

HANCOCK COUNTY

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

June 30, 2007

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HANCOCK COUNTY  
Garner, Iowa

OFFICIALS

(Before January 2007)

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

(After January 2007)

Ted Hall	Board of Supervisors	Jan 2011
Florence Thomas-Greiman	Board of Supervisors	Jan 2011
Jerry Tlach	Board of Supervisors	Jan 2009
Debra Bellinghausen	County Auditor	Jan 2009
Jean Bell	County Treasurer	Jan 2011
Sandra Brunsen	County Recorder	Jan 2011
Scott Dodd	County Sheriff	Jan 2009
Karen Kaufman - Salic	County Attorney	Jan 2011
Marianne Welsch	County Assessor	Appointed

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Hancock County  
Garner, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Hancock County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County at June 30, 2007, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2007 on our consideration of Hancock County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 40 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hancock County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

December 13, 2007

Renner & Birchem, P.C.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Hancock 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, 2007. We encourage readers to consider this information in conjunction with the county's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- Hancock County governmental funds revenue increased 12.62%, or approximately \$1,372,000 from 2006. \$3,461,987 was generated from property and other County taxes.
- Hancock County 2007 program expenses were \$707,014 more than 2006. Physical health and social services expense increased approximately \$539,412.
- The County's net assets increased 0.16%, or approximately \$41,000, at June 30, 2007.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements as well as 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 consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hancock 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 Hancock 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 Hancock County acts solely as an agent or custodian for the benefit of those outside of the government (Agency Funds).

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### Government-Wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which help answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are 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 and other 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. The governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds such as Mental Health, Rural Service, Public Health and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's employee group health insurance, dental and vision insurance and internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for 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 emergency management services and the County Assessor to name a few.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The County's combined net assets were virtually unchanged from a year ago. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)			
		June 30	
		2007	2006
Current and other assets		13,602	12,891
Capital assets		15,798	16,483
	Total assets	29,400	29,374
Long term liabilities		340	294
Other liabilities		4,308	4,281
	Total liabilities	4,648	4,575
Net assets			
Invested in capital assets		15,798	16,483
Restricted		3,923	3,275
Unrestricted		5,031	5,041
	Total net assets	24,752	24,799

Net assets of the County's governmental activities decreased by 0.27%. The largest portion of the County's net assets is the Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment). 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, was approximately \$5.0 million at June 30, 2007, a 0.2% decrease from June 30, 2006.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	1,816	1,872
Operating grants, contributions and restricted interest	4,010	3,533
Capital grants, contributions and restricted interest	665	
General revenues:		
Property tax	3,462	3,348
Penalty and interest on property tax	28	31
State tax credits	190	209
Local option sales tax	391	393
Grants and contributions not restricted to specific purposes	594	587
Unrestricted investment earnings	567	377
Other general revenues	518	519
Total revenues:	12,241	10,869
Program expenses:		
Public safety and legal services	1,266	1,163
Physical health and social service	2,610	2,070
Mental health	1,487	1,374
County environment and education	557	526
Roads and transportation	4,574	4,453
Governmental services to residents	326	451
Administration	1,240	1,089
Non-program	140	368
Total expenses:	12,200	11,494
Increase <decrease> in net assets	41	<625>
Net assets restated beginning of year	24,711	25,424
Net assets end of year	24,752	24,799

The results of governmental activities for the year resulted in Hancock County's net assets increasing by approximately \$41,000. Revenues for governmental activities increased by approximately \$1,372,000 over the prior year.

The cost of all governmental activities this year was \$12.2 million compared to \$11.5 million last year. However, as shown in the Statement of Activities on page 17, the amount ultimately financed for these activities through County taxes and other unrestricted revenues was only \$5.75 million because some of the cost was paid by those directly benefited from the programs (\$1,816,213) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,674,853).

## THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$9.1 million, which is \$900,000 above last year's total of \$8.2 million. The County

funds received in operating revenue approximately \$847,300 more than were expended for the year. The following are reasons for major changes in fund balances from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed an increase from the prior year of \$110,004 to \$2,285,223.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,487,274, an increase of 8.2% from the prior year. The Mental Health Fund balance at year ended decreased by approximately \$44,850 over the prior year and reflects a balance of \$262,946.
- Secondary Roads Fund expenditures decreased by approximately \$740,073 over the prior year. The County continues to aggressively upgrade and maintain the condition of the County roadway system but weather conditions in early Spring can create problems with bridge and road construction. The Secondary Road Fund balance at year end increased by approximately \$802,460 over the prior year.
- Due to fiscal year timing of the dollars received for the bioterrorism grant dollars, the Public Health Nurses revenues totaled \$2,283,269, a 56% increase over the prior year. For the year, expenditures totaled \$2,433,191, a 62% increase over the prior year. The Public Health Nurse Fund balance increased by \$68,078 over the prior year and reflects a balance of \$204,047.
- The Secondary Road Highway 111 Fund balance increased by \$24,956 over the prior year and reflects a balance of \$1,459,192.

## **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 twice. The first amendment was made in October, 2006 and resulted in a increase in Special Revenue Funds revenues and expenditures due mostly because of Public Health grants received in that fiscal year and also expenditures for bioterrorism grant. There were also added expenditures for new cabins built at Crystal Lake Park and a walking trail at Duncan Heights. The second amendment was held in May, 2007. This amendment was made to provide for an decrease in expected revenues and expenditures for the public health nurse department, decrease in fiscal year spending for secondary road and capital projects due to weather conditions and an increase in mental health expenditures.

None of the amendments made during the 2007 fiscal year should have any impact on the 2008 fiscal year's budget.

## CAPITAL ASSETS

At June 30, 2007 Hancock County had approximately \$15.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net decrease (including additions and deletions and depreciation) of approximately \$685,000 or 4.2 % from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	2007	2006
Land	357	357
Buildings and improvements	5,662	5,759
Machinery and equipment	2,479	2,738
Infrastructure	7,300	7,629
Totals	15,798	16,483

The County had depreciation expense of \$1,581,160 for the year ended June 30, 2007 and total accumulation depreciation as of June 30, 2007 of \$19,485,371.

The County's fiscal year 2007 capital budget included \$1,119,433 for capital projects, principally for the continued upgrading of secondary roads, equipment and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

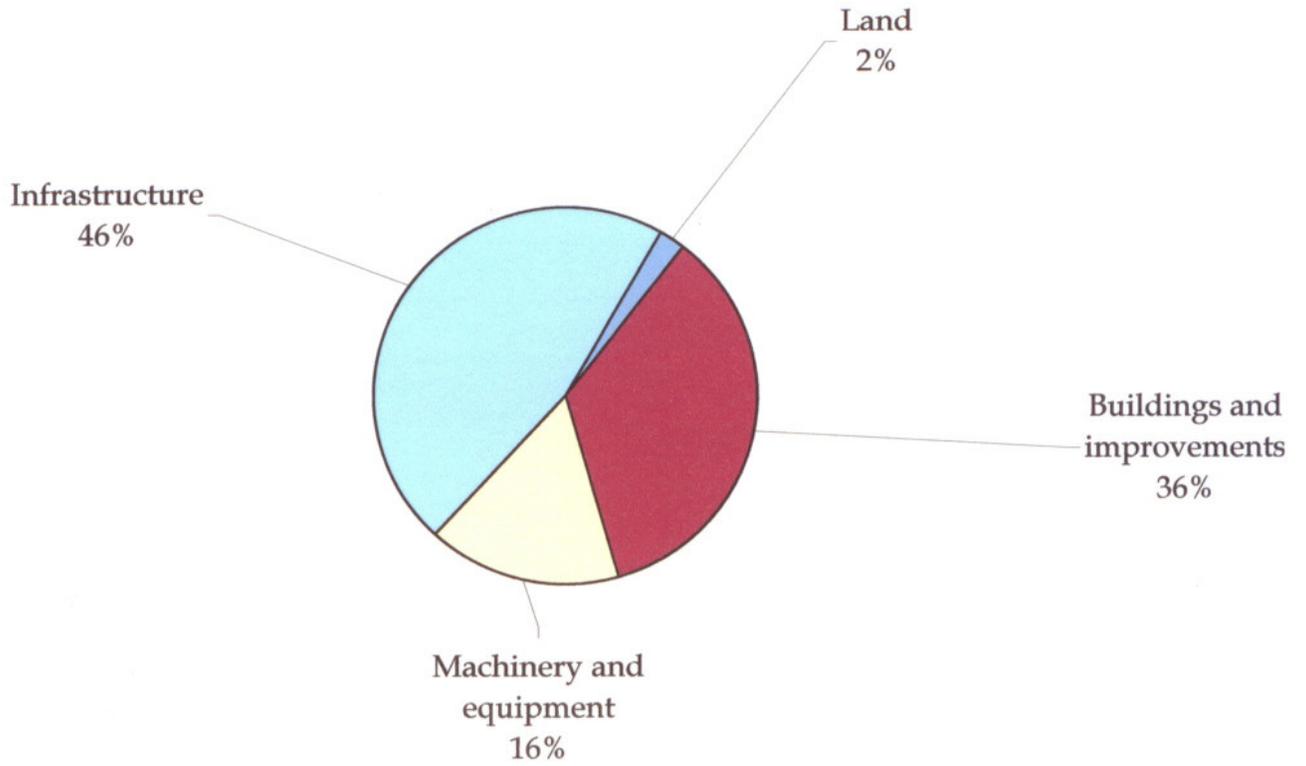
## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Hancock County's elected and appointed officials and citizens considered many factors when setting the 2008 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy which includes oil, gas prices and utility costs. Others include land valuations and the consumer price index (CPI).

