

HANCOCK COUNTY

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

June 30, 2009

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HANCOCK COUNTY
Garner, Iowa

OFFICIALS

(Before January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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

(After January 2009)

Ted Hall	Board of Supervisors	Jan 2011
Florence Thomas-Greiman	Board of Supervisors	Jan 2011
Jerry Tlach	Board of Supervisors	Jan 2013
Debra Bellinghausen	County Auditor	Jan 2013
Jean Bell	County Treasurer	Jan 2011
Sandra Brunsen	County Recorder	Jan 2011
Scott Dodd	County Sheriff	Jan 2013
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, 2009, 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, 2009, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2010 on our consideration of Hancock County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hancock County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

January 6, 2010

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

2009 FINANCIAL HIGHLIGHTS

- Hancock County governmental funds revenue increased 3.4%, or approximately \$386,000 from 2008; \$3,448,889 was generated from property and other County taxes.
- Hancock County 2009 program expenses were \$771,464 more than 2008. Roads and transportation expenses increased approximately \$976,255.
- The County's net assets decreased 4.32%, or approximately \$1,041,000 at June 30, 2009.

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	
		2009	2008
Current and other assets		11,944	12,526
Capital assets		15,681	16,464
	Total assets	27,625	28,990
Long term liabilities		341	339
Other liabilities		4,228	4,554
	Total liabilities	4,569	4,893
Net assets			
Invested in capital assets		15,681	16,464
Restricted		2,537	2,279
Unrestricted		4,838	5,354
	Total net assets	23,056	24,097

Net assets of the County's governmental activities decreased by 4.32%. 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 \$4.8 million at June 30, 2009, a 9.6% decrease from June 30, 2008.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30	
	2009	2008
Revenues:		
Program revenues:		
Charges for service	2,048	1,708
Operating grants, contributions and restricted interest	3,822	3,773
Capital grants, contributions and restricted interest	354	220
General revenues:		
Property tax	3,449	3,583
Penalty and interest on property tax	33	39
State tax credits	182	202
Local option sales tax	484	378
Grants and contributions not restricted to specific purposes	498	551
Unrestricted investment earnings	342	543
Other general revenues	536	365
Total revenues:	11,748	11,362
Program expenses:		
Public safety and legal services	1,280	1,266
Physical health and social service	1,987	2,610
Mental health	1,391	1,487
County environment and education	691	557
Roads and transportation	5,393	4,574
Governmental services to residents	381	326
Administration	1,265	1,240
Non-program	401	140
Total expenses:	12,789	12,200
Increase <decrease> in net assets	<1,041>	41
Net assets beginning of year	24,097	24,711
Net assets end of year	23,056	24,752

The results of governmental activities for the year resulted in Hancock County's net assets decreasing by approximately \$1,041,000. Revenues for governmental activities increased by approximately \$386,000 over the prior year.

The cost of all governmental activities this year was \$12.8 million compared to \$12.0 million last year. However, as shown in the Statement of Activities on page 14, the amount ultimately financed for these activities through County taxes and other unrestricted revenues was only \$5.5 million because some of the cost was paid by those directly benefited from the programs (\$2,047,801) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,176,376).

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$7.5 million, which is \$299,000 less than last year's total of \$7.8 million. The County

funds expended approximately \$298,983 more than operating revenue for the year. The following are reasons for major changes in fund balances from the prior year:

- The ending General Fund balance showed a decrease from the prior year of \$503,008 to \$1,741,665. This is due to less revenues being received from state and other local agencies and costs associated with operating services continuing to rise.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,391,173, an increase of 9.5% from the prior year. The Mental Health Fund balance at year end increased by approximately \$337,242 over the prior year and reflects a balance of \$306,264.
- Secondary Roads Fund expenditures decreased by approximately \$661,564 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 decreased by approximately \$33,577 over the prior year.
- Due to a decrease in funds received for the bioterrorism grant dollars, the Public Health Nurses revenues totaled \$1,582,821, a 23.6% decrease over the prior year. For the year, expenditures totaled \$1,866,403, a 16.9% decrease over the prior year. The Public Health Fund balance decreased by \$57,284 over the prior year and reflects a balance of \$216,311.
- The Secondary Road Highway 111 Fund balance increased by \$27,914 over the prior year and reflects a balance of \$1,546,396.

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 three times. The first amendment was made in November 2008 and resulted in an increase in budgeted disbursements. The second amendment was made in April 2009 and resulted in a net increase in disbursements. The third amendment was made in May 2009 and reflected decreases in revenues and decreases in Capital Projects resulting in a decrease in disbursements.

