28, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Hardin 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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased more than 10%, or approximately \$1.3 million from 2004 to 2005. Tax revenues decreased approximately \$558,000, operating grants and contributions increased approximately \$303,000, capital grants and contributions increased approximately \$1,874,000 and charges for service decreased approximately \$274,000.
- Program expenses were 2.5%, or approximately \$307,000, more in 2005 than in 2004. Roads and Transportation expenses increased approximately \$1,233,000 and Non-program Services decreased approximately \$1,515,000.
- The County's net assets increased 2%, or approximately \$374,000, from June 30, 2004 to June 30, 2005.

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 government'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 Hardin 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 Hardin 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 Hardin County acts solely as an agent or custodian for the benefit of those outside of the government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue 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 about the County as a whole and about its activities in a way 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 event or 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 displayed 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, government 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 three 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. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. 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 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 of the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements of the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statements of the fiduciary funds include a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position.

The County's combined net assets were virtually unchanged from a year ago, increasing from \$17.4 million to \$17.8 million. The analysis that follows focuses on the changes in net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 11,480	11,717
Capital assets	18,872	17,538
Total assets	<u>30,352</u>	<u>29,255</u>
Long-term debt outstanding	6,473	6,685
Other liabilities	6,125	5,190
Total liabilities	<u>12,598</u>	<u>11,875</u>
Net assets:		
Invested in capital assets, net of related debt	13,067	11,488
Restricted	2,891	3,781
Unrestricted	1,796	2,111
Total net assets	<u>\$ 17,754</u>	<u>17,380</u>

The net assets of the County's governmental activities increased by two percent (\$17.8 million compared to \$17.4 million). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased from approximately \$2,111,000 at June 30, 2004 to approximately \$1,796,000 at the end of this year, a decrease of 14.9%.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 2,532,339	2,806,732
Operating grants and contributions	3,803,734	3,500,611
Capital grants and contributions	1,874,445	-
General revenues:		
Property tax	3,989,703	4,471,033
Penalty and interest on property tax	49,756	41,442
State tax credits	254,532	267,665
Local option sales tax	492,430	564,253
Grants and contributions not restricted to a specific purposes	21,002	29,143
Unrestricted investment earnings	95,572	114,298
Other general revenues	79,919	105,229
Total revenues	<u>13,193,432</u>	<u>11,900,406</u>
Program expenses:		
Public safety and legal services	2,862,862	2,665,399
Physical health and social services	292,170	281,273
Mental health	1,744,671	1,583,780
County environment and education	719,041	718,450
Roads and transportation	4,901,531	3,668,134
Government services to residents	323,587	298,543
Administration	1,166,466	933,640
Non-program	624,706	2,139,316
Interest on long-term debt	184,758	224,343
Total expenses	<u>12,819,792</u>	<u>12,512,878</u>
Increase (decrease) in net assets	<u>\$ 373,640</u>	<u>(612,472)</u>

The County's total revenues increased by less than 11%. The total cost of all programs and services increased by 2.5%. Capital grants and contributions increased due to farm to market funds received by the County to complete road and bridge projects.

The cost of all governmental activities this year was \$12.8 million compared to \$12.5 million last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$4.6 million because some of the cost was paid by those who directly benefited from the programs (\$2.5 million) or by other governments and organizations that subsidized certain programs with contributions and grants (\$5.7 million). Overall the County's governmental program revenues, including intergovernmental aid and fees for services increased due to contributions for bridge and road projects by the Iowa Department of Transportation. The County paid the remaining "public benefit" portion of governmental activities with approximately \$4,800,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. Roads and transportation program expenses increased significantly due to an increase in expenditures for new equipment and roadway construction. Non-program expenses decreased due to the payment of \$1.5 million in general obligation bonds to the Corn Lake Processing plant in 2004.

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$5.2 million, which is \$1 million less than last year's total of \$6.2 million. The County funds received \$1.5 million in 2004 for a new bond issue. The following are the major reasons for the changes in fund balances from the prior year:

- General Fund revenues were down due to decreased property valuations resulting in less tax collections and less funds received for the care of prisoners. General Fund expenditures remained virtually unchanged from the prior year.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,726,000, an increase of 8% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$250,000 to approximately \$270,000.
- Secondary Roads Fund expenditures increased by approximately \$525,000 from the prior year, due principally to an increase in roadway construction expenditures. Secondary Roads Fund revenues also increased by approximately \$388,000 due to an increase in Road Use Tax funds received and Federal Bridge Replacement funds. The amount that the County transferred from the Rural Services and General Funds decreased by approximately \$300,000. These changes resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$445,000.

There was no significant change in the Debt Service Fund balance or the Capital Projects Fund balance.

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 one time. The amendment was made in May, 2005, and resulted in an increase in disbursements of \$227,000 related to additional expenditures in certain County departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Hardin County had approximately \$35.4 million invested in a broad range of capital assets, including public safety equipment, buildings, and roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$2,461,000, or 7.4% percent over last year.

Capital Assets of Governmental Activities at Year End
(Expressed in thousands)

	June 30,	
	2005	2004
Land	\$ 165	165
Buildings and improvements	9,157	9,157
Machinery and equipment	5,774	5,533
Infrastructure	20,489	18,270
Totals	<u>\$ 35,585</u>	<u>33,125</u>

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

Capital assets contributed by the Iowa Department of Transportation	\$ 1,874
Voting equipment	35
Secondary Road dozer and motor grader	308
Roadway construction and bridge replacement	344
Total	<u>\$ 2,561</u>

The County had depreciation expense of \$1,342,000 for the year ended June 30, 2005.