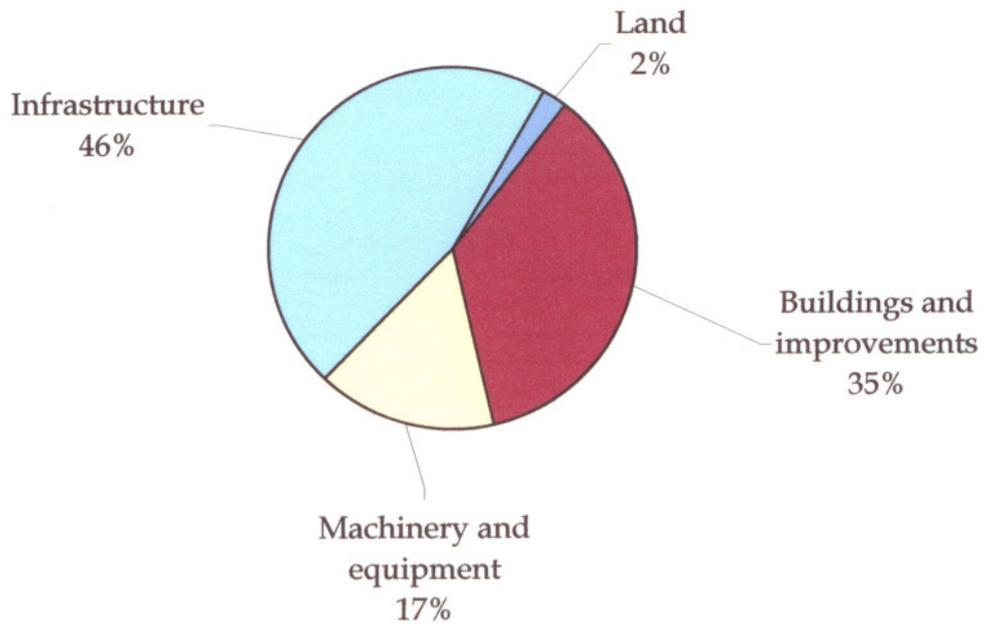
## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hancock 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, Hancock County, 855 State Street, Garner, Iowa.