None of the amendments made during the 2009 fiscal year should have any impact on the 2010 fiscal year's budget.

CAPITAL ASSETS

At June 30, 2009 Hancock County had approximately \$15.7 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 \$782,000 or 4.7 % from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	2009	2008
Land	357	357
Buildings and improvements	5,310	5,483
Machinery and equipment	2,260	2,329
Infrastructure	7,754	8,295
Totals	15,681	16,464

The County had depreciation expense of \$1,393,731 for the year ended June 30, 2009 and total accumulation depreciation as of June 30, 2009 of \$22,139,083.

The County's fiscal year 2009 capital budget included \$426,043 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 2010 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). The County has added no major new programs or initiative to the 2010 budget.

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.

BASIC FINANCIAL STATEMENTS

Hancock County
Garner, Iowa

Exhibit A

Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,012,826
Receivables:	
Property tax:	
Delinquent	9,441
Succeeding year	3,732,125
Accounts	108,402
Interest	3,566
Drainage assessments	203,311
Due from other governments	454,406
Inventories	343,489
Prepaid insurance	76,037
Capital assets (net of accumulated depreciation)	15,681,288
Total assets	<u>27,624,891</u>
Liabilities	
Accounts payable	288,029
Salaries and benefits payable	150,725
Due to other governments	56,716
Deferred revenue:	
Succeeding year property tax	3,732,125
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	45,019
Portion due or payable after one year:	
Drainage district warrants and certificates payable	296,434
Total liabilities	<u>4,569,048</u>
Net Assets	
Invested in capital assets net of related debt	15,681,288
Restricted for:	
Mental health purposes	306,264
Secondary roads purposes	2,118,508
Other purposes	112,228
Unrestricted	4,837,555
Total net assets	<u>\$ 23,055,843</u>

See notes to financial statements.

Statement of Activities
Year ended June 30, 2009

	Program Revenues				Net (Expense) Revenue Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,280,128	165,522	16,993		(1,097,613)
Physical health and social services	1,986,993	880,165	709,119		(397,709)
Mental health	1,391,175	105,900	506,677		(778,598)
County environment and education	691,022	77,396	150,000		(463,626)
Roads & transportation	5,392,795	517,311	2,436,649	354,438	(2,084,397)
Governmental services to residents	380,888	218,513	2,500		(159,875)
Administrative services	1,264,807	6,339			(1,258,468)
Non-program	400,873	76,655			(324,218)
Total	\$12,788,681	2,047,801	3,821,938	354,438	(6,564,504)
General Revenues:					
Property and other county tax levied for general purposes					3,448,889
Penalty and interest on property tax					32,951
State tax credits					182,014
Local option sales tax					484,307
Grants and contributions not restricted to specific purpose					497,888
Unrestricted investment earnings					341,748
Miscellaneous					535,720
Total general revenues					5,523,517
Change in net assets					(1,040,987)
Net assets beginning of year					24,096,830
Net assets end of year					\$ 23,055,843

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2009

	Special Revenue							Total
	General	Public Health Nurses	Mental Health	Rural Services	Secondary Roads	Secondary Roads Hwy 111	Nonmajor Special Revenue	
Assets								
Cash and pooled investments	\$ 1,710,820	116,960	441,440	335,354	1,658,843	1,546,396	1,152,092	6,961,905
Receivables:								
Property tax:								
Delinquent	6,348		1,987	1,106				9,441
Succeeding year	2,048,711		608,778	1,074,636				3,732,125
Accounts	30,420	21,292	3,517		52,415		758	108,402
Accrued interest	3,566							3,566
Drainage assessments							203,311	203,311
Due from other governments	251	202,160	9,833	45,796	196,366			454,406
Inventories					343,489			343,489
Prepaid insurance	67,555				8,482			76,037
Total assets	\$ 3,867,671	340,412	1,065,555	1,456,892	2,259,595	1,546,396	1,356,161	11,892,682
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 17,183	33,522	146,177	8,442	69,614		10,442	285,380
Salaries and benefits payable	54,122	33,863	2,455	1,389	52,368		6,528	150,725
Due to other governments		56,716						56,716
Deferred revenue:								
Succeeding year property tax	2,048,711		608,778	1,074,636				3,732,125
Other	5,990		1,881	1,106			184,187	193,164
Total liabilities	2,126,006	124,101	759,291	1,085,573	121,982		201,157	4,418,110
Fund balances:								
Reserved for:								
Supplemental levy purposes	3,626							3,626
Drainage							112,247	112,247
Resource enhancement and protection							63,956	63,956
Unreserved, reported in:								
General fund	1,738,039							1,738,039
Special revenue funds		216,311	306,264	371,319	2,137,613	1,546,396	978,801	5,556,704
Total fund balances	1,741,665	216,311	306,264	371,319	2,137,613	1,546,396	1,155,004	7,474,572
Total liabilities and fund balances	\$ 3,867,671	340,412	1,065,555	1,456,892	2,259,595	1,546,396	1,356,161	11,892,682

See notes to financial statements.

