

HANCOCK COUNTY

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

June 30, 2011

TABLE OF CONTENTS

		<u>Page</u>
Officials		3
Independent Auditor’s Report		4-5
Management’s Discussion and Analysis		6-11
Basic Financial Statements:	<u>Exhibit</u>	
Government – wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	E	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets – Proprietary Fund	G	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund	H	20
Statement of Cash Flows – Proprietary Fund	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	22
Notes to Financial Statements		23-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes In Balances – Budget and Actual (Cash Basis) – All Governmental Funds		37
Budget to GAAP Reconciliation		38
Notes to Required Supplementary Information – Budgetary Reporting		39
Schedule of Funding Progress for the Retiree Health Plan		40
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds		
Combining Balance Sheet	1	42
Combining Schedule of Revenues, Expenditures And Changes in Fund Balances	2	43
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	44-46
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	47-49
Schedule of Revenues by Source and Expenditures by Function – All Governmental Fund Types	5	50
Schedule of Expenditures of Federal Awards	6	51
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 <u>Governmental Auditing Standards</u>		52-53
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		54-55
Schedule of Findings and Questioned Costs		56-61

HANCOCK COUNTY
Garner, Iowa

OFFICIALS

(Before January 2011)

<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 2013
Debra Bellinghausen	County Auditor	Jan 2013
Deborah Engstler	County Treasurer	Jan 2011
June Brady	County Recorder	Jan 2011
Scott Dodd	County Sheriff	Jan 2013
Karen Kaufman Salic	County Attorney	Jan 2011
Marianne Welsch	County Assessor	Appointed

(After January 2011)

Ted Hall	Board of Supervisors	Jan 2015
Florence Thomas-Greiman	Board of Supervisors	Jan 2015
Jerry Tlach	Board of Supervisors	Jan 2013
Debra Bellinghausen	County Auditor	Jan 2013
Deborah Engstler	County Treasurer	Jan 2015
June Brady	County Recorder	Jan 2015
Scott Dodd	County Sheriff	Jan 2013
Karen Kaufman Salic	County Attorney	Jan 2015
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, 2011, 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, 2011, 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 October 21, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 11 and 37 through 40 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 eight years ended June 30, 2010 (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 the 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.

October 21, 2011

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, 2011. We encourage readers to consider this information in conjunction with the county's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Hancock County governmental funds revenue decreased 0.5%, or approximately \$57,000 from 2010; capital grants, contributions and restricted interest decreased approximately \$553,000, unrestricted investment earnings decreased approximately \$99,000 and state tax credits decreased approximately \$12,000.
- Hancock County 2011 program expenses were \$385,000 less than 2010. Physical health and social service expenses decreased approximately \$509,000.
- The County's net assets decreased 5.0%, or approximately \$1,075,000 at June 30, 2011.

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.

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 presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. 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 decreased approximately \$1.0 million 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	
		2011	2010
Current and other assets		\$ 10,730	11,124
Capital assets		15,095	15,319
	Total assets	25,825	26,443
Long term liabilities		515	452
Other liabilities		4,732	4,338
	Total liabilities	5,247	4,790
Net assets			
Invested in capital assets		15,095	15,319
Restricted		4,487	1,733
Unrestricted		996	4,601
	Total net assets	\$ 20,578	21,653

Net assets of the County's governmental activities decreased by 5.0%. The largest portion of the County's net assets is the Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was approximately \$1.0 million at June 30, 2011.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 1,287	1,453
Operating grants, contributions and restricted interest	3,693	4,246
Capital grants, contributions and restricted interest	642	0
General revenues:		
Property tax	3,752	3,630
Penalty and interest on property tax	38	43
State tax credits	144	156
Local option sales tax	445	521
Grants and contributions not restricted to specific purposes	283	350
Unrestricted investment earnings	190	289
Other general revenues	737	580
Total revenues:	11,211	11,268
Program expenses:		
Public safety and legal services	1,454	1,380
Physical health and social service	1,383	1,892
Mental health	1,514	1,449
County environment and education	600	513
Roads and transportation	5,210	5,449
Governmental services to residents	348	361
Administration	1,146	1,165
Non-program	631	462
Total expenses:	12,286	12,671
Increase <decrease> in net assets	<1,075>	<1,403>
Net assets beginning of year	21,653	23,056
Net assets end of year	\$ 20,578	21,653

The results of governmental activities for the year resulted in Hancock County's net assets decreasing by approximately \$1,075,000. Revenues for governmental activities decreased by approximately \$57,000 over the prior year.