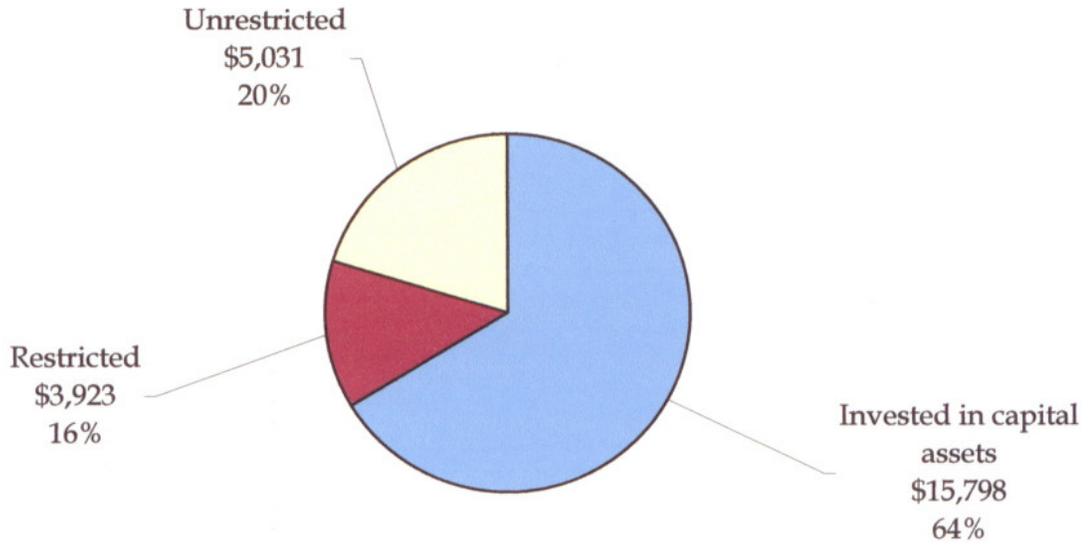
## 2007 Capital Assets



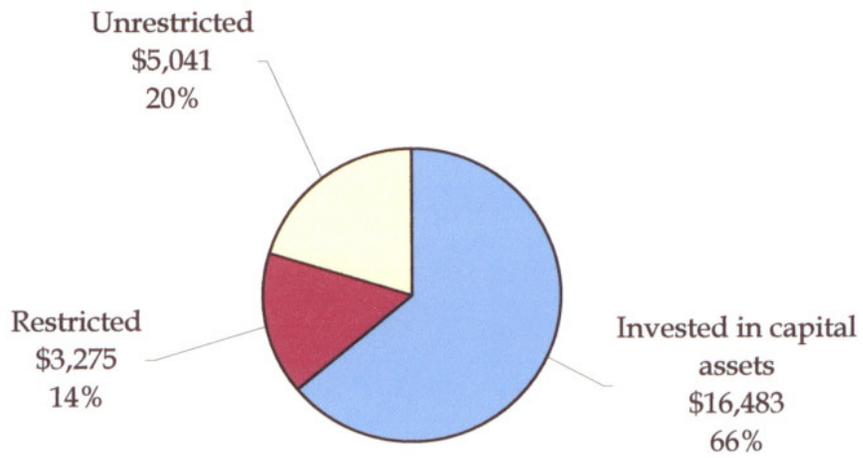
## 2006 Capital Assets



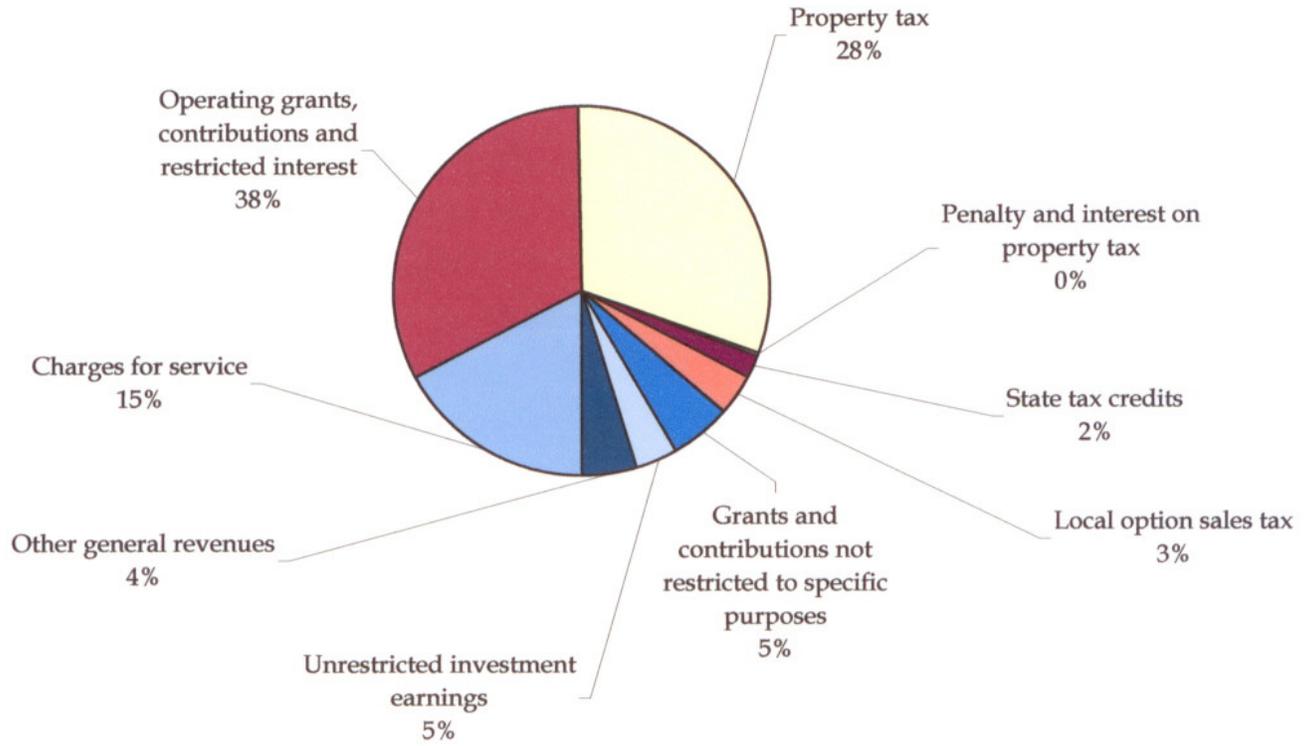
**2007 Net Assets**  
**(Expressed in Thousands)**



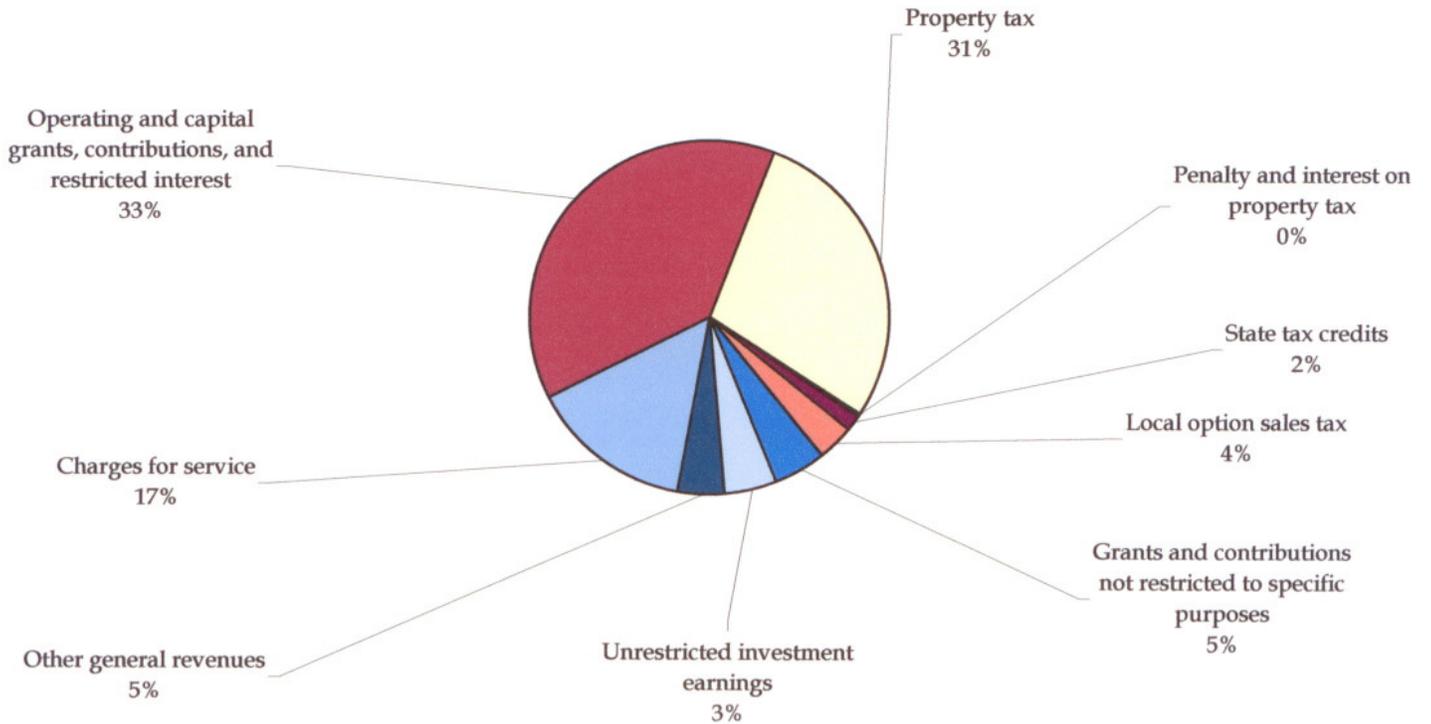
**2006 Net Assets**  
**(Expressed in Thousands)**