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

June 30, 2009

Total governmental fund balances (page 15) \$ 7,474,572

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 \$37,820,371 and the accumulated depreciation is \$22,139,083 15,681,288

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 193,164

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. 48,272

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. (341,453)

Net assets of governmental activities (page 13) \$ 23,055,843

See notes to financial statements.

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

Year ended June 30, 2009

	Special Revenue						Total
	General	Public Health Nurses	Mental Health	Rural Services	Secondary Roads	Secondary Roads Hwy 111 Nonmajor Governmental	
Revenue:							
Property and other county tax	\$ 1,903,009		595,782	1,434,068			3,932,859
Interest and penalty on property tax	32,951						32,951
Intergovernmental	379,738	1,444,151	1,120,907	51,277	2,891,900	19,009	5,906,982
Licenses and permits		8,450					8,450
Charges for services	273,436	117,406				75,519	466,361
Use of money and property	253,864	12,814			26,622	27,914	338,872
Miscellaneous	91,383		11,728		488,941		633,382
Total revenues	<u>2,934,381</u>	<u>1,582,821</u>	<u>1,728,417</u>	<u>1,485,345</u>	<u>3,407,463</u>	<u>27,914</u>	<u>11,319,857</u>
Expenditures:							
Current:							
Public safety and legal services	1,328,334			10,000		72,046	1,410,380
Physical health and social services	101,076	1,866,403					1,967,479
Mental health			1,391,175				1,391,175
County environment and education services	181,190			182,125		292,333	655,648
Roads and transportation					4,290,147		4,290,147
Governmental services to residents	336,592			9,831		1,840	348,263
Administrative services	1,027,175			2,680			1,029,855
Non-program	1,224					399,649	400,873
Capital projects					379,888	12,500	392,388
Total expenditures	<u>2,975,591</u>	<u>1,866,403</u>	<u>1,391,175</u>	<u>204,636</u>	<u>4,670,035</u>	<u>778,368</u>	<u>11,886,208</u>
Excess(deficiency) of revenue over (under) expenditures	<u>(41,210)</u>	<u>(283,582)</u>	<u>337,242</u>	<u>1,280,709</u>	<u>(1,262,572)</u>	<u>27,914</u>	<u>(566,351)</u>
Other financing sources (uses):							
Operating transfers in		226,298			1,228,995	235,500	1,690,793
Operating transfers out	(461,798)			(1,228,995)			(1,690,793)
Drainage proceeds						267,368	267,368
Total other financing sources (uses)	<u>(461,798)</u>	<u>226,298</u>		<u>(1,228,995)</u>	<u>1,228,995</u>	<u>502,868</u>	<u>267,368</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(503,008)</u>	<u>(57,284)</u>	<u>337,242</u>	<u>51,714</u>	<u>(33,577)</u>	<u>27,914</u>	<u>(298,983)</u>
Fund balances beginning of year	<u>2,244,673</u>	<u>273,595</u>	<u>(30,978)</u>	<u>319,605</u>	<u>2,171,190</u>	<u>1,518,482</u>	<u>7,773,555</u>
Fund balances end of year	<u>\$ 1,741,665</u>	<u>216,311</u>	<u>306,264</u>	<u>371,319</u>	<u>2,137,613</u>	<u>1,546,396</u>	<u>7,474,572</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, 2009

Net change in fund balances - Total governmental fund (page 17) \$ (298,983)

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	627,369	
Depreciation expense	<u>(1,393,731)</u>	(766,362)

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. (16,116)

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	337	
Other	<u>86,371</u>	86,708

Repayment of drainage warrants more than current year issues. 10,346

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		(12,851)
----------------------	--	----------

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. (43,729)

Change in net assets of governmental activities (page 14) \$ (1,040,987)

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit G

Statement of Net Assets

Proprietary Fund

June 30, 2009

	<u>Medical Benefits</u>
Assets	
Cash and cash equivalents	\$ 50,921
Total assets	<u>50,921</u>
Liabilities	
Accounts payable	<u>2,649</u>
Net Assets	
Unrestricted	<u><u>\$ 48,272</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, 2009