The County's fiscal year 2005 capital budget included \$2,218,000 for capital projects, primarily for the continued upgrading of secondary roads and bridges. The County has no plans to issue additional debt to finance these projects. Rather, the County will use resources on hand in the County's fund balances. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2005, the County had approximately \$6,473,000 in bonds and other debt compared to approximately \$6,685,000 at June 30, 2004, as shown below.

Outstanding Debt of Governmental Activities at Year-End

	June 30,	
	2005	2004
General obligation bonds	\$ 5,805,000	6,050,000
Drainage district improvement certificates	-	4,764
Drainage warrants	383,354	463,610
Compensated absences	284,487	166,623
Totals	<u>\$ 6,472,841</u>	<u>6,684,997</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$32 million limit. Other obligations include accrued vacation pay. More detailed information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Hardin County's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget, tax rates and fees that will be charged for various County activities. One of those factors is the economy. The County's population declined by 1.5% from 1990 to 2000. During that time, Iowa's population increased 5.4%. Currently, Hardin County's population is 18,805 and has a higher proportion of older people (age 65+) than the State. Other factors considered were the State cutbacks in revenue to counties, reduced property tax credits and the overall slowing economy.

The proposed budget for fiscal year 2006 includes some increases above the current budget in both the revenue and expenditure categories, but continues to show a decrease in revenue and expenditure categories compared to the fiscal year 2005 budget.

As a result of new assessed valuations for the proposed budget, it appears that Hardin County has lost nearly \$2,100,000 of valuation from the preceding year. Urban valuations reflect a loss of \$2,759,345, while rural valuations reflect an increase of \$662,942 thus creating a net decrease of \$2,096,403. This decrease will mean a loss of more than \$7,000 in revenue to the County's general fund alone. The County's share of total property tax collections is about 20%. The remaining 80% of property tax collections are disbursed to the school districts, community colleges, city governments townships and others within the County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hardin 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 County Auditor's Office, Hardin County, Courthouse, 1215 Edgington Avenue, Eldora, Iowa.

Hardin County
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets	
Cash and pooled investments	\$ 5,671,370
Receivables:	
Property tax:	
Delinquent	32,752
Succeeding year	4,817,540
Interest and penalty on property tax	27,067
Accounts	3,101
Accrued interest	10,003
Drainage assessments	25,921
Due from other governments	326,715
Inventories	565,921
Capital assets (net of accumulated depreciation)	18,871,986
Total assets	30,352,376
Liabilities	
Accounts payable	931,967
Accrued interest payable	22,116
Salaries and benefits payable	121,293
Due to other governments	232,423
Deferred revenue:	
Succeeding year property tax	4,817,540
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	255,000
Compensated absences	284,487
Portion due or payable after one year:	
General obligation bonds	5,550,000
Drainage warrants/drainage improvement certificates payable	383,354
Total liabilities	12,598,180
Net Assets	
Invested in capital assets, net of related debt	13,066,986
Restricted for:	
Supplemental levy purposes	168,079
Secondary roads purposes	802,945
Mental health purposes	250,855
Capital projects	460,405
Other purposes	1,208,591
Unrestricted	1,796,335
Total net assets	\$ 17,754,196

Hardin County
Statement of Activities
Year ended June 30, 2005

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:	\$			
Public safety and legal services	2,862,862	1,533,766	-	-
Physical health and social services	292,170	-	51,685	-
Mental health	1,744,671	156,825	688,163	-
County environment and education	719,041	34,846	83,432	-
Roads and transportation	4,901,531	76,397	2,978,543	1,874,445
Government services to residents	323,587	306,138	791	-
Administration	1,166,466	9,717	1,120	-
Non-program	624,706	414,650	-	-
Interest on long-term debt	184,758	-	-	-
Total	\$ 12,819,792	2,532,339	3,803,734	1,874,445

General Revenues:

Property and other county tax levied for:

- General purposes
- Tax increment financing

Penalty and interest on property taxes

State tax credits

Local option sales tax

Grants and contributions not restricted to specific purpose

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

Net (Expense)
Revenue and
Changes
in Net Assets

(1,329,096)

(240,485)

(899,683)

(600,763)

27,854

(16,658)

(1,155,629)

(210,056)

(184,758)

(4,609,274)

3,950,125

39,578

49,756

254,532

492,430

21,002

95,572

79,919

4,982,914

373,640

17,380,556

\$ 17,754,196

Hardin County
Balance Sheet
Governmental Funds
June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,855,514	505,691	490,335	873,513
Receivables:				
Property tax:				
Delinquent	20,711	5,426	6,615	-
Succeeding year	2,843,886	745,000	1,228,654	-
Interest and penalty on property tax	27,067	-	-	-
Accounts	1,865	423	-	813
Drainage assessments	-	-	-	-
Accrued interest	3,833	-	-	-
Due from other governments	31,425	28,273	36,641	218,162
Inventories	-	-	-	565,921
Total assets	\$ 4,784,301	1,284,813	1,762,245	1,658,409
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	66,090	46,361	2,133	676,698
Salaries and benefits payable	53,561	1,205	5,669	60,858
Due to other governments	1,687	217,003	-	13,733
Deferred revenue:				
Succeeding year property tax	2,843,886	745,000	1,228,654	-
Other	47,350	5,369	6,552	-
Total liabilities	3,012,574	1,014,938	1,243,008	751,289
Fund balances:				
Reserved for:				
Supplemental levy purposes	168,079	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,603,648	-	-	-
Special revenue funds	-	269,875	519,237	907,120
Capital projects fund	-	-	-	-
Total fund balances	1,771,727	269,875	519,237	907,120
Total liabilities and fund balances	\$ 4,784,301	1,284,813	1,762,245	1,658,409