The cost of all governmental activities this year was \$12.3 million compared to \$12.7 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 \$5.6 million because some of the cost was paid by those directly benefited from the programs (\$1,287,024) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,334,908).

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$5.6 million, which is \$0.8 million less than last year's total of \$6.4 million. The County funds expended approximately \$775,947 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 \$137,204 to \$1,191,470. 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 \$1,514,115, an increase of 4.5% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$245,410 over the prior year and reflects a balance of \$217,419.
- Secondary Roads Fund expenditures decreased by approximately \$56,000 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 \$67,256 over the prior year.
- The Secondary Road Highway 111 Fund balance increased by \$14,739 over the prior year and reflects a balance of \$1,580,421.
- The Mokry Trust Fund balance decreased by \$3,283 over the prior year and reflects a balance of \$817,302.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget one time. The one amendment was made in May 2011 and resulted in an increase in budgeted disbursements of \$151,500.

None of the amendments made during the 2011 fiscal year should have any impact on the 2012 fiscal year's budget.

CAPITAL ASSETS

At June 30, 2011 Hancock County had approximately \$15.1 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 \$224,000 or 1.5 % from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	2011	2010
Land	\$ 357	357
Buildings and improvements	5,053	5,207
Machinery and equipment	1,962	2,178
Infrastructure	7,723	7,577
Totals	\$ 15,095	15,319

The County had depreciation expense of \$1,290,306 for the year ended June 30, 2011 and total accumulation depreciation as of June 30, 2011 of \$24,035,167.

The County's fiscal year 2011 capital budget included \$765,062 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 2012 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 2012 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, 2011

	Governmental Activities
Assets	
Cash and pooled investments	\$ 5,462,533
Receivables:	
Property tax:	
Delinquent	7,856
Succeeding year	4,072,006
Accounts	114,203
Interest	1,568
Drainage assessments	320,076
Due from other governments	353,200
Inventories	325,506
Prepaid insurance	73,576
Capital assets (net of accumulated depreciation)	15,094,918
Total assets	25,825,442
 Liabilities	
Accounts payable	508,979
Salaries and benefits payable	151,657
Deferred revenue:	
Succeeding year property tax	4,072,006
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	45,290
Portion due or payable after one year:	
Drainage district warrants and certificates payable	325,406
Net OPEB liability	144,145
Total liabilities	5,247,483
 Net Assets	
Invested in capital assets net of related debt	15,094,918
Restricted for:	
Supplemental levy purposes	3,625
Mental health purposes	218,962
Rural services purposes	444,120
Secondary roads purposes	1,036,276
Other purposes	2,783,697
Unrestricted	996,361
Total net assets	\$ 20,577,959

See notes to financial statements.

Statement of Activities
Year ended June 30, 2011

	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	\$ 1,453,811	69,252			(1,384,559)
Physical health and social services	1,383,179	544,522	285,290		(553,367)
Mental health	1,514,115	121,843	522,036		(870,236)
County environment and education	600,461	78,506	100,067		(421,888)
Roads & transportation	5,209,483	175,836	2,775,992	641,523	(1,616,132)
Governmental services to residents	348,172	211,717	10,000		(126,455)
Administrative services	1,146,400	3,872			(1,142,528)
Non-program	630,786	81,476			(549,310)
Total	\$ 12,286,407	1,287,024	3,693,385	641,523	(6,664,475)
General Revenues:					
Property and other county tax levied for general purposes					3,752,293
Penalty and interest on property tax					38,081
State tax credits					144,112
Local option sales tax					444,839
Grants and contributions not restricted to specific purpose					282,915
Unrestricted investment earnings					190,362
Miscellaneous					736,584
Total general revenues					5,589,186
Change in net assets					(1,075,289)
Net assets beginning of year					21,653,248
Net assets end of year					\$ 20,577,959