	<u>Medical Benefits</u>
Operating revenues:	
Reimbursements	\$ 1,050,829
Operating expenses:	
Medical claims	<u>1,097,434</u>
Operating (loss)	(46,605)
Non-operating revenues:	
Interest	<u>2,876</u>
Net (loss)	(43,729)
Net assets beginning of year	<u>92,001</u>
Net assets end of year	<u><u>\$ 48,272</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit I

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2009

	<u>Medical Benefits</u>
Cash flows from operating activities:	
Cash received from reimbursements	\$ 1,050,829
Cash payments to suppliers for services	<u>1,097,032</u>
Net cash (used) by operating activities	(46,203)
Cash flows from investing activities:	
Interest on investments	<u>2,876</u>
Net (decrease) in cash and cash equivalents	(43,327)
Cash and cash equivalents at beginning of year	<u>94,248</u>
Cash and cash equivalents at end of year	<u><u>\$ 50,921</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating (loss)	\$ (46,605)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>402</u>
Net cash (used) by operating activities	<u><u>\$ (46,203)</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit J

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2009

Assets

Cash and pooled investments:

County Treasurer \$ 621,396

Other County officials 46,385

Property tax receivable:

Delinquent 56,963

Succeeding year 14,150,917

Accounts receivable 12,741

Total assets \$ 14,888,402

Liabilities

Accounts payable \$ 22,517

Salaries payable 7,515

Due to other governments 14,819,056

Trust payable 38,791

Compensated absences 523

Total liabilities 14,888,402

Net assets \$ -

See notes to financial statements.

HANCOCK COUNTY

Garner, Iowa

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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, 2009, 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 in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - County employees 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, 2009. 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.

2. **Cash and Pooled Investments**

The County's deposits at June 30, 2009 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; 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, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:		
Public Health Nurses	General	\$ 226,298
Conservation	General	235,500
	Special Revenue:	
Secondary Roads	Rural Services	<u>1,228,995</u>
		<u>\$1,690,793</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, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 356,891			356,891
Total capital assets not being depreciated	<u>356,891</u>			<u>356,891</u>
Capital assets being depreciated:				
Buildings	7,845,080			7,845,080
Machinery and equipment	7,744,550	498,782	(35,814)	8,207,518
Infrastructure	21,282,295	128,587		21,410,882
Total capital assets being depreciated	<u>36,871,925</u>	<u>627,369</u>	<u>(35,814)</u>	<u>37,463,480</u>
Less accumulated depreciation for:				
Buildings	2,362,289	172,257		2,534,546
Machinery and equipment	5,415,732	551,138	(19,698)	5,947,172
Infrastructure, road network	12,987,029	670,336		13,657,365
Total accumulated depreciation	<u>20,765,050</u>	<u>1,393,731</u>	<u>(19,698)</u>	<u>22,139,083</u>
Total capital assets being depreciated, net	<u>16,106,875</u>	<u>(766,362)</u>	<u>(16,116)</u>	<u>15,324,397</u>
Governmental activities capital assets, net	<u>16,463,766</u>	<u>(766,362)</u>	<u>(16,116)</u>	<u>15,681,288</u>

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

Governmental activities	
Public safety and legal services	\$ 78,982
Physical health and social services	20,955
County environment and education	32,298
Roads and transportation	1,091,402
Governmental services to residents	32,676
Administrative services	137,418
Total depreciation expense - Governmental activities	<u>\$ 1,393,731</u>

5. **Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Public Health Nurses		\$ <u>56,716</u>
Total for Governmental Funds		\$ <u>56,716</u>
Agency:		
Schools	Collections	\$ 8,984,262
Community Colleges		416,575
Corporations		3,449,187
Auto License & Use Tax		256,422
Townships		286,015
County Hospital		888,061
All other		<u>538,534</u>
Total for Agency Funds		<u>\$14,819,056</u>

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

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

	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 306,780	\$ 32,168	\$ 338,948
Increases	257,022	12,851	269,873
Decreases	<u>(267,368)</u>		<u>(267,368)</u>
Balance end of year	\$ <u>296,434</u>	\$ <u>45,019</u>	\$ <u>341,453</u>
Due within one year	\$ _____	\$ <u>45,019</u>	\$ <u>45,019</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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$247,040, \$222,091, and \$210,312 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, 2009 principal of \$140,000 and interest of \$47,055 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, 2009 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Hospital General</u> <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>
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>240,000</u>	<u>26,813</u>	<u>266,813</u>	<u>430,000</u>	<u>62,881</u>	<u>492,881</u>