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
749	448,876	1,236,700	5,411,378
-	-	-	32,752
-	-	-	4,817,540
-	-	-	27,067
-	-	-	3,101
-	-	25,921	25,921
-	-	6,170	10,003
-	12,214	-	326,715
-	-	-	565,921
749	461,090	1,268,791	11,220,398
-	685	-	791,967
-	-	-	121,293
-	-	-	232,423
-	-	-	4,817,540
-	-	25,898	85,169
-	685	25,898	6,048,392
-	-	-	168,079
-	-	70,568	70,568
749	-	-	749
-	-	-	1,603,648
-	-	1,172,325	2,868,557
-	460,405	-	460,405
749	460,405	1,242,893	5,172,006
749	461,090	1,268,791	11,220,398

Hardin County
 Reconciliation of the Balance Sheet -
 Governmental Funds to the Statement of Net Assets
 June 30, 2005

Total governmental fund balances (page 15) \$ 5,172,006

*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 \$35,585,704 and the accumulated depreciation is \$16,713,718. 18,871,986

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 85,169

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 the governmental activities in the Statement of Net Assets. 119,992

Long-term liabilities, including bonds payable, compensated absences payable, and accrued interest payable, are not due and payable in the current period, and, therefore, are not reported in the funds. (6,494,957)

Net assets of governmental activities (page 11) \$ 17,754,196

Hardin County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,471,581	593,042	1,245,214	-
Interest and penalty on property tax	38,758	-	-	-
Intergovernmental	1,703,103	880,958	51,533	2,978,543
Licenses and permits	6,727	-	-	485
Charges for service	405,076	-	-	-
Use of money and property	126,253	-	-	-
Miscellaneous	62,893	3,310	-	75,911
Total revenues	<u>4,814,391</u>	<u>1,477,310</u>	<u>1,296,747</u>	<u>3,054,939</u>
Expenditures:				
Operating:				
Public safety and legal services	2,501,354	-	111,782	-
Physical health and social services	287,138	-	-	-
Mental health	-	1,726,207	-	-
County environment and education	430,608	-	210,067	-
Roads and transportation	-	-	96,701	4,429,562
Governmental services to residents	283,403	-	1,451	-
Administration	1,079,749	-	-	-
Non-program	34,750	-	2,541	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>4,617,002</u>	<u>1,726,207</u>	<u>422,542</u>	<u>4,429,562</u>
Excess (deficiency) of revenues over (under) expenditures	<u>197,389</u>	<u>(248,897)</u>	<u>874,205</u>	<u>(1,374,623)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	929,454
Operating transfers out	(431,674)	-	(929,454)	-
Drainage warrant/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses):	<u>(431,674)</u>	<u>-</u>	<u>(929,454)</u>	<u>929,454</u>
Net change in fund balances	(234,285)	(248,897)	(55,249)	(445,169)
Fund balances beginning of year	<u>2,006,012</u>	<u>518,772</u>	<u>574,486</u>	<u>1,352,289</u>
Fund balances end of year	<u>\$ 1,771,727</u>	<u>269,875</u>	<u>519,237</u>	<u>907,120</u>

Debt Service	Capital Projects	Non-major Special Revenue	Total
-	123,108	39,578	4,472,523
-	-	-	38,758
-	-	11,248	5,625,385
-	-	-	7,212
-	-	19,134	424,210
-	-	26,895	153,148
-	-	18,298	160,412
-	123,108	115,153	10,881,648
-	-	-	2,613,136
-	-	69	287,207
-	-	-	1,726,207
-	-	16,008	656,683
-	-	-	4,526,263
-	-	24,008	308,862
-	-	-	1,079,749
-	-	188,714	226,005
430,939	-	-	430,939
-	57,300	-	57,300
430,939	57,300	228,799	11,912,351
(430,939)	65,808	(113,646)	(1,030,703)
431,674	1	90,240	1,451,369
-	-	(90,241)	(1,451,369)
-	-	39,022	39,022
431,674	1	39,021	39,022
735	65,809	(74,625)	(991,681)
14	394,596	1,317,518	6,163,687
749	460,405	1,242,893	5,172,006

Hardin County
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 2005

Net change in fund balances - Total governmental funds (page 18) \$ (991,681)

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 useful life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,675,979	
Depreciation expense	<u>(1,342,275)</u>	1,333,704

Because some of the 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 taxes		34,411
----------------	--	--------

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 repayments exceeded issues as follows:

Issued	(36,191)	
Repaid	<u>245,000</u>	208,809

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	(117,864)	
Interest on long-term debt	<u>1,181</u>	(116,683)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the Internal Service Fund is reported with the governmental activities.