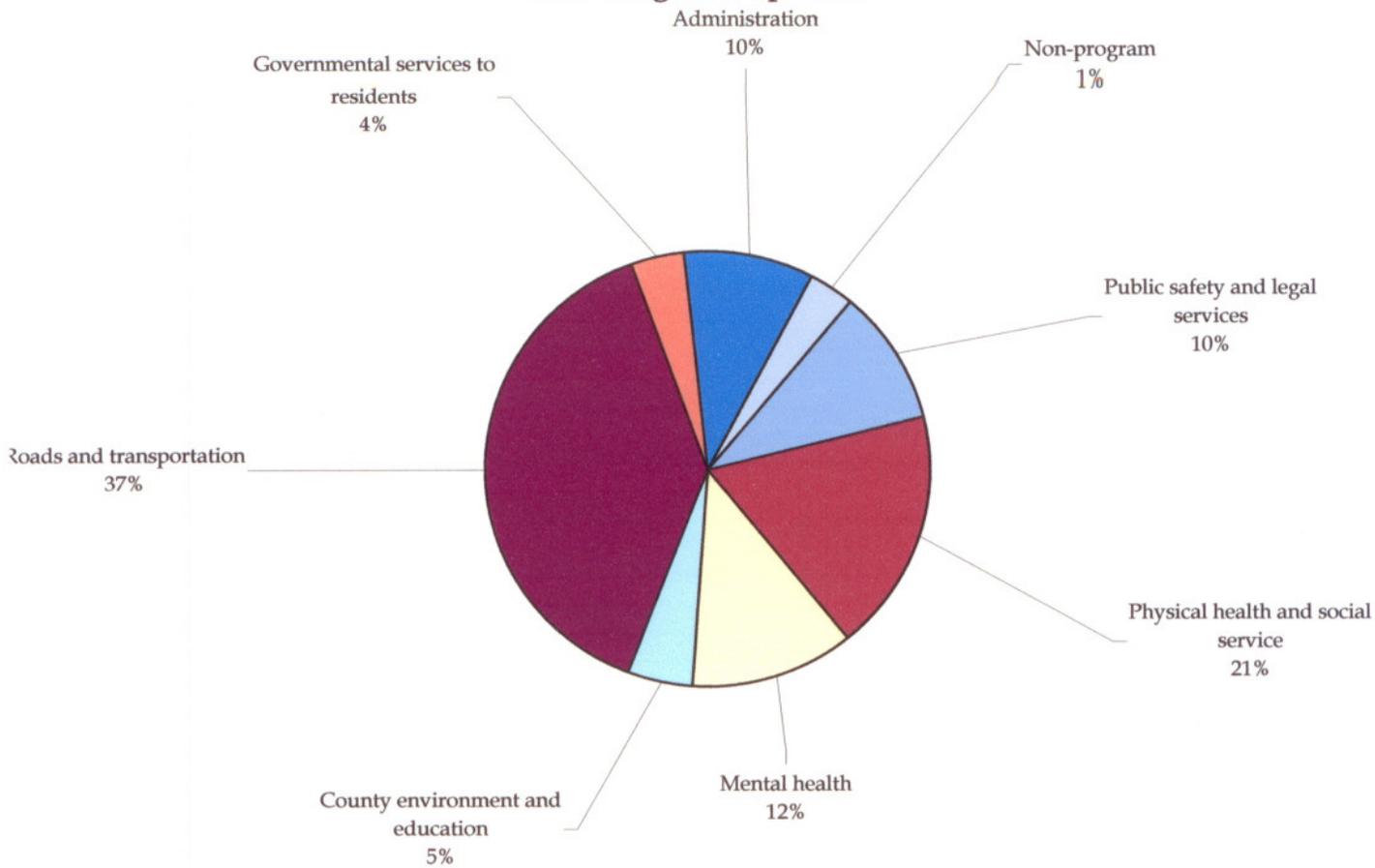
**2007 Revenue by Source**



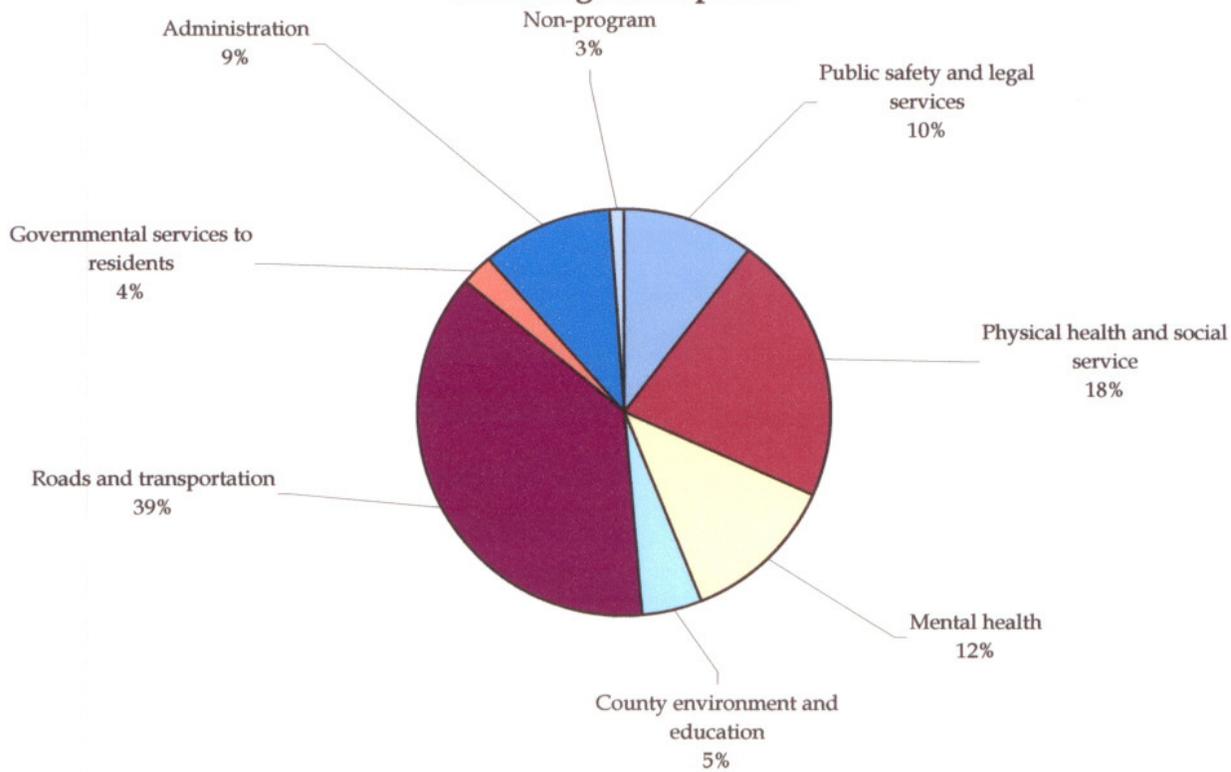
**2006 Revenue by Source**



### 2007 Program Expenses



### 2006 Program Expenses



**BASIC FINANCIAL STATEMENTS**

Hancock County  
Garner, Iowa

Exhibit A

Statement of Net Assets  
June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 8,729,599
Receivables:	
Property tax:	
Delinquent	9,873
Succeeding year	3,687,734
Accounts	99,664
Interest	15,897
Drainage assessments	111,390
Due from other governments	529,020
Inventories	333,688
Prepaid insurance	85,292
Capital assets (net of accumulated depreciation)	15,797,855
<b>Total assets</b>	<u><b>29,400,012</b></u>
<b>Liabilities</b>	
Accounts payable	409,806
Salaries and benefits payable	72,725
Due to other governments	98,054
Deferred revenue:	
Succeeding year property tax	3,687,734
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	39,634
Portion due or payable after one year:	
Drainage district warrants and certificates payable	340,426
<b>Total liabilities</b>	<u><b>4,648,379</b></u>
<b>Net Assets</b>	
Invested in capital assets net of related debt	15,797,855
Restricted for:	
Mental health purposes	262,946
Secondary roads purposes	3,476,274
Other purposes	184,019
Unrestricted	5,030,539
<b>Total net assets</b>	<u><u><b>\$ 24,751,633</b></u></u>

See notes to financial statements.

Statement of Activities  
Year ended June 30, 2007

	Program Revenues			Net (Expense) Revenue Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 1,266,438	258,723	11,695	(996,020)
Physical health and social services	2,609,868	759,854	1,276,275	(573,739)
Mental health	1,487,274	50,361	185,490	(1,251,423)
County environment and education	557,375	111,182		(446,193)
Roads & transportation	4,574,005	294,636	2,536,434	(1,077,976)
Governmental services to residents	326,220	213,137		(113,083)
Administrative services	1,239,761	44,803		(1,194,958)
Non-program	139,548	83,517		(56,031)
<b>Total</b>	<b>\$ 12,200,489</b>	<b>1,816,213</b>	<b>4,009,894</b>	<b>(5,709,423)</b>
<b>General Revenues:</b>				
Property and other county tax levied for				
General purposes				3,461,987
Penalty and interest on property tax				28,197
State tax credits				189,754
Local option sales tax				391,383
Grants and contributions not restricted to specific purpose				593,787
Unrestricted investment earnings				567,263
Miscellaneous				517,693
<b>Total general revenues</b>				<b>5,750,064</b>
<b>Change in net assets</b>				<b>40,641</b>
<b>Net assets beginning of year as restated, (note 11)</b>				<b>24,710,992</b>
<b>Net assets end of year</b>				<b>\$ 24,751,633</b>

See notes to financial statements.

Hancock County  
Garner, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2007

	Special Revenue							Total
	General	Public Health Nurses	Mental Health	Rural Services	Secondary Roads	Secondary Roads Hwy 111	Nonmajor Special Revenue	
<b>Assets</b>								
Cash and pooled investments	\$ 2,241,637	83,526	441,049	116,648	3,018,994	1,459,192	1,232,155	8,593,201
Receivables:								
Property tax:								
Delinquent	6,943		2,026	904				9,873
Succeeding year	2,100,248		612,768	974,718				3,687,734
Accounts	26,592	15,714	10,303		46,316		739	99,664
Accrued interest	12,749						528	13,277
Drainage assessments							111,390	111,390
Due from other governments	4,867	251,003	16,491	29,814	224,054		2,791	529,020
Inventories					333,688			333,688
Prepaid insurance	69,318				15,974			85,292
<b>Total assets</b>	<b>\$ 4,462,354</b>	<b>350,243</b>	<b>1,082,637</b>	<b>1,122,084</b>	<b>3,639,026</b>	<b>1,459,192</b>	<b>1,347,603</b>	<b>13,463,139</b>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 34,016	32,697	204,379	8,633	116,675		11,542	407,942
Salaries and benefits payable	35,953	2,230	526	423	29,204		4,389	72,725
Due to other governments		98,054						98,054
Deferred revenue:								
Succeeding year property tax	2,100,248		612,768	974,718				3,687,734
Other	6,914	13,215	2,018	904			81,885	104,936
Total liabilities	2,177,131	146,196	819,691	984,678	145,879		97,816	4,371,391
Fund balances:								
Reserved for:								
Supplemental levy purposes	4,254							4,254
Drainage							258,541	258,541
Resource enhancement and protection							46,865	46,865
Unreserved, reported in:								
General fund	2,280,969							2,280,969
Special revenue funds		204,047	262,946	137,406	3,493,147	1,459,192	944,381	6,501,119
Total fund balances	2,285,223	204,047	262,946	137,406	3,493,147	1,459,192	1,249,787	9,091,748
<b>Total liabilities and fund balances</b>	<b>\$ 4,462,354</b>	<b>350,243</b>	<b>1,082,637</b>	<b>1,122,084</b>	<b>3,639,026</b>	<b>1,459,192</b>	<b>1,347,603</b>	<b>13,463,139</b>

See notes to financial statements.