REQUIRED SUPPLEMENTARY INFORMATION

Hancock County
Garner, Iowa

Budgetary Comparison Schedule of

Receipts, Disbursements and Changes in Balances -

Budget and Actual (Cash Basis) - All Governmental Funds

Required Supplementary Information

Year ended June 30, 2009

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final Variance to Net
				Original	Final	
Receipts:						
Property and other County tax	\$ 3,921,449		3,921,449	3,795,993	3,795,993	125,456
Interest and penalty on property tax	32,951		32,951	27,000	27,000	5,951
Intergovernmental	6,113,533		6,113,533	6,199,115	6,341,340	(227,807)
Licenses and permits	11,945		11,945	4,500	4,500	7,445
Charges for services	453,273		453,273	651,300	651,300	(198,027)
Use of money and property	359,046		359,046	466,655	466,655	(107,609)
Miscellaneous	636,960	35,564	601,396	440,596	444,742	156,654
Total receipts	<u>11,529,157</u>	<u>35,564</u>	<u>11,493,593</u>	<u>11,585,159</u>	<u>11,731,530</u>	<u>(237,937)</u>
Disbursements:						
Public safety and legal services	1,405,457		1,405,457	1,424,257	1,510,257	104,800
Physical health and social services	2,067,039		2,067,039	2,392,665	2,286,890	219,851
Mental health	1,634,895		1,634,895	1,487,500	1,637,500	2,605
County environment and education services	650,909		650,909	548,501	703,301	52,392
Roads and transportation	4,490,478		4,490,478	4,495,300	4,495,300	4,822
Governmental services to residents	346,674		346,674	359,830	361,830	15,156
Administrative services	1,045,710		1,045,710	1,042,524	1,113,524	67,814
Non-program	400,873	399,649	1,224	5,750	5,750	4,526
Capital projects	392,388		392,388	1,596,043	426,043	33,655
Total disbursements	<u>12,434,423</u>	<u>399,649</u>	<u>12,034,774</u>	<u>13,352,370</u>	<u>12,540,395</u>	<u>505,621</u>
Excess (deficiency) of receipts over (under) disbursements	(905,266)	(364,085)	(541,181)	(1,767,211)	(808,865)	267,684
Other financing sources, net	<u>267,368</u>	<u>267,368</u>				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(637,898)	(96,717)	(541,181)	(1,767,211)	(808,865)	267,684
Balance beginning of year	<u>7,618,922</u>	<u>208,964</u>	<u>7,409,958</u>	<u>7,696,065</u>	<u>7,409,957</u>	<u>1</u>
Balance end of year	<u>\$ 6,981,024</u>	<u>112,247</u>	<u>6,868,777</u>	<u>5,928,854</u>	<u>6,601,092</u>	<u>267,685</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, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,529,157	(209,300)	11,319,857
Expenditures	12,434,423	(548,215)	11,886,208
Net	(905,266)	338,915	(566,351)
Other financing sources, net	267,368		267,368
Beginning fund balances	7,714,826	58,729	7,773,555
Ending fund balances	\$ 7,076,928	397,644	7,474,572

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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, three budget amendments decreased budgeted disbursements by \$811,975. The budget amendments are reflected in the final budgeted amounts.

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

OTHER SUPPLEMENTARY INFORMATION

HANCOCK COUNTY
Garner, Iowa

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2009

	Communi- cations Revolving	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorders Records Management	Mokry Poor Trust	Funnemark Trust	Total
ASSETS									
Cash and pooled investments	\$ 14,712	93,123	35,042	51,084	63,956	36,937	821,830	35,408	1,152,092
Receivables:									
Accounts						758			758
Drainage assessments		203,311							203,311
TOTAL ASSETS	<u>14,712</u>	<u>296,434</u>	<u>35,042</u>	<u>51,084</u>	<u>63,956</u>	<u>37,695</u>	<u>821,830</u>	<u>35,408</u>	<u>1,356,161</u>
LIABILITIES AND FUND EQUITY									
Liabilities:									
Accounts payable				10,442					10,442
Salaries and benefits payable				6,528					6,528
Deferred revenue:									
Other		184,187							184,187
Total liabilities		<u>184,187</u>		<u>16,970</u>					<u>201,157</u>
Fund equity:									
Fund balance:									
Reserved for:									
Drainage		112,247							112,247
Unreserved	14,712		35,042	34,114	63,956	37,695	821,830	35,408	1,042,757
Total fund equity	<u>14,712</u>	<u>112,247</u>	<u>35,042</u>	<u>34,114</u>	<u>63,956</u>	<u>37,695</u>	<u>821,830</u>	<u>35,408</u>	<u>1,155,004</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 14,712</u>	<u>296,434</u>	<u>35,042</u>	<u>51,084</u>	<u>63,956</u>	<u>37,695</u>	<u>821,830</u>	<u>35,408</u>	<u>1,356,161</u>

See accompanying independent auditor's report.