(94,920)

Change in net assets of governmental activities (page 13) \$ 373,640

Hardin County
Statement of Net Assets
Proprietary Fund
June 30, 2005

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 259,992
Liabilities	
Accounts payable	<u>140,000</u>
Net Assets	
Unrestricted	<u><u>\$ 119,992</u></u>

Hardin County
Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2005

		Internal Service - Employee Group Health
Operating revenues:		
Reimbursements from operating funds	\$	805,105
Reimbursements from others		296,393
Insurance reimbursements		78,771
Total operating revenues		1,180,269
Operating expenses:		
Medical claims	\$	963,559
Insurance premiums		202,725
Administrative fees		83,359
Miscellaneous		26,943
Operating loss		(96,317)
Non-operating revenues:		
Interest income		1,397
Net loss		(94,920)
Net assets beginning of year		214,912
Net assets end of year	\$	119,992

Hardin County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2005

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 805,105
Cash received from others	375,164
Cash payments to suppliers for services	(1,276,586)
Net cash (used) by operating activities	(96,317)
Cash flows from investing activities:	
Interest on investments	1,397
Net decrease in cash and cash equivalents	(94,920)
Cash and cash equivalents at beginning of year	354,912
Cash and cash equivalents at end of year	\$ 259,992
Reconciliations of operating loss to net cash used by operating activities:	
Operating loss	\$ (96,317)
Net cash (used) by operating activities	\$ (96,317)

Hardin County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 770,520
Other County officials	83,248
Receivables:	
Property tax:	
Delinquent	154,001
Succeeding year	13,227,334
Drainage	1,046
Accounts	30,849
Due from other governments	2,284
Total assets	<u>14,269,282</u>

Liabilities

Accounts payable	32,526
Due to other governments	14,133,754
Trusts payable	94,361
Compensated absences	8,641
Total liabilities	<u>14,269,282</u>

Net Assets	<u><u>\$ -</u></u>
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Hardin County
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies

Hardin 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hardin County has included all funds, organizations, 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 Hardin 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 sixty-five 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 Hardin County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hardin County Auditor's office. Fifty-three drainage districts are under control of another county or a drainage board elected by the general population, thus, they are not included as blended component units, but are shown on the trust and agency schedule.

Hardin County
Notes to Financial Statements
June 30, 2005

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (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 no 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: Hardin County Assessor's Conference Board, Hardin County Joint E911 Service Board and Hardin 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.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Heartland Risk Pool Insurance, Solid Waste Commission, Multi-County Cooperative Child Support Agreement, County Case Management Services, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Region 6 Planning Commission and Central Iowa Juvenile Detention Center.

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 that are imposed by management which can be removed or modified.

Hardin County
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 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.

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 expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Hardin County
Notes to Financial Statements
June 30, 2005

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

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 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, proprietary fund 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.

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.

Hardin County
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 non-operating 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 expense not meeting this definition are reported as non-operating 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 balance sheet:

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

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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 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.

Hardin County
Notes to Financial Statements
June 30, 2005

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2004.

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 Assessment Receivables – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from 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.

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.

Hardin County
Notes to Financial Statements
June 30, 2005

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

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 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.

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

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)
Buildings	30-50
Building improvements	20-50
Infrastructure	12-65
Equipment	5-10
Vehicles	5-10

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 the property tax receivable and other receivables not collected within sixty days after year end. 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.

Hardin County
Notes to Financial Statements
June 30, 2005

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund 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.

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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in certain departments exceeded the amounts appropriated.

(2) **Cash and Pooled Investments**

The County's deposits in banks 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.

Hardin County
Notes to Financial Statements
June 30, 2005

(2) Cash and Pooled Investments (continued)

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,465 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 929,454
Debt Service	General	431,674
Capital Projects	Special Revenue: Local Option Revenue Bond Sinking	1
TIF Bond Payment Fund	TIF Bond Fund	<u>90,240</u>
		\$ <u>1,451,369</u>

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

(4) 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.

Hardin County
Notes to Financial Statements
June 30, 2005

(4) Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of the 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 \$228,263, \$219,169 and \$216,793, respectively, equal to the required contributions for each year.

(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:

Fund	Description	Amount
General:	Services	\$ <u>1,687</u>
Special Revenue:		
Secondary Road	Services	13,733
Mental Health	Services	<u>217,003</u>
		<u>230,736</u>
Total for governmental funds		\$ <u>232,423</u>
Agency:		
County Assessor	Collections	\$ 195,355
Schools		8,757,301
Community Colleges		572,131
Corporations		3,649,918
Townships		271,608
Auto License and Use Tax		355,626
E-911 Surcharge		44,584
Empowerment		29,578
All Other		<u>257,653</u>
Total for agency funds		\$ <u>14,133,754</u>

Hardin County
Notes to Financial Statements
June 30, 2005

(6) Capital Assets

Capital asset activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 165,475	-	-	165,475
Total capital assets not being depreciated	<u>165,475</u>	<u>-</u>	<u>-</u>	<u>165,475</u>
Capital assets being depreciated:				
Buildings	9,156,944	-	-	9,156,944
Equipment and vehicles	5,532,603	457,280	215,459	5,774,424
Infrastructure, road network	18,270,162	2,218,699	-	20,488,861
Total capital assets being depreciated	<u>32,959,709</u>	<u>2,675,979</u>	<u>215,459</u>	<u>35,420,229</u>
Less accumulated depreciation for:				
Buildings	1,345,409	203,204	-	1,548,613
Equipment and vehicles	3,203,079	447,561	215,459	3,435,181
Infrastructure, road network	11,038,414	691,510	-	11,729,924
Total accumulated depreciation	<u>15,586,902</u>	<u>1,342,275</u>	<u>215,459</u>	<u>16,713,718</u>
Total capital assets being depreciated, net	<u>17,372,807</u>	<u>1,333,704</u>	<u>-</u>	<u>18,706,511</u>
Governmental activities capital assets, net	<u>\$ 17,538,282</u>	<u>1,333,704</u>	<u>-</u>	<u>18,871,986</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 171,338
Physical health and social services	2,499
Mental health	3,795
County environment and education	43,062
Roads and transportation	1,071,119
Governmental services to residents	5,665
Administration	44,797
Total depreciation expenses - governmental activities	<u>\$ 1,342,275</u>