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

June 30, 2007

**Total governmental fund balances (page 19)** \$ 9,091,748

*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 \$35,283,225 and the accumulated depreciation is \$19,485,370. 15,797,855

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 104,936

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 137,154

Long-term liabilities, including drainage warrants and certificates and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (380,060)

**Net assets of governmental activities (page 17)** \$ 24,751,633

See notes to financial statements.

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

Year ended June 30, 2007

	Special Revenue						Nonmajor Special Revenue	Total
	General	Public Health Nurses	Mental Health	Rural Services	Secondary Roads	Secondary Roads Hwy 111		
<b>Revenue:</b>								
Property and other county tax	\$ 2,045,826		597,037	1,197,099				3,839,962
Interest and penalty on property tax	28,197							28,197
Intergovernmental	290,692	2,109,903	832,415	43,510	3,370,074		25,440	6,672,034
Licenses and permits	525	2,500			1,945			4,970
Charges for services	274,063	159,490			15		57,363	490,931
Use of money and property	470,341				48,834	24,956	16,299	560,430
Miscellaneous	72,347	11,376	12,970		183,536		69,982	350,211
<b>Total revenues</b>	<u>3,181,991</u>	<u>2,283,269</u>	<u>1,442,422</u>	<u>1,240,609</u>	<u>3,604,404</u>	<u>24,956</u>	<u>169,084</u>	<u>11,946,735</u>
<b>Expenditures:</b>								
<b>Current:</b>								
Public safety and legal services	1,214,289			10,000				1,224,289
Physical health and social services	150,608	2,433,191						2,583,799
Mental health			1,487,274					1,487,274
County environment and education services	72,339			172,357			341,575	586,271
Roads and transportation					3,706,164			3,706,164
Governmental services to residents	288,979			3,810			453	293,242
Administrative services (1611)	887,203			2,065				889,268
Non-program	3,569						135,979	139,548
Capital projects					353,080		70,559	423,639
<b>Total expenditures</b>	<u>2,616,987</u>	<u>2,433,191</u>	<u>1,487,274</u>	<u>188,232</u>	<u>4,059,244</u>		<u>548,566</u>	<u>11,333,494</u>
Excess(deficiency) of revenue over (under) expenditures	<u>565,004</u>	<u>(149,922)</u>	<u>(44,852)</u>	<u>1,052,377</u>	<u>(454,840)</u>	<u>24,956</u>	<u>(379,482)</u>	<u>613,241</u>
<b>Other financing sources (uses):</b>								
Operating transfers in		218,000			1,257,300		237,000	1,712,300
Operating transfers out	(455,000)			(1,257,300)				(1,712,300)
Drainage proceeds							234,098	234,098
<b>Total other financing sources (uses)</b>	<u>(455,000)</u>	<u>218,000</u>		<u>(1,257,300)</u>	<u>1,257,300</u>		<u>471,098</u>	<u>234,098</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	110,004	68,078	(44,852)	(204,923)	802,460	24,956	91,616	847,339
Fund balances beginning of year	2,175,219	135,969	307,798	342,329	2,690,687	1,434,236	1,158,171	8,244,409
Fund balances end of year	<u>\$ 2,285,223</u>	<u>204,047</u>	<u>262,946</u>	<u>137,406</u>	<u>3,493,147</u>	<u>1,459,192</u>	<u>1,249,787</u>	<u>9,091,748</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds to the Statement  
of Activities

June 30, 2007

**Net change in fund balances - Total governmental fund (page 21)** \$ 847,339

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

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

Expenditures for capital assets	990,305	
Depreciation expense	<u>(1,581,160)</u>	(590,855)

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (6,621)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property tax	193	
Other	<u>(51,317)</u>	(51,124)

Repayment of drainage warrants less than current year issues. (46,409)

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		3,872
----------------------	--	-------

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue (loss) of the Internal Service Fund is reported with governmental activities. (115,561)

**Change in net assets of governmental activities (page 18)** \$ 40,641

See notes to financial statements.

Statement of Net Assets

Proprietary Fund

June 30, 2007

	<u>Medical Benefits</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 136,398
Interest receivable	<u>2,620</u>
Total assets	139,018
<b>Liabilities</b>	
Accounts payable	<u>1,864</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 137,154</u></u>

See notes to financial statements.

Hancock County  
Garner, Iowa

Exhibit H

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

Proprietary Fund

Year ended June 30, 2007

	<u>Medical Benefits</u>
Operating revenues:	
Reimbursements	\$ 963,845
Operating expenses:	
Medical claims	<u>1,086,240</u>
Operating (loss)	(122,395)
Non-operating revenues:	
Interest	<u>6,834</u>
Net (loss)	(115,561)
Net assets beginning of year	<u>252,715</u>
Net assets end of year	<u><u>\$ 137,154</u></u>

See notes to financial statements.

Hancock County  
Garner, Iowa

Exhibit I

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2007

	<u>Medical Benefits</u>
Cash flows from operating activities:	
Cash received from reimbursements	\$ 963,845
Cash payments to suppliers for services	<u>1,085,953</u>
Net cash (used) by operating activities	(122,108)
Cash flows from investing activities:	
Interest on investments	<u>4,214</u>
Net (decrease) in cash and cash equivalents	(117,894)
Cash and cash equivalents at beginning of year	<u>254,292</u>
Cash and cash equivalents at end of year	<u><u>\$ 136,398</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating (loss)	\$ (122,395)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>287</u>
Net cash (used) by operating activities	<u><u>\$ (122,108)</u></u>

See notes to financial statements.

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2007

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 584,260
Other County officials	76,456
Property tax receivable:	
Delinquent	51,925
Succeeding year	13,025,728
Accounts receivable	16,370
Total assets	<u>\$ 13,754,739</u>

**Liabilities**

Accounts payable	\$ 5,711
Salaries payable	4,808
Due to other governments	13,676,740
Trust payable	66,011
Compensated absences	1,469
Total liabilities	<u>13,754,739</u>

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

HANCOCK COUNTY  
Garner, Iowa

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

1. Summary of Significant Accounting Policies

Hancock County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. **REPORTING ENTITY**

For financial reporting purposes, Hancock County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Hancock County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled,

managed and supervised by Hancock County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hancock County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following board and commissions: Hancock County Assessor's Conference Board, Hancock County Emergency Management Commission, Hancock County Board of Health, Hancock County Conservation Board and Hancock County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

**B. BASIS OF PRESENTATION**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Public Health Nurses Fund is used to account for public health operations.

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 Secondary Road Highway 111 Fund is used to account for maintenance and operations of James Avenue, formerly Highway 111.

Additionally, the County reports the following funds:

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

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

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

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

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

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

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

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

The following accounting policies are followed in preparing the financial statements:

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

For purpose of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1 1/2% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2006.

**Drainage Assessments Receivable** - Drainage assessments receivable represents the amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Assessment receivable represent assessments which are due and payable but have not been collected.

**Due From and Due to Other Funds** - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in fund financial statements.

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

**Inventories** - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Capital Assets** – Capital assets, which include property, equipment and vehicles, and infrastructure assets ( e.g., roads, bridges, curbs, gutter, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years, based on Board of Supervisors resolution.

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

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

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings and improvements	20 – 50
Infrastructure	12 – 65
Equipment	5 – 10
Vehicles	5 – 10

**Due to Other Governments** - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

**Trusts Payable** - Trusts payable represent amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

**Deferred Revenue** - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

**Compensated Absences** - County employees accumulated a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Public Health and Secondary Roads Funds.