HANCOCK COUNTY
Garner, Iowa

Schedule 2

NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year ended June 30, 2009

	Communi- cations Revolving	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorder's Records Management	Mokry Poor Trust	Funnemark Trust	Total
REVENUES:									
Intergovernmental	\$ 3,246				15,763				19,009
Charges for services				72,818		2,701			75,519
Uses of money and property				312	1,192	679	14,835	640	17,658
Miscellaneous		35,564	1,230	4,536					41,330
Total revenues	3,246	35,564	1,230	77,666	16,955	3,380	14,835	640	153,516
EXPENDITURES:									
Operating:									
Public safety and legal services	72,046								72,046
County environment and education				292,333					292,333
Government services to residents						1,840			1,840
Capital projects					12,500				12,500
Non-Program		399,649							399,649
Total expenditures	72,046	399,649	0	292,333	12,500	1,840	0	0	778,368
Excess (deficiency) of revenues over (under) expenditures	(68,800)	(364,085)	1,230	(214,667)	4,455	1,540	14,835	640	(624,852)
Other financing sources (uses):									
Drainage proceeds		267,368							267,368
Transfers in			15,000	220,500					235,500
Total other financing sources (uses):		267,368	15,000	220,500					502,868
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	(68,800)	(96,717)	16,230	5,833	4,455	1,540	14,835	640	(121,984)
Fund balances beginning of year	83,512	208,964	18,812	28,281	59,501	36,155	806,995	34,768	1,276,988
Fund balances end of year	\$ 14,712	112,247	35,042	34,114	63,956	37,695	821,830	35,408	1,155,004

See accompanying independent auditor's report.

HANCOCK COUNTY
Garner, Iowa

Schedule 3

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2009

	County Hospital	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	County Offices		Emergency Management Services
					Recorder	Sheriff	
ASSETS							
Cash and pooled investments:							
County treasurer	\$ 12,360	256,422	1,073	21,730			19,540
Other County officials					29,724	16,661	
Receivables:							
Property tax:							
Delinquent	2,647		7				
Succeeding year	873,054		1,980				
Accounts				12,391	84		
TOTAL ASSETS	888,061	256,422	3,060	34,121	29,808	16,661	19,540
LIABILITIES							
Salaries payable							1,681
Accounts payable				21,635			266
Due to other governments	888,061	256,422	3,060	12,486	7,678		17,593
Trusts payable					22,130	16,661	
Compensated absences							
TOTAL LIABILITIES	\$ 888,061	256,422	3,060	34,121	29,808	16,661	19,540

HANCOCK COUNTY
Garner, Iowa

Schedule 3
(continued)

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2009

	County Assessor	Special Appraiser	Schools	Community Colleges	Corporations	Townships	Advance Tax
ASSETS							
Cash and pooled investments:							
County treasurer	61,869	36,463	128,622	6,178	49,744	3,720	21,106
Other County officials							
Receivables:							
Property tax:							
Delinquent	539	222	28,060	1,323	23,469	223	
Succeeding year	177,963	48,221	8,827,580	409,074	3,375,974	282,072	
Accounts							
TOTAL ASSETS	<u>240,371</u>	<u>84,906</u>	<u>8,984,262</u>	<u>416,575</u>	<u>3,449,187</u>	<u>286,015</u>	<u>21,106</u>
LIABILITIES							
Salaries payable	4,673	1,161					
Accounts payable	73	543					
Due to other governments	235,102	83,202	8,984,262	416,575	3,449,187	286,015	21,106
Trusts payable							
Compensated absences	523						
TOTAL LIABILITIES	<u>240,371</u>	<u>84,906</u>	<u>8,984,262</u>	<u>416,575</u>	<u>3,449,187</u>	<u>286,015</u>	<u>21,106</u>

HANCOCK COUNTY
Garner, Iowa

Schedule 3
(continued)