Hardin County
Notes to Financial Statements
June 30, 2005

(7) Changes in Long-Term Liabilities

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

	General Obligation Bonds	Compensated Absences	Drainage Warrants	Total
Balance beginning of year	\$ 6,050,000	166,623	463,610	6,680,233
Increases	-	117,864	-	117,864
Decreases	245,000	-	80,256	325,256
Balance end of year	<u>\$ 5,805,000</u>	<u>284,487</u>	<u>383,354</u>	<u>6,472,841</u>
Due within one year	<u>\$ 255,000</u>	<u>284,487</u>	<u>-</u>	<u>539,487</u>

Drainage Warrants/Drainage Improvement Certificates Payable

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 improvement 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 and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

Hardin County
Notes to Financial Statements
June 30, 2005

(7) Changes in Long-Term Liabilities (continued)

Bonds Payable

A summary of the County's June 30, 2005, general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	3.20-4.50	255,000	265,389	520,389
2007	3.20-4.80	330,000	253,914	583,914
2008	3.25-5.10	370,000	199,233	569,233
2009	3.25-5.30	385,000	186,780	571,780
2010	3.38-5.40	390,000	173,790	563,790
2011	3.38-5.40	405,000	160,244	565,244
2012	3.38-5.40	425,000	145,975	570,975
2013	3.50-5.40	440,000	130,745	570,745
2014	3.60-5.40	450,000	114,455	564,455
2015	3.63-4.05	435,000	97,395	532,395
2016	3.75-4.10	455,000	81,265	536,265
2017	4.00-4.15	470,000	63,887	533,887
2018	4.00-4.25	440,000	44,952	484,952
2019	4.35	100,000	25,313	125,313
2020	4.45	105,000	20,963	125,963
2021	4.55	110,000	16,290	126,290
2022	4.65	115,000	11,285	126,285
2023	4.75	125,000	5,938	130,938
Total		\$ 5,805,000	1,997,813	7,802,813

During the year ended June 30, 2005, the County re-financed \$3,595,000 of general obligation bonds. The County retired \$245,000 of bonds during the year.

(8) Hardin County Employee Group Health Fund

The Hardin County Employee Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance. Monthly payments of service fees and plan contributions to the Hardin County Employee Group Health 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 Gallagher Benefits, Inc. from the Hardin County Employee Group Health Fund. The County records the plan assets and related liabilities of the Hardin County Health Insurance fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$808,161.

Hardin County
Notes to Financial Statements
June 30, 2005

(8) Hardin County Employee Group Health Fund (continued)

Amounts payable from the Health Insurance Fund at June 30, 2005 total \$140,000 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$119,992 at June 30, 2005 and is reported as a designation of the Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at beginning of year	\$ 140,000
Incurred claims (including claims incurred but not reported as of June 30, 2005)	963,559
Payments on claims during the fiscal year	<u>963,559</u>
Unpaid claims at end of year	<u>\$ 140,000</u>

(9) Operating Leases

The County has entered into a lease for operating space used by Mental Health for operation of their clubhouse. The lease expires at April 30, 2009. The following is a schedule by year of the total annual lease cost required under the operating lease.

Year Ending June 30,	Annual Rent Due
2006	\$ 6,300
2007	6,300
2008	6,300
2009	<u>5,250</u>
Total	<u>\$ 24,150</u>

The total annual lease costs for the year ended June 30, 2005 were \$7,200.

(10) Risk Management

Hardin County is a member in the Heartland Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Risk Pool (Pool) is a local government risk-sharing pool with ten counties as members. The Pool was formed July 1, 1987 for the purpose of managing and funding third-party liability claims against its members.

Hardin County
Notes to Financial Statements
June 30, 2005

(10) Risk Management (continued)

The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, law enforcement liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Any year end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2005 were \$294,253.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains automobile and general liability risks in excess of \$250,000 up to \$1,000,000 per claim. The Pool retains workers' compensation risks in excess of \$350,000 up to \$1,000,000 per claim. Automobile and general liability claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$3,000,000 per claim. Workers' compensation claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$2,000,000. Crime lines of business risks are retained by the Pool up to \$25,000 per occurrence. Automobile physical damage risks are retained by the Pool up to the replacement cost of the vehicle. All property, inland marine, boiler, public officials errors and omissions, business income and expense and law enforcement liability risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protections provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonable estimated. Accordingly, at June 30, 2005, no liability has been recorded in the county's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Hardin County commenced July 1, 1987 and is subject to renewal every three years. The County also carries commercial insurance purchased from other insurers for coverage associated with property inland marine, data processing, boiler/machinery, police professional and public official liability insurance programs. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Hardin 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, 2005