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

E. **BUDGETS AND BUDGETARY ACCOUNTING**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the roads and transportation function.

2. **Cash and Pooled Investments**

The County's deposits at June 30, 2007 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:		
Public Health Nurses	General	\$ 218,000
Conservation	General	237,000
	Special Revenue:	
Secondary Roads	Rural Services	<u>1,257,300</u>
		<u>\$1,712,300</u>

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

#### 4. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	(Restated)			
	Balance Beginning		Decrease s	Balance End
	of Year	Increases		of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 356,891			356,891
Total capital assets not being depreciated	<u>356,891</u>			<u>356,891</u>
Capital assets being depreciated:				
Buildings	7,764,080	81,000		7,845,080
Machinery and equipment	7,021,186	567,757	(131,177)	7,457,766
Infrastructure	19,281,940	341,548		19,623,488
Total capital assets being depreciated	<u>34,067,206</u>	<u>990,305</u>	<u>(131,177)</u>	<u>34,926,334</u>
Less accumulated depreciation for:				
Buildings	2,004,638	178,627		2,183,265
Machinery and equipment	4,371,298	731,693	(124,556)	4,978,435
Infrastructure, road network	11,652,831	670,840		12,323,671
Total accumulated depreciation	<u>18,028,767</u>	<u>1,581,160</u>	<u>(124,556)</u>	<u>19,485,371</u>
Total capital assets being depreciated, net	<u>16,038,439</u>	<u>(590,855)</u>	<u>(6,621)</u>	<u>15,440,963</u>
Governmental activities capital assets, net	<u>16,395,330</u>	<u>(590,855)</u>	<u>(6,621)</u>	<u>15,797,854</u>

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

Governmental activities	
Public safety and legal services	\$ 73,512
Physical health and social services	26,779
County environment and education	37,187
Roads and transportation	1,272,839
Governmental services to residents	32,676
Administrative services	138,167
Total depreciation expense - Governmental activities	<u>\$ 1,581,160</u>

Beginning balances were restated for machinery determined to be a duplicate entry. Beginning basis of \$160,000, accumulated depreciation \$72,000 and net capital assets of \$88,000 were reduced.

5. **Due to Other Governments**

The County acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Public Health Nurses		\$ <u>98,054</u>
Total for Governmental Funds		\$ <u>98,054</u>
Agency:		
Schools	Collections	\$ 8,408,161
Community Colleges		402,466
Corporations		3,024,148
Auto License & Use Tax		230,840
Townships		226,669
County Hospital		794,349
All other		<u>590,107</u>
Total for Agency Funds		<u>\$13,676,740</u>

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

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 294,017	\$ 43,506	\$ 337,523
Increases	280,507		280,507
Decreases	(234,098)	(3,872)	(237,970)
Balance end of year	\$ <u>340,426</u>	\$ <u>39,634</u>	\$ <u>380,060</u>
Due within one year	\$ _____	\$ <u>39,634</u>	\$ <u>39,634</u>

7. **Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$249,076, \$193,947, and \$177,382 respectively, equal to the required contributions for each year.

8. **Risk Management**

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

9. **Employee Health Insurance Plan**

The Hancock County Employee Medical Benefits Fund was established to account for the partial self funding of the County's health insurance benefit plan. Hancock County has entered into an administrative services agreement with Blue Cross and Blue Shield of Iowa to administer the plan. The agreement is subject to automatic renewal provisions.

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

10. **Contingent Liability**

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

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

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

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

During the year ended June 30, 2007 principal of \$125,000 and interest of \$63,255 was paid by Hancock County Memorial Hospital on the above debt. These payments are not included in the County's financial statements. The liability for these bonds is not recorded on Exhibit A since the bonds are to be paid from other than County resources.

A summary of the above indebtedness at June 30, 2007 is as follows:

Year Ending <u>June 30</u>	Hospital General <u>Obligation County Bonds</u>			<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 50,000	16,730	66,730	85,000	38,721	123,721
2009	50,000	14,155	64,155	90,000	32,900	122,900
2010	55,000	11,425	66,425	95,000	26,656	121,656
2011	60,000	8,405	68,405	105,000	19,775	124,775
2012	60,000	5,195	65,195	110,000	12,250	122,250
2013	<u>65,000</u>	<u>1,788</u>	<u>66,788</u>	<u>120,000</u>	<u>4,200</u>	<u>124,200</u>
	\$ <u>340,000</u>	<u>57,698</u>	<u>397,698</u>	<u>605,000</u>	<u>134,502</u>	<u>739,502</u>

11. **Restated Beginning Net Assets**

It was discovered that an item of equipment was inadvertently entered twice on the asset record in prior years. The removal of this item resulted in beginning net assets being reduced by \$88,000 on the Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION

Hancock County  
Garner, Iowa

Budgetary Comparison Schedule of

Receipts, Disbursements and Changes in Balances -

Budget and Actual (Cash Basis) - All Governmental Funds

Required Supplementary Information

Year ended June 30, 2007

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final Variance to Net
				Original	Final	
Receipts:						
Property and other County tax	\$ 3,839,894		3,839,894	3,825,488	3,825,488	14,406
Interest and penalty on property tax	28,197		28,197	28,000	28,000	197
Intergovernmental	6,690,993		6,690,993	6,337,105	6,058,516	632,477
Licenses and permits	4,890		4,890	13,025	13,025	(8,135)
Charges for services	474,709		474,709	874,240	874,240	(399,531)
Use of money and property	540,847		540,847	190,130	190,130	350,717
Miscellaneous	346,757	12,822	333,935	355,504	355,504	(21,569)
Total receipts	<u>11,926,287</u>	<u>12,822</u>	<u>11,913,465</u>	<u>11,623,492</u>	<u>11,344,903</u>	<u>568,562</u>
Disbursements:						
Public safety and legal services	1,219,416		1,219,416	1,320,883	1,320,883	101,467
Physical health and social services	2,702,569		2,702,569	3,146,862	2,910,432	207,863
Mental health	1,486,337		1,486,337	1,300,000	1,500,000	13,663
County environment and education services	580,975		580,975	542,860	596,860	15,885
Roads and transportation	3,739,784		3,739,784	4,248,000	3,702,000	(37,784)
Governmental services to residents	293,220		293,220	315,298	309,298	16,078
Administrative services	899,979		899,979	1,116,824	993,384	93,405
Non-program	140,011	135,979	4,032	6,750	40,750	36,718
Capital projects	417,464		417,464	1,485,000	1,065,000	647,536
Total disbursements	<u>11,479,755</u>	<u>135,979</u>	<u>11,343,776</u>	<u>13,482,477</u>	<u>12,438,607</u>	<u>1,094,831</u>
Excess (deficiency) of receipts over (under) disbursements	446,532	(123,157)	569,689	(1,858,985)	(1,093,704)	1,663,393
Other financing sources, net	<u>331,667</u>	<u>331,667</u>				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	778,199	208,510	569,689	(1,858,985)	(1,093,704)	1,663,393
Balance beginning of year	<u>7,924,481</u>	<u>131,916</u>	<u>7,792,565</u>	<u>7,792,568</u>	<u>7,792,568</u>	<u>(3)</u>
Balance end of year	<u>\$ 8,702,680</u>	<u>340,426</u>	<u>8,362,254</u>	<u>5,933,583</u>	<u>6,698,864</u>	<u>1,663,390</u>

See accompanying independent auditor's report.

Hancock County  
Garner, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,926,287	20,448	11,946,735
Expenditures	11,479,755	(146,261)	11,333,494
Net	446,532	166,709	613,241
Other financing sources, net	331,667	(97,569)	234,098
Beginning fund balances	7,924,481	319,928	8,244,409
Ending fund balances	\$ 8,702,680	389,068	9,091,748

See accompanying independent auditor's report.

Hancock County  
Garner, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The 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 Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted disbursements by \$1,043,870. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the roads and transportation function.