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2011

	Special Revenue							Total
	General	Mental Health	Rural Services	Secondary Roads	Secondary Roads Hwy 111	Mokry Poor Trust	Nonmajor Special Revenue	
Assets								
Cash and pooled investments	\$ 1,168,192	421,053	374,854	732,222	1,580,421	817,302	307,811	5,401,855
Receivables:								
Property tax:								
Delinquent	5,526	1,585	745					7,856
Succeeding year	2,303,648	611,207	1,157,151					4,072,006
Accounts	59,305			20,953			33,945	114,203
Accrued interest	1,568							1,568
Drainage assessments							320,076	320,076
Due from other governments	5,332	38,747	79,950	209,375			19,796	353,200
Inventories				325,506				325,506
Prepaid insurance	30,202			34,140			9,234	73,576
Total assets	\$ 3,573,773	1,072,592	1,612,700	1,322,196	1,580,421	817,302	690,862	10,669,846
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 22,092	241,459	8,294	203,955			33,179	508,979
Salaries and benefits payable	52,092	964	2,407	59,011			37,183	151,657
Deferred revenue:								
Succeeding year property tax	2,303,648	611,207	1,157,151					4,072,006
Other	4,471	1,543	728				317,054	323,796
Total liabilities	2,382,303	855,173	1,168,580	262,966			387,416	5,056,438
Fund balances:								
Nonspendable:								
Inventories				325,506				325,506
Prepaid insurance	30,202			34,140			9,234	73,576
Trust							30,000	30,000
Restricted for:								
Supplemental levy purposes	3,625							3,625
Mental health purposes		217,419						217,419
Rural service purposes			444,120					444,120
Secondary roads purposes				699,584				699,584
Drainage							8,352	8,352
Other purposes					1,580,421	817,302	255,860	2,653,583
Unassigned	1,157,643							1,157,643
Total fund balances	1,191,470	217,419	444,120	1,059,230	1,580,421	817,302	303,446	5,613,408
Total liabilities and fund balances	\$ 3,573,773	1,072,592	1,612,700	1,322,196	1,580,421	817,302	690,862	10,669,846

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit D

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

June 30, 2011

Total governmental fund balances (page 15)	\$ 5,613,408
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$39,130,085 and the accumulated depreciation is \$24,035,167	15,094,918
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	323,796
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.	60,678
Long-term liabilities, including drainage warrants and certificates, OPEB and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(514,841)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 20,577,959</u></u>

See notes to financial statements.

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

Year ended June 30, 2011

	Special Revenue							Total
	General	Mental Health	Rural Services	Secondary Roads	Secondary Roads Hwy 111	Mokry Poor Trust	Nonmajor Governmental	
Revenue:								
Property and other county tax	\$ 2,090,852	599,578	1,504,575				536	4,195,541
Interest and penalty on property tax	38,081							38,081
Intergovernmental	209,328	664,860	40,053	3,598,239			817,051	5,329,531
Licenses and permits				1,595			14,779	16,374
Charges for services	290,263						171,852	462,115
Use of money and property	138,240			27,087	14,739	7,717	1,848	189,631
Miscellaneous	48,664	4,267	305	175,836			39,009	268,081
Total revenues	2,815,428	1,268,705	1,544,933	3,802,757	14,739	7,717	1,045,075	10,499,354
Expenditures:								
Operating:								
Public safety and legal services	1,293,666		77,176				2,337	1,373,179
Physical health and social services	86,329					11,000	1,269,234	1,366,563
Mental health		1,514,115						1,514,115
County environment and education	18,985		197,204				358,300	574,489
Roads and transportation				4,456,997				4,456,997
Governmental services to residents	305,448		6,906				991	313,345
Administrative services	882,371		2,855					885,226
Non-program	833						629,953	630,786
Capital projects				763,016			5,000	768,016
Total expenditures	2,587,632	1,514,115	284,141	5,220,013		11,000	2,265,815	11,882,716
Excess(deficiency) of revenues over (under) expenditures	227,796	(245,410)	1,260,792	(1,417,256)	14,739	(3,283)	(1,220,740)	(1,383,362)
Other financing sources (uses):								
Operating transfers in				1,350,000			365,000	1,715,000
Operating transfers out	(365,000)		(1,350,000)					(1,715,000)
Drainage proceeds							607,415	607,415
Total other financing sources (uses)	(365,000)		(1,350,000)	1,350,000			972,415	607,415
Net change in fund balances	(137,204)	(245,410)	(89,208)	(67,256)	14,739	(3,283)	(248,325)	(775,947)
Fund balances beginning of year	1,328,674	462,829	533,328	1,126,486	1,565,682	820,585	551,771	6,389,355
Fund balances end of year	\$ 1,191,470	217,419	444,120	1,059,230	1,580,421	817,302	303,446	5,613,408

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, 2011

Net change in fund balances - Total governmental fund (page 17) \$ (775,947)

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	1,065,786	
Depreciation expense	<u>(1,290,306)</u>	(224,520)

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	1,591	
Other	<u>25,868</u>	27,459

Repayment of drainage warrants more than current year issues. (5,318)

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	17,678	
Other postemployment benefits	<u>(75,483)</u>	(57,805)

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.