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2009

	Ag Extension Education	Parital Tax Payment	Recorder Electronic Transaction Fee	Other	Total
ASSETS					
Cash and pooled investments:					
County treasurer	1,956	115	244	254	621,396
Other County officials					46,385
Receivables:					
Property tax:					
Delinquent	419			54	56,963
Succeeding year	138,191			16,808	14,150,917
Accounts			266		12,741
TOTAL ASSETS	<u>140,566</u>	<u>115</u>	<u>510</u>	<u>17,116</u>	<u>14,888,402</u>
LIABILITIES					
Salaries payable					7,515
Accounts payable					22,517
Due to other governments	140,566	115	510	17,116	14,819,056
Trusts payable					38,791
Compensated absences					523
TOTAL LIABILITIES	<u>140,566</u>	<u>115</u>	<u>510</u>	<u>17,116</u>	<u>14,888,402</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, 2009

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	\$ 826,186	203,809	3,166	108,150		25,339	29,883	9,209
Additions:								
Property and other county tax	854,322		1,927					
E-911 surcharge				101,230				
State tax credits	42,120		111					
Office fees and collections					1,480	185,285	96,778	
Auto licenses, use tax and postage		2,958,791						
Assessments								69,630
Trusts							154,642	
Miscellaneous				28,666				7,610
Total additions	896,442	2,958,791	2,038	129,896	1,480	185,285	251,420	77,240
Deductions:								
Agency remittances:								
To other funds		130,829			1,480	95,378	99,718	
To other governments	834,567	2,775,349	2,144	203,925		85,438		66,909
Trusts paid out							164,924	
Total deductions	834,567	2,906,178	2,144	203,925	1,480	180,816	264,642	66,909
Balance end of year	\$ 888,061	256,422	3,060	34,121		29,808	16,661	19,540

HANCOCK COUNTY
Garner, Iowa

Schedule 4
(continued)

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year ended June 30, 2009

ASSETS AND LIABILITIES	County Assessor	Special Appraiser	Schools	Community Colleges	Corporation	Townships	City Special Assessments
Balance beginning of year	228,300	95,451	8,300,966	413,000	3,267,550	245,954	161
Additions:							
Property and other county tax	161,617	66,600	8,621,075	399,686	3,336,044	276,169	
E-911 surcharge							
State tax credits	8,578	3,535	433,031	21,054	138,548	12,898	
Office fees and collections							
Auto licenses, use tax and postage							
Assessments							8,677
Trusts							
Miscellaneous	1,854						
Total additions	<u>172,049</u>	<u>70,135</u>	<u>9,054,106</u>	<u>420,740</u>	<u>3,474,592</u>	<u>289,067</u>	<u>8,677</u>
Deductions:							
Agency remittances:							
To other funds							
To other governments	159,978	80,680	8,370,810	417,165	3,292,955	249,006	8,838
Trusts paid out							
Total deductions	<u>159,978</u>	<u>80,680</u>	<u>8,370,810</u>	<u>417,165</u>	<u>3,292,955</u>	<u>249,006</u>	<u>8,838</u>
Balance end of year	<u>240,371</u>	<u>84,906</u>	<u>8,984,262</u>	<u>416,575</u>	<u>3,449,187</u>	<u>286,015</u>	

HANCOCK COUNTY
Garner, Iowa

Schedule 4
(continued)

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year ended June 30, 2009

ASSETS AND LIABILITIES	Advance Tax	Agricultural Extension Education	Partial Tax Payments	Recorder Electronic Transaction Fee	Other	Total
Balance beginning of year	24,630	130,749	115	529	16,959	13,930,106
Additions:						
Property and other county tax		135,228			16,425	13,869,093
E-911 surcharge						101,230
State tax credits		6,667			865	667,407
Office fees and collections				2,709		286,252
Auto licenses, use tax and postage						2,958,791
Assessments						78,307
Trusts						154,642
Miscellaneous						38,130
Total additions		141,895		2,709	17,290	18,153,852
Deductions:						
Agency remittances:						
To other funds						327,405
To other governments	3,524	132,078			17,133	16,700,499
Trusts paid out				2,728		167,652
Total deductions	3,524	132,078		2,728	17,133	17,195,556
Balance end of year	21,106	140,566	115	510	17,116	14,888,402

See accompanying independent auditor's report.