**OTHER SUPPLEMENTARY INFORMATION**

HANCOCK COUNTY  
Garner, Iowa

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
June 30, 2007

	Communi- cations Revolving	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorders Records Management	Mokry Poor Trust	Funnemark Trust	Total
<b>ASSETS</b>									
Cash and pooled investments	\$ 69,028	229,036	1,942	19,109	44,074	37,770	793,121	38,075	1,232,155
Receivables:									
Accounts						739			739
Accrued interest						528			528
Drainage assessments		111,390							111,390
Due from other governments					2,791				2,791
<b>TOTAL ASSETS</b>	<b>69,028</b>	<b>340,426</b>	<b>1,942</b>	<b>19,109</b>	<b>46,865</b>	<b>39,037</b>	<b>793,121</b>	<b>38,075</b>	<b>1,347,603</b>
<b>LIABILITIES AND FUND EQUITY</b>									
Liabilities:									
Accounts payable			2,038	9,504					11,542
Salaries and benefits payable				4,389					4,389
Deferred revenue:									
Other		81,885							81,885
Total liabilities		81,885	2,038	13,893					97,816
Fund equity:									
Fund balance:									
Reserved for:									
Drainage		258,541							258,541
Unreserved	69,028		(96)	5,216	46,865	39,037	793,121	38,075	991,246
Total fund equity	69,028	258,541	(96)	5,216	46,865	39,037	793,121	38,075	1,249,787
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 69,028</b>	<b>340,426</b>	<b>1,942</b>	<b>19,109</b>	<b>46,865</b>	<b>39,037</b>	<b>793,121</b>	<b>38,075</b>	<b>1,347,603</b>

See accompanying independent auditor's report.

HANCOCK COUNTY  
Garner, Iowa

Schedule 2

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
Year ended June 30, 2007

	Communi- cations Revolving	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorder's Records Management	Mokry Poor Trust	Funnemark Trust	Total
REVENUES:									
Intergovernmental	\$ 14,150				11,290				25,440
Charges for services				54,426		2,937			57,363
Uses of money and property					731	1,144	13,572	852	16,299
Miscellaneous		12,822	405	56,755					69,982
Total revenues	14,150	12,822	405	111,181	12,021	4,081	13,572	852	169,084
EXPENDITURES:									
Operating:									
County environment and education				341,575					341,575
Government services to residents							453		453
Capital projects			43,331		10,873			16,355	70,559
Non-Program		135,979							135,979
Total expenditures		135,979	43,331	341,575	10,873		453	16,355	548,566
Excess (deficiency) of revenues over (under) expenditures	14,150	(123,157)	(42,926)	(230,394)	1,148	4,081	13,119	(15,503)	(379,482)
Other financing sources (uses):									
Drainage proceeds		234,098							234,098
Transfers in				237,000					237,000
Total other financing sources (uses):		234,098		237,000					471,098
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	14,150	110,941	(42,926)	6,606	1,148	4,081	13,119	(15,503)	91,616
Fund balances beginning of year	54,878	147,600	42,830	(1,390)	45,717	34,956	780,002	53,578	1,158,171
Fund balances end of year	\$ 69,028	258,541	(96)	5,216	46,865	39,037	793,121	38,075	1,249,787

See accompanying independent auditor's report.

HANCOCK COUNTY  
Garner, Iowa

Schedule 3

AGENCY FUNDS  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2007

	County Hospital	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	County Offices		Emergency Management Services
					Recorder	Sheriff	
<b>ASSETS</b>							
Cash and pooled investments:							
County treasurer	\$ 10,836	230,840	953	70,779			22,217
Other County officials					34,535	41,921	
Receivables:							
Property tax:							
Delinquent	2,557		8				
Succeeding year	780,956		2,103				
Accounts				16,127			
<b>TOTAL ASSETS</b>	<u>794,349</u>	<u>230,840</u>	<u>3,064</u>	<u>86,906</u>	<u>34,535</u>	<u>41,921</u>	<u>22,217</u>
<b>LIABILITIES</b>							
Salaries payable							1,156
Accounts payable				1,117			275
Due to other governments	794,349	230,840	3,064	85,789	10,445		20,786
Trusts payable					24,090	41,921	
Compensated absences							
<b>TOTAL LIABILITIES</b>	<u>\$ 794,349</u>	<u>230,840</u>	<u>3,064</u>	<u>86,906</u>	<u>34,535</u>	<u>41,921</u>	<u>22,217</u>

HANCOCK COUNTY  
Garner, Iowa

Schedule 3  
(continued)

AGENCY FUNDS  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2007

	County Assessor	Special Appraiser	Schools	Community Colleges	Corporations	Townships	Special Assessment	Advance Tax
<b>ASSETS</b>								
Cash and pooled investments:								
County treasurer	63,552	23,007	117,694	5,009	30,957	2,955	243	2,986
Other County officials								
Receivables:								
Property tax:								
Delinquent	511	387	27,444	1,181	19,223	187		
Succeeding year	162,019	85,702	8,263,023	396,276	2,973,968	223,527		
Accounts								
<b>TOTAL ASSETS</b>	<b>226,082</b>	<b>109,096</b>	<b>8,408,161</b>	<b>402,466</b>	<b>3,024,148</b>	<b>226,669</b>	<b>243</b>	<b>2,986</b>
<b>LIABILITIES</b>								
Salaries payable	3,652							
Accounts payable	227	4,092						
Due to other governments	220,734	105,004	8,408,161	402,466	3,024,148	226,669	243	2,986
Trusts payable								
Compensated absences	1,469							
<b>TOTAL LIABILITIES</b>	<b>226,082</b>	<b>109,096</b>	<b>8,408,161</b>	<b>402,466</b>	<b>3,024,148</b>	<b>226,669</b>	<b>243</b>	<b>2,986</b>

HANCOCK COUNTY  
Garner, Iowa

Schedule 3  
(continued)

AGENCY FUNDS  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2007

	Ag Extension Education	Parital Tax Payment	Recorder Electronic Transaction Fee	Other	Total
<b>ASSETS</b>					
Cash and pooled investments:					
County treasurer	1,583	115	279	255	584,260
Other County officials					76,456
Receivables:					
Property tax:					
Delinquent	374			53	51,925
Succeeding year	122,708			15,446	13,025,728
Accounts			243		16,370
<b>TOTAL ASSETS</b>	<u>124,665</u>	<u>115</u>	<u>522</u>	<u>15,754</u>	<u>13,754,739</u>
<b>LIABILITIES</b>					
Salaries payable					4,808
Accounts payable					5,711
Due to other governments	124,665	115	522	15,754	13,676,740
Trusts payable					66,011
Compensated absences					1,469
<b>TOTAL LIABILITIES</b>	<u>124,665</u>	<u>115</u>	<u>522</u>	<u>15,754</u>	<u>13,754,739</u>

See accompanying independent auditor's report.

HANCOCK COUNTY  
Garner, Iowa

Schedule 4

AGENCY FUNDS  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
Year ended June 30, 2007

ASSETS AND LIABILITIES	County Hospital	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	County Offices			Emergency Management Services
					Auditor	Recorder	Sheriff	
Balance beginning of year	\$ 785,497	214,189	3,173	64,398		29,533	23,904	17,044
Additions:								
Property and other County tax	762,938		2,051					
E-911 surcharge				79,550				
State tax credits	42,071		124					
Office fees and collections					1,731	254,227	221,553	
Auto licenses, use tax and postage		2,787,978						
Assessments								37,850
Trusts							263,551	
From other funds								
Miscellaneous				707				24,005
Total additions	805,009	2,787,978	2,175	80,257	1,731	254,227	485,104	61,855
Deductions:								
Agency remittances:								
To other funds		109,590			1,731	114,417	218,106	
To other governments	796,157	2,661,737	2,284	57,749		134,808		56,682
Trusts paid out							248,981	
Total deductions	796,157	2,771,327	2,284	57,749	1,731	249,225	467,087	56,682
Balance end of year	\$ 794,349	230,840	3,064	86,906		34,535	41,921	22,217

HANCOCK COUNTY  
Garner, Iowa

Schedule 4  
(continued)

AGENCY FUNDS  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
Year ended June 30, 2007