(39,158)

Change in net assets of governmental activities (page 14) \$ (1,075,289)

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit G

Statement of Net Assets

Proprietary Fund

June 30, 2011

	<u>Medical Benefits</u>
Assets	
Cash and cash equivalents	\$ 60,678
Total assets	<u>60,678</u>
Net Assets	
Unrestricted	<u><u>\$ 60,678</u></u>

See notes to financial statements.

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

Proprietary Fund

Year ended June 30, 2011

	<u>Medical Benefits</u>
Operating revenues:	
Reimbursements	\$ 1,205,104
Operating expenses:	
Medical claims	<u>1,244,994</u>
Operating income	(39,890)
Non-operating revenues:	
Interest	<u>732</u>
Net income	(39,158)
Net assets beginning of year	<u>99,836</u>
Net assets end of year	<u><u>\$ 60,678</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit I

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2011

	<u>Medical Benefits</u>
Cash flows from operating activities:	
Cash received from reimbursements	\$ 1,205,105
Cash payments to suppliers for services	<u>1,244,995</u>
Net cash provided by operating activities	(39,890)
Cash flows from investing activities:	
Interest on investments	<u>732</u>
Net increase in cash and cash equivalents	(39,158)
Cash and cash equivalents at beginning of year	<u>99,836</u>
Cash and cash equivalents at end of year	<u><u>\$ 60,678</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ (39,890)</u>
Net cash provided by operating activities	<u><u>\$ (39,890)</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit J

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 751,846
Other County officials	45,760
Property tax receivable:	
Delinquent	54,735
Succeeding year	15,354,178
Accounts receivable	20,047
Total assets	<u>\$ 16,226,566</u>

Liabilities

Accounts payable	\$ 2,490
Salaries payable	7,397
Due to other governments	16,176,529
Trust payable	39,005
Compensated absences	1,145
Total liabilities	<u>16,226,566</u>

Net assets \$ -

See notes to financial statements.

HANCOCK COUNTY
Garner, Iowa

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 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 attributable to the acquisition, construction or improvement of those assets.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from General and Special Revenue, Rural Services Funds and other revenues to be used 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.

The Morky Poor Trust Fund consists of funds donated by an individual to assist in operations of Duncan Heights.

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 year. 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.

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represents the amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments 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, 2011, 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 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 acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutter, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of 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 year. 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 year. 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, 2011. 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, fund balances are classified as follows:

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

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

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

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

Unassigned – All amounts not included in other classifications.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

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, 2011 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, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:		
Public Health Nurses	General	\$ 175,000
Conservation	General	190,000
	Special Revenue:	
Secondary Roads	Rural Services	<u>1,350,000</u>
		<u>\$1,715,000</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, 2011 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	7,914,852	17,109		7,931,961
Machinery and equipment	8,538,092	295,136	(634,390)	8,198,838
Infrastructure	21,888,854	753,541		22,642,395
Total capital assets being depreciated	<u>38,341,798</u>	<u>1,065,786</u>	<u>(634,390)</u>	<u>38,773,194</u>
Less accumulated depreciation for:				
Buildings	2,707,813	170,839		2,878,652
Machinery and equipment	6,359,931	511,785	(634,390)	6,237,326
Infrastructure, road network	14,311,507	607,682		14,919,189
Total accumulated depreciation	<u>23,379,251</u>	<u>1,290,306</u>	<u>(634,390)</u>	<u>24,035,167</u>
Total capital assets being depreciated, net	<u>14,962,547</u>	<u>(224,520)</u>		<u>14,738,027</u>
Governmental activities capital assets, net	<u>15,319,438</u>	<u>(224,520)</u>		<u>15,094,918</u>