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

	Modified Accrual Basis						
	2009	2008	2007	2006	2005	2004	2003
Revenues:							
Property and other county tax	\$ 3,932,859	3,962,390	3,839,962	3,741,332	3,717,372	3,612,065	2,544,678
Interest and penalty on property tax	32,951	39,036	28,197	31,087	28,282	28,236	32,693
Intergovernmental	5,906,982	5,701,445	6,672,034	5,465,711	5,373,825	5,220,159	4,349,814
Licenses and permits	8,450	25,143	4,970	3,525	1,075	2,850	3,613
Charges for service	466,361	493,421	490,931	465,932	457,339	420,296	399,495
Use of money and property	338,872	538,173	560,430	370,550	242,888	230,508	325,387
Miscellaneous	633,382	276,442	350,211	396,428	665,255	595,770	945,524
Total	\$ 11,319,857	11,036,050	11,946,735	10,474,565	10,486,036	10,109,884	8,601,204
Expenditures:							
Current:							
Public safety and legal services	\$ 1,410,380	1,275,578	1,224,289	1,173,102	1,110,007	1,006,704	968,116
Physical health and social services	1,967,479	2,365,677	2,583,799	2,040,593	1,961,517	2,290,820	1,326,664
Mental health	1,391,175	1,564,440	1,487,274	1,373,780	1,306,593	1,318,828	1,274,341
County environment and education services	655,648	510,251	586,271	508,975	567,613	480,131	464,718
Roads and transportation	4,290,147	4,231,769	3,706,164	3,739,113	3,253,904	3,264,047	2,813,596
Governmental services to residents	348,263	318,733	293,242	415,247	307,543	266,368	260,287
Administrative services	1,029,855	923,876	889,268	933,683	857,766	818,195	780,356
Non-program	400,873	244,663	139,548	367,547	323,713	210,263	849
Capital projects	392,388	1,102,830	423,639	1,069,725	225,081	204,308	682,308
Total	\$ 11,886,208	12,537,817	11,333,494	11,621,765	9,913,737	9,859,664	8,571,235

See accompanying independent auditor's report.

Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

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(84)-8J-41	\$ 196,584
Highway Planning and Construction	20.205	BROS-CO41(89)-8J-41	157,854
			354,438
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security:			
FEMA	97.036		26,242
U.S. Department of Health & Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Social Services Block Grant	93.667		36,418
Title XIX De-Linking	93.778		3,439
Expansion Title XXI	93.767		22
Social Services Block Grant	93.667		1,712
TAN F	93.558		2,612
IV E. Foster Care	93.658		1,577
Refugee	93.566		5
Food Stamps	10.561		2,815
IV E Adoption	93.659		380
Child Care Development	93.596		740
			49,720
U.S. Department of Health & Human Services:			
Iowa Department of Public Health:			
I-4 Immunization Grant	93.268	5888I434	2,275
Breast & Cervical Cancer Prevention	93.283	5888NB12	20,370
Public Health Preparedness and Response for Bioterrorism	93.069	5888BT02	166,585
Preparedness	93.069	BT09010	12,499
Public Health Preparedness	93.069	5888BT08	182,004
Public Health Preparedness and Response for Bioterrorism	93.069	5887BT02	244,694
Wisewoman Cardiovascular	93.283	5888WW23	4,325
			632,752
U.S. Elections Assistance Commission			
Iowa Secretary of State			
Help America Vote Act	93.617	EA10 G993280	2,500
Total Indirect			\$ 1,065,652

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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 6, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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-09 and II-B-09 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

January 6, 2010

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, 2009. 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, 2009.

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. We did not identify any deficiencies in internal control over compliance that 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.

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.

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.

January 6, 2010

Renner & Birchem, P.C.

HANCOCK COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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) No significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- (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 20.205 – Highway Planning and Construction, CFDA Number 93.069 – Public Health Preparedness and Response for Bioterrorism.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Hancock County did not qualify as a low risk auditee.

HANCOCK COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

Significant Deficiencies

II-A-09 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.

II-B-09 Preparation of Full Disclosure Financial Statements-Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Hancock County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation-We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and preparing full disclosure financial statements for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than relying on external assistance.

Response-We recognize our limitations, however, it is not fiscally responsible to add additional staff at this time.

Conclusion-Response accepted.

Instances of Non-Compliance

No matters were reported.

HANCOCK COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance

No matters were reported.

Significant Deficiencies:

No matters were reported.

Part IV: Summary of Prior Federal Audit Findings and Questioned Costs:

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Explanation</u>
A-08	Segregation of duties	Corrected Removed	The County has limited staff and segregates duties to best of their abilities

HANCOCK COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part V: Other Findings Related to Required Statutory Reporting:

- V-A-09 Certified Budget**-Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted which is in compliance with Chapter 384.20 of the Code of Iowa.
- V-B-09 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.
- V-C-09 Travel Expense**-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- V-D-09 Business Transactions**-No business transactions between the County and County officials or employees were noted.
- V-E-09 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.
- V-F-09 Board Minutes**-No transactions were found that we believe should have been approved in the board minutes but were not.
- V-G-09 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.
- V-H-09 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).
- V-I-09 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, 2009 did not exceed the amount budgeted.