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 4,504,043	-
Interest and penalty on property tax	38,953	-
Intergovernmental	5,535,505	-
Licenses and permits	8,182	-
Charges for services	492,973	-
Use of money and property	152,725	-
Miscellaneous	184,581	14,552
Total receipts	<u>10,916,962</u>	<u>14,552</u>
Disbursements:		
Public safety and legal services	2,594,734	-
Physical health and social services	288,398	-
Mental health	1,670,231	-
County environment and education	651,987	-
Roads and transportation	3,724,624	-
Governmental services to residents	310,021	-
Administration	1,070,586	-
Non-program	100,203	58,917
Debt service	560,736	-
Capital projects	608,478	-
Total disbursements	<u>11,579,998</u>	<u>58,917</u>
Excess (deficiency) of receipts over (under) disbursements	(663,036)	(44,365)
Other financing sources, net	<u>39,022</u>	<u>39,022</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(624,014)	(5,343)
Balance beginning of year	<u>6,035,392</u>	<u>75,911</u>
Balance end of year	<u>\$ 5,411,378</u>	<u>70,568</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
4,504,043	4,492,836	4,492,836	11,207
38,953	18,700	18,700	20,253
5,535,505	5,783,721	5,783,721	(248,216)
8,182	7,975	7,975	207
492,973	481,850	497,250	(4,277)
152,725	153,199	153,199	(474)
170,029	94,400	115,168	54,861
10,902,410	11,032,681	11,068,849	(166,439)
2,594,734	2,610,966	2,630,966	(36,232)
288,398	280,925	329,495	(41,097)
1,670,231	1,672,115	1,672,115	(1,884)
651,987	686,604	715,125	(63,138)
3,724,624	3,748,107	3,748,107	(23,483)
310,021	298,334	341,327	(31,306)
1,070,586	1,040,226	1,091,311	(20,725)
41,286	49,430	50,320	(9,034)
560,736	561,042	561,192	(456)
608,478	875,000	910,001	(301,523)
11,521,081	11,822,749	12,049,959	(528,878)
(618,671)	(790,068)	(981,110)	362,439
-	-	-	-
(618,671)	(790,068)	(981,110)	362,439
5,959,481	4,631,445	4,631,445	1,328,036
5,340,810	3,841,377	3,650,335	1,690,475

Hardin County
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 10,916,962	(35,314)	10,881,648
Expenditures	11,579,998	332,353	11,912,351
Net	(663,036)	(367,667)	(1,030,703)
Other financing sources	39,022	-	39,022
Beginning fund balances	6,035,392	128,295	6,163,687
Ending fund balances	\$ 5,411,378	(239,372)	5,172,006

Hardin County
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2005

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.

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 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, a budget amendment increased budgeted disbursements by \$227,210. The budget amendment is 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, 2005, disbursements in certain departments exceeded the amounts appropriated.

Other Supplementary Information

Hardin County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Resource Enhancement and Protection	TIF Bond Money	TIF Bond Payment	TIF Repayment	County Recorder's Records Management
Assets					
Cash and pooled investments	\$ 33,644	77,081	2	24	43,995
Receivables:					
Accrued interest	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Total assets	\$ 33,644	77,081	2	24	43,995
Liabilities and Fund Equity					
Liabilities:					
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Equity:					
Fund balances:					
Reserved for drainage warrants/drainage improvement certificates	-	-	-	-	-
Unreserved	33,644	77,081	2	24	43,995
Total fund equity	33,644	77,081	2	24	43,995
Total liabilities and fund equity	\$ 33,644	77,081	2	24	43,995

County Recorder's Electronic Transactions	Drainage Districts	Hardin County Conservation Reserve Trust	Conservation Land Acquisition Trust	Total
13,600	70,545	995,830	1,979	1,236,700
-	-	6,170	-	6,170
-	25,921	-	-	25,921
13,600	96,466	1,002,000	1,979	1,268,791
-	25,898	-	-	25,898
-	25,898	-	-	25,898
-	70,568	-	-	70,568
13,600	-	1,002,000	1,979	1,172,325
13,600	70,568	1,002,000	1,979	1,242,893
13,600	96,466	1,002,000	1,979	1,268,791

Hardin County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2005

	County Public Health Resources	Resource Enhancement and Protection	TIF Bond Money	TIF Bond Payment
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	11,248	-	-
Charges for service	-	-	-	-
Use of money and property	-	311	-	-
Miscellaneous	-	-	-	-
Total revenues	-	11,559	-	-
Expenditures:				
Operating:				
Health administration	69	-	-	-
Maintenance and operations	-	12,183	-	-
Recreation and environmental education	-	-	-	-
Recording of public documents	-	-	-	-
Non-program	-	-	-	-
Total expenditures	69	12,183	-	-
Excess (deficiency) of revenues over (under) expenditures	(69)	(624)	-	-
Other financing sources (uses):				
Operating transfers in (out):				
Tax increment financing bond payment fund	-	-	(90,240)	-
Capital projects fund	-	-	-	-
Proceeds from drainage warrants/drainage improvement certificates	-	-	-	-
Total other financing sources (uses):	-	-	(90,240)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(69)	(624)	(90,240)	-
Fund balances beginning of year	69	34,268	167,321	2
Fund balances end of year	\$ -	33,644	77,081	2

TIF Repayment	County Recorder's Records Management	County Recorder's Electronic Transactions	Local Option Revenue Bond Sinking Fund	Drainage Districts	Hardin County Conservation Reserve Trust	Conservation Land Acquisition Trust	Total
39,578	-	-	-	-	-	-	39,578
-	-	-	-	-	-	-	11,248
-	4,212	14,542	-	-	380	-	19,134
-	435	356	-	-	25,793	-	26,895
-	-	-	-	14,552	3,746	-	18,298
39,578	4,647	14,898	-	14,552	29,919	-	115,153
-	-	-	-	-	-	-	69
-	-	-	-	-	-	-	12,183
-	-	-	-	-	3,825	-	3,825
-	-	24,008	-	-	-	-	24,008
129,797	-	-	-	58,917	-	-	188,714
129,797	-	24,008	-	58,917	3,825	-	228,799
(90,219)	4,647	(9,110)	-	(44,365)	26,094	-	(113,646)
90,240	-	-	-	-	-	-	-
-	-	-	(1)	-	-	-	(1)
-	-	-	-	39,022	-	-	39,022
90,240	-	-	(1)	39,022	-	-	39,021
21	4,647	(9,110)	(1)	(5,343)	26,094	-	(74,625)
3	39,348	22,710	1	75,911	975,906	1,979	1,317,518
24	43,995	13,600	-	70,568	1,002,000	1,979	1,242,893