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

Governmental activities	
Public safety and legal services	\$ 79,136
Physical health and social services	17,613
County environment and education	33,858
Roads and transportation	991,973
Governmental services to residents	32,676
Administrative services	135,050
Total depreciation expense - Governmental activities	<u>\$ 1,290,306</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>
Agency:		
Schools	Collections	\$ 9,729,422
Community Colleges		510,095
Corporations		3,674,426
Auto License & Use Tax		276,289
Townships		267,673
County Hospital		1,019,406
All other		<u>699,218</u>
Total for Agency Funds		<u>\$16,176,529</u>

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

A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 320,088	62,968	68,662	451,718
Increases	612,733		75,483	688,216
Decreases	<u>(607,415)</u>	<u>(17,678)</u>		<u>(625,093)</u>
Balance end of year	<u>\$ 325,406</u>	<u>45,290</u>	<u>144,145</u>	<u>514,841</u>
Due within one year		<u>45,290</u>		<u>45,290</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 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$278,737, \$270,260, and \$247,040 respectively, equal to the required contributions for each year.

8. **Other Postemployment Benefits (OPEB)**

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 88 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 83,473
Interest on net OPEB obligation	1,717
Adjustment to annual required contribution	<u>(7,126)</u>
Annual OPEB cost	78,064
Contributions made-implicit	<u>(2,581)</u>
Increase in net OPEB obligation	75,483
Net OPEB obligation beginning of year	<u>68,662</u>
Net OPEB obligation end of year	<u>\$ 144,145</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$2,581 to the medical plan. Plan members eligible for benefits contributed \$35,334.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 76,667	11.0%	\$ 68,662
June 30, 2011	78,064	3.3%	144,145

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$618,997, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$618,997. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,524,000 and the ratio of the UAAL to covered payroll was 17.6%. As of June 30, 2011, there were no trust fund assets.

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

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

As of the July 1 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the County's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$533 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. **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.

10. **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.

11. **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, 2011 principal of \$150,000 and interest of \$38,081 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, 2011 is as follows:

Year Ending June 30	Hospital General			Revenue Bonds		
	<u>Obligation</u>	<u>County</u>	<u>Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>125,000</u>	<u>6,983</u>	<u>131,983</u>	<u>230,000</u>	<u>16,450</u>	<u>246,450</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, 2011

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final Variance to Net
				Original	Final	
Receipts:						
Property and other County tax	\$ 4,129,671		4,129,671	4,305,666	4,305,666	(175,995)
Interest and penalty on property tax	38,081		38,081	32,000	32,000	6,081
Intergovernmental	5,406,788		5,406,788	6,149,109	6,229,109	(822,321)
Licenses and permits	17,794		17,794	14,000	14,000	3,794
Charges for services	451,075		451,075	440,417	440,417	10,658
Use of money and property	195,957		195,957	300,174	300,174	(104,217)
Miscellaneous	242,231	1,988	240,243	285,044	285,044	(44,801)
Total receipts	<u>10,481,597</u>	<u>1,988</u>	<u>10,479,609</u>	<u>11,526,410</u>	<u>11,606,410</u>	<u>(1,126,801)</u>
Disbursements:						
Public safety and legal services	1,369,713		1,369,713	1,423,545	1,427,045	57,332
Physical health and social services	1,362,999		1,362,999	1,615,005	1,678,005	315,006
Mental health	1,463,208		1,463,208	1,549,000	1,549,000	85,792
County environment and education services	572,621		572,621	529,713	609,713	37,092
Roads and transportation	4,402,698		4,402,698	4,713,300	4,713,300	310,602
Governmental services to residents	310,313		310,313	339,827	344,827	34,514
Administrative services	880,633		880,633	944,349	944,349	63,716
Non-program	630,786	629,953	833	1,950	1,950	1,117
Capital projects	765,062		765,062	1,269,000	1,269,000	503,938
Total disbursements	<u>11,758,033</u>	<u>629,953</u>	<u>11,128,080</u>	<u>12,385,689</u>	<u>12,537,189</u>	<u>1,409,109</u>
Excess (deficiency) of receipts over (under) disbursements	(1,276,436)	(627,965)	(648,471)	(859,279)	(930,779)	282,308
Other financing sources, net	<u>607,415</u>	<u>607,415</u>				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(669,021)	(20,550)	(648,471)	(859,279)	(930,779)	282,308
Balance beginning of year	<u>6,076,895</u>	<u>28,902</u>	<u>6,047,993</u>	<u>4,625,363</u>	<u>4,625,363</u>	<u>1,422,630</u>
Balance end of year	<u>\$ 5,407,874</u>	<u>8,352</u>	<u>5,399,522</u>	<u>3,766,084</u>	<u>3,694,584</u>	<u>1,704,938</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, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,481,597	17,757	10,499,354
Expenditures	11,758,033	124,683	11,882,716
Net	(1,276,436)	(106,926)	(1,383,362)
Other financing sources, net	607,415		607,415
Beginning fund balances	6,076,895	312,460	6,389,355
Ending fund balances	\$ 5,407,874	205,534	5,613,408

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$151,500. The budget amendment is reflected in the final budgeted amounts.