ASSETS AND LIABILITIES	County Assessor	Special Appraiser	Schools	Community Colleges	Corporation	Townships	City Special Assessments
Balance beginning of year	209,560	153,143	9,060,415	362,362	2,670,168	208,155	238
Additions:							
Property and other County tax	150,498	64,107	7,351,839	388,035	2,928,184	218,466	13,793
E-911 surcharge							
State tax credits	8,403	6,357	455,438	19,444	137,178	11,030	
Office fees and collections							
Auto licenses, use tax and postage							
Assessments							
Trusts							
From other funds	39,386						
Miscellaneous	3,493						
Total additions	<u>201,780</u>	<u>70,464</u>	<u>7,807,277</u>	<u>407,479</u>	<u>3,065,362</u>	<u>229,496</u>	<u>13,793</u>
Deductions:							
Agency remittances:							
To other funds		23,000					
To other governments			8,459,531	367,375	2,711,382	210,982	13,788
Trusts paid out	185,258	91,511					
Total deductions	<u>185,258</u>	<u>114,511</u>	<u>8,459,531</u>	<u>367,375</u>	<u>2,711,382</u>	<u>210,982</u>	<u>13,788</u>
Balance end of year	<u><u>226,082</u></u>	<u><u>109,096</u></u>	<u><u>8,408,161</u></u>	<u><u>402,466</u></u>	<u><u>3,024,148</u></u>	<u><u>226,669</u></u>	<u><u>243</u></u>

HANCOCK COUNTY  
Garner, Iowa

Schedule 4  
(continued)

AGENCY FUNDS  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
Year ended June 30, 2007

ASSETS AND LIABILITIES	Advance Tax	Agricultural Extension Education	Economic Development	Partial Tax Payments	Recorder Electronic Transaction Fee	Other	Total
Balance beginning of year	651	114,667	1,901		566	226	13,919,790
Additions:							
Property and other County tax	2,450	120,089				31,046	12,033,496
E-911 surcharge							79,550
State tax credits		6,145				868	687,058
Office fees and collections					2,945		480,456
Auto licenses, use tax and postage							2,787,978
Assessments							37,850
Trusts							263,551
From other funds				115			39,501
Miscellaneous							28,205
Total additions	<u>2,450</u>	<u>126,234</u>		<u>115</u>	<u>2,945</u>	<u>31,914</u>	<u>16,437,645</u>
Deductions:							
Agency remittances:							
To other funds	115		1,901			16,386	485,246
To other governments		116,236					15,588,711
Trusts paid out					2,989		528,739
Total deductions	<u>115</u>	<u>116,236</u>	<u>1,901</u>		<u>2,989</u>	<u>16,386</u>	<u>16,602,696</u>
Balance end of year	<u>2,986</u>	<u>124,665</u>		<u>115</u>	<u>522</u>	<u>15,754</u>	<u>13,754,739</u>

See accompanying independent auditor's report.

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

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
<b>Revenues:</b>					
Property and other County tax	\$ 3,839,962	3,741,332	3,717,372	3,612,065	2,544,678
Interest and penalty on property tax	28,197	31,087	28,282	28,236	32,693
Intergovernmental	6,672,034	5,465,711	5,373,825	5,220,159	4,349,814
Licenses and permits	4,970	3,525	1,075	2,850	3,613
Charges for service	490,931	465,932	457,339	420,296	399,495
Use of money and property	560,430	370,550	242,888	230,508	325,387
Miscellaneous	350,211	396,428	665,255	595,770	945,524
<b>Total</b>	<b>\$ 11,946,735</b>	<b>10,474,565</b>	<b>10,486,036</b>	<b>10,109,884</b>	<b>8,601,204</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public safety and legal services	\$ 1,224,289	1,173,102	1,110,007	1,006,704	968,116
Physical health and social services	2,583,799	2,040,593	1,961,517	2,290,820	1,326,664
Mental health	1,487,274	1,373,780	1,306,593	1,318,828	1,274,341
County environment and education services	586,271	508,975	567,613	480,131	464,718
Roads and transportation	3,706,164	3,739,113	3,253,904	3,264,047	2,813,596
Governmental services to residents	293,242	415,247	307,543	266,368	260,287
Administrative services	889,268	933,683	857,766	818,195	780,356
Non-program	139,548	367,547	323,713	210,263	849
Capital projects	423,639	1,069,725	225,081	204,308	682,308
<b>Total</b>	<b>\$ 11,333,494</b>	<b>11,621,765</b>	<b>9,913,737</b>	<b>9,859,664</b>	<b>8,571,235</b>

See accompanying independent auditor's report.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO41(75)-8J-41	\$ 256,029
Highway Planning and Construction	20.205	BROS-CO41(76)-8J-41	254,223
Highway Planning and Construction	20.205	BROS-CO41(77)-8J-41	154,707
			664,959
U.S. Department of Health & Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Social Services Block Grant	93.667		23,204
Social Services Block Grant	93.667		35,037
			58,241
U.S. Department of Health & Human Services:			
Iowa Department of Public Health:			
I-4 Immunization Grant	93.268	5886I447	7,641
Breast & Cervical Cancer Prevention	93.283	5887NB2	8,925
Public Health Preparedness and Response for Bioterrorism	93.283	5887BT08	142,207
Hospital Preparedness Program	93.889	5887BHP02	124,165
Public Health Preparedness	93.283	5887BT08	105,759
Public Health Preparedness and Response for Bioterrorism	93.283	5887BT02	432,245
Wisewoman Cardiovascular	93.283	5887WW23	3,233
			824,175
U.S. Elections Assistance Commission:			
Iowa Secretary of State:			
Help America Vote Act	90.401	06-HAVA-41-101	16,996
Help America Vote Act	93.617	06-HAVA-41-102	1,013
			18,009
Total Indirect			\$ 1,565,384

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

See accompanying independent auditor's report.

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

To the Officials of Hancock County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated December 13, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hancock County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hancock County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hancock County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hancock County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Hancock County's financial statements that is more than inconsequential will not be prevented or detected by Hancock County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Hancock County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 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.

Hancock County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Hancock County's responses and, accordingly, we express no opinion of them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hancock County and other parties to whom Hancock County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hancock County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

December 13, 2007

Renner & Birchem, P.C.

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

To the Officials of Hancock County:

Compliance

We have audited the compliance of Hancock County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Hancock County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Hancock County's management. Our responsibility is to express an opinion on Hancock County's compliance based on our audit.

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

In our opinion Hancock County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Hancock County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Hancock County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hancock County's internal control over compliance.

Our consideration of the internal control over compliance was for the limit purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance we consider to be significant deficiencies and a deficiency we consider to be a material weakness.

A control deficiency in the County's internal control over compliance exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of the federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Of the significant deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs, we consider item III-A-07 to be a material weakness.

Hancock County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the County's responses, we did not audit Hancock County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hancock County and other parties to whom Hancock County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

December 13, 2007

Renner & Birchem, P.C.

## HANCOCK COUNTY

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 93.283 – Public Health Preparedness and Response for Bioterrorism., and CFDA Number 93.889 – Hospital Preparedness Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Hancock County did not qualify as a low risk auditee.

# HANCOCK COUNTY

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

### **Part II: Findings Related to the Financial Statements:**

#### **Significant Deficiencies**

**II-A-07 Segregation of Duties**-During our review of the internal accounting control structure, the existing procedures are evaluated in order that incompatible duties, from a control viewpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

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

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

**Conclusion**-Response accepted.

#### **Instances of Non-Compliance**

No matters were reported.

**HANCOCK COUNTY**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2007**

**Part III: Findings and Questioned Costs For Federal Awards:**

**Instances of Non-Compliance**

No matters were reported.

**Significant Deficiencies:**

III-A-07 Segregation of Duties – See item II-A-07.

# HANCOCK COUNTY

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

### **Part IV: Other Findings Related to Required Statutory Reporting:**

**IV-A-07 Certified Budget**-Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the roads and transportation function.

**Recommendation**-The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

**Response**-We will amend the budget when required and appropriations will be watched more closely by the departments.

**Conclusion**-Response accepted.

**IV-B-07 Questionable Expenditures**-We noted no expenditures that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**IV-C-07 Travel Expense**-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

**IV-D-07 Business Transactions**-No business transactions between the County and County officials or employees were noted.

**IV-E-07 Bond Coverage**-Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.

**IV-F-07 Board Minutes**-No transactions were found that we believe should have been approved in the board minutes but were not.

**IV-G-07 Deposits and Investments**-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

**IV-H-07 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).

**HANCOCK COUNTY**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2007**

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

**IV-I-07 County Extension Office**-The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and consequently, is not included in Exhibits A or B.

Disbursements for the County Extension Office during the year ended June 30, 2007 did not exceed the amount budgeted.