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments					
County Treasurer	\$ -	2,359	36,053	126,518	9,051
Other County officials	83,248	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,202	1,211	63,234	4,434
Succeeding year	-	164,998	166,320	8,567,549	558,646
Drainage	-	-	-	-	-
Accounts	673	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 83,921	168,559	203,584	8,757,301	572,131
Liabilities					
Accounts payable	-	-	1,256	-	-
Due to other governments	9,766	168,559	195,355	8,757,301	572,131
Trusts payable	74,155	-	-	-	-
Compensated absences	-	-	6,973	-	-
Total liabilities	\$ 83,921	168,559	203,584	8,757,301	572,131

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Empowerment	Local Emergency Management Services
66,510	3,695	36	8,548	355,626	48,506	20,276
-	-	-	-	-	-	-
82,300	1,603	17	-	-	-	-
3,501,108	266,310	2,403	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,649,918</u>	<u>271,608</u>	<u>2,456</u>	<u>8,548</u>	<u>355,626</u>	<u>48,506</u>	<u>20,276</u>
-	-	-	-	-	18,928	330
3,649,918	271,608	2,456	8,548	355,626	29,578	18,278
-	-	-	-	-	-	-
-	-	-	-	-	-	1,668
<u>3,649,918</u>	<u>271,608</u>	<u>2,456</u>	<u>8,548</u>	<u>355,626</u>	<u>48,506</u>	<u>20,276</u>

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

	E911 Surcharge	E911	Third Party Payees	Drainage Districts	Other	Total
Assets						
Cash and pooled investments						
County Treasurer	18,132	15,770	12,763	18,090	28,587	770,520
Other County officials	-	-	-	-	-	83,248
Receivables:						
Property tax:						
Delinquent	-	-	-	-	-	154,001
Succeeding year	-	-	-	-	-	13,227,334
Drainage	-	-	-	1,046	-	1,046
Accounts	30,174	2	-	-	-	30,849
Due from other governments	2,284	-	-	-	-	2,284
Total assets	50,590	15,772	12,763	19,136	28,587	14,269,282
Liabilities						
Accounts payable	6,006	6,006	-	-	-	32,526
Due to other governments	44,584	9,766	-	19,136	21,144	14,133,754
Trusts payable	-	-	12,763	-	7,443	94,361
Compensated absences	-	-	-	-	-	8,641
Total liabilities	50,590	15,772	12,763	19,136	28,587	14,269,282

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 108,880	161,655	182,547	8,650,483	604,630
Additions:					
Property and other county tax	-	154,976	158,711	8,038,606	531,251
E-911 surcharge	-	-	-	-	-
State tax credits	-	9,837	7,473	521,692	37,000
Grants	-	-	-	-	-
Interest	206	-	-	-	-
Office fees and collections	1,714,005	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	375,886	-	-	-	-
Miscellaneous	-	-	3,422	-	-
Total additions	2,090,097	164,813	169,606	8,560,298	568,251
Deductions:					
Agency Remittances:					
To other funds	1,618,415	-	-	-	-
To other governments	117,158	157,909	148,569	8,453,480	600,750
Trusts paid out	379,483	-	-	-	-
Total deductions	2,115,056	157,909	148,569	8,453,480	600,750
Balances end of year	\$ 83,921	168,559	203,584	8,757,301	572,131

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Drivers License	Empower- ment
4,475,485	269,190	2,459	3,045	328,854	2,500	22,757
3,647,486	250,923	2,244	-	-	-	-
-	-	-	-	-	-	-
290,144	14,905	149	-	-	-	-
-	-	-	-	-	-	198,343
-	-	-	-	-	-	684
-	-	-	-	-	-	-
-	-	-	-	4,378,396	-	-
-	-	-	-	-	81,444	-
-	-	-	36,075	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,937,630	265,828	2,393	36,075	4,378,396	81,444	199,027
-	-	-	-	129,834	35,730	-
4,763,197	263,410	2,396	30,572	4,221,790	48,214	173,278
-	-	-	-	-	-	-
4,763,197	263,410	2,396	30,572	4,351,624	83,944	173,278
3,649,918	271,608	2,456	8,548	355,626	-	48,506

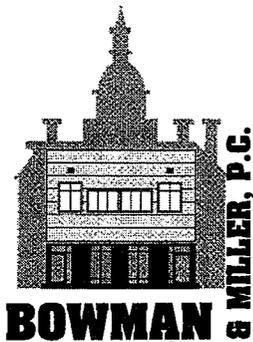
Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2005

	Local Emergency Management Services	E911 Surcharge	E911	Tax Sale Redemption Non-County	Third Party Payees
Assets and Liabilities					
Balances beginning of year	\$ 27,677	26,631	-	-	10,922
Additions:					
Property and other county tax	-	-	-	-	-
E-911 surcharge	-	123,971	-	-	-
State tax credits	-	-	-	-	-
Grants	-	-	4,568	-	-
Interest	-	200	-	-	-
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	171,113	97,240
Miscellaneous	105,139	5,238	105,690	-	-
Total additions	105,139	129,409	110,258	171,113	97,240
Deductions:					
Agency Remittances:					
To other funds	-	-	-	-	-
To other governments	112,540	105,450	94,486	171,113	-
Trusts paid out	-	-	-	-	95,399
Total deductions	112,540	105,450	94,486	171,113	95,399
Balances end of year	\$ 20,276	50,590	15,772	-	12,763

Drainage Districts	Other	Total
15,464	30,278	14,923,457
-	-	12,784,197
-	-	123,971
-	-	881,200
-	-	202,911
-	-	1,090
-	-	1,714,005
-	-	4,378,396
-	-	81,444
8,494	-	44,569
-	22,233	666,472
-	6,086	225,575
8,494	28,319	21,103,830
-	-	1,783,979
4,822	30,010	19,499,144
-	-	474,882
4,822	30,010	21,758,005
19,136	28,587	14,269,282

Hardin County
 Schedule of Revenues By Source and Expenditures By Function -
 All Governmental Funds
 For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Property and other county tax	\$ 4,472,523	5,029,708	4,972,117	4,690,710
Interest and penalty on property tax	38,758	41,442	38,503	39,035
Intergovernmental	5,625,385	5,580,865	5,549,483	5,123,231
Licenses and permits	7,212	4,203	5,950	5,561
Charges for service	424,210	455,355	427,616	428,106
Use of money and property	153,148	167,378	238,403	304,854
Miscellaneous	160,412	221,207	234,694	360,817
Total	\$ 10,881,648	11,500,158	11,466,766	10,952,314
Expenditures:				
Operating				
Public safety and legal services	2,613,136	2,610,147	2,646,807	2,389,905
Physical health and social services	287,207	279,862	312,188	488,670
Mental health	1,726,207	1,597,490	1,678,845	1,738,644
County environment and education	656,683	704,672	719,988	566,252
Roads and transportation	4,526,263	4,008,562	4,834,721	3,735,560
Governmental services to residents	308,862	305,226	287,908	301,089
Administration	1,079,749	1,065,655	1,046,562	914,589
Non-program	226,005	1,746,781	529,323	84,214
Debt service	430,939	434,295	436,286	478,235
Capital projects	57,300	83,579	398,474	845,131
Total	\$ 11,912,351	12,836,269	12,891,102	11,542,289



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-309-5461 • FAX 515-278-0287

James R. Bowman, CPA • jim@syscompia.com
Elizabeth A. Miller, CPA • beth@syscompia.com
Debra J. Osborn, CPA • deb@syscompia.com
Suzanne M. Mead, CPA • suzanne@syscompia.com

Independent Auditors' 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 Hardin County:

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Hardin 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 reports thereon dated October 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Hardin 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 assurance 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 Hardin 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.

A material weakness is a 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 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. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards.

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 Hardin County and other parties to whom Hardin County may report. 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 Hardin 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.

Bowman and Miller, P.C.

October 28, 2005

Hardin County
Schedule of Findings
Year Ended June 30, 2005

Part I: Summary of the Independent Auditors' 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.

Hardin County
Schedule of Findings
Year Ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties – During our review of the internal control structure, the existing control procedures are evaluated in order to determine that incompatible duties, from a control standpoint, 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 generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Recorder
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Recorder
(3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or vouchers for payment.	Recorder

Recommendation – We realize that with a limited number of office employees segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Hardin County
Schedule of Findings
Year Ended June 30, 2005

Part II: Findings Related to the Financial Statements (continued):

Response – With two employees in the Recorder’s office, segregation of responsibilities is difficult and at times impossible. There are times when there is only one employee in the office. It would be necessary to use the resources from other offices to eliminate the current condition. I have reviewed the recommendations given and will make the adjustments I can to improve the procedures in my office.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year.

III-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amount appropriated and amendments were not effective since the required public hearings were not held.

Recommendation – Chapter 331.434(6) of the Code of Iowa requires that decreases in appropriations in excess of \$5,000 or 10%, whichever is greater, are not effective unless a public hearing on the decrease is held. The County should amend appropriations as required before disbursements are allowed to exceed the appropriations.

Response – Due to the costs involved with budget amendments, we try to amend the budget as few times as possible. New programs and grants are being funded prior to amendments and operating costs exceed appropriated amounts. We will try to amend more frequently in the future.

Conclusion – Response accepted.

III-C-05 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

III-E-05 Business Transactions – No business transactions between the County and County officials or employees were noted.

Hardin County
Schedule of Findings
Year Ended June 30, 2005

Part III: Other Findings Related to Required Statutory Reporting (continued):

- III-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 insure that the coverage is adequate for current operations.
- III-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-H-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).
- III-I-05 Deposits and Pooled Investments – We noted no instances of non-compliance with the deposits and pooled investments provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policies.
- III-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 during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

Hardin County
Audit Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa

Personnel:

Elizabeth A. Miller, CPA, Principal

Debra J. Osborn, CPA, Principal

NEWS RELEASE

FOR RELEASE _____

Bowman and Miller, P.C. today released an audit report on Hardin County, Iowa.

The County had local tax revenue of \$18,392,452 for the year ended June 30, 2005, which included \$1,135,732 in tax credits from the state and \$492,430 in local option sales tax money. The County forwarded \$13,665,397 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,727,055 of the local tax revenue to finance County operations, a 10.77% decrease from the prior year. Other revenues included \$3,736,450 from the state, including indirect federal funding, \$153,280 from direct federal grants and entitlements, and \$122,467 in interest on investments.

Expenditures for County operations totaled \$11,912,351, a 7.2% decrease from the prior year. Expenditures included \$4,526,263 for Roads & Transportation, \$2,613,136 for Public Safety and \$1,726,207 for Mental Health.

This report contained recommendations to the Board of Supervisors and other County officials. For example, to continue reviewing segregation of duties. The County agreed with the recommendations and will make the necessary changes.

A copy of the audit report is available for review in the office of the Auditor of State and the County's Auditor's office.