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

Hancock County
Garner, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 625,868	625,868	0.0%	3,453,000	18.1%
2011	July 1, 2009	-	618,997	618,997	0.0%	3,524,000	17.6%

See Note 8 in the accompanying Notes to Financial Statements for the Plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

HANCOCK COUNTY
Garner, Iowa

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	Communi- cations Revolving	Public Health Nurses	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorders Records Management	Funnemark Trust	Total
ASSETS									
Cash and pooled investments	\$ 72,368	26,302	5,330	35,142	9,124	81,271	42,087	36,187	307,811
Receivables:									
Accounts		25,512			7,653		780		33,945
Drainage assessments			320,076						320,076
Due from other governments		19,796							19,796
Prepaid insurance		6,345			2,889				9,234
TOTAL ASSETS	72,368	77,955	325,406	35,142	19,666	81,271	42,867	36,187	690,862
LIABILITIES AND FUND EQUITY									
Liabilities:									
Accounts payable	2,337	23,798			7,044				33,179
Salaries and benefits payable		30,836			6,347				37,183
Deferred revenue:									
Other			317,054						317,054
Total liabilities	2,337	54,634	317,054		13,391				387,416
Fund balances:									
Nonspendable:									
Prepaid insurance		6,345			2,889				9,234
Trust								30,000	30,000
Restricted for:									
Drainage			8,352						8,352
Other purposes	70,031	16,976		35,142	3,386	81,271	42,867	6,187	255,860
Total fund equity	70,031	23,321	8,352	35,142	6,275	81,271	42,867	36,187	303,446
TOTAL LIABILITIES & FUND EQUITY	\$ 72,368	77,955	325,406	35,142	19,666	81,271	42,867	36,187	690,862

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, 2011

	Communi- cations Revolving	Public Health Nurses	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorder's Records Management	Funnemark Trust	Total
REVENUES:									
Property and other county tax					536				536
Intergovernmental	\$ 1,939	715,045			87,000	13,067			817,051
License and permits		14,779							14,779
Charges for services		98,768			70,248		2,836		171,852
Uses of money and property					304	815	391	338	1,848
Miscellaneous		33,221	1,988	100	3,700				39,009
Total revenues	1,939	861,813	1,988	100	161,788	13,882	3,227	338	1,045,075
EXPENDITURES:									
Operating:									
Public safety and legal service	2,337								2,337
Physical health and social services		1,269,234							1,269,234
County environment and education					358,300				358,300
Governmental services to residents							991		991
Capital projects						5,000			5,000
Non-Program			629,953						629,953
Total expenditures	2,337	1,269,234	629,953		358,300	5,000	991		2,265,815
Excess (deficiency) of revenues over (under) expenditures	(398)	(407,421)	(627,965)	100	(196,512)	8,882	2,236	338	(1,220,740)
Other financing sources (uses):									
Drainage proceeds			607,415						607,415
Transfers in		175,000			190,000				365,000
Total other financing sources (uses):		175,000	607,415		190,000				972,415
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	(398)	(232,421)	(20,550)	100	(6,512)	8,882	2,236	338	(248,325)
Fund balances beginning of year	70,429	255,742	28,902	35,042	12,787	72,389	40,631	35,849	551,771
Fund balances end of year	\$ 70,031	23,321	8,352	35,142	6,275	81,271	42,867	36,187	303,446

See accompanying independent auditor's report.

HANCOCK COUNTY
Garner, Iowa

Schedule 3

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2011

	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	\$ 11,976	276,289	1,177	121,712			19,225
Other County officials					28,566	17,194	
Receivables:							
Property tax:							
Delinquent	2,456		6				
Succeeding year	1,004,974		2,431				
Accounts				12,497			6,807
TOTAL ASSETS	<u><u>1,019,406</u></u>	<u><u>276,289</u></u>	<u><u>3,614</u></u>	<u><u>134,209</u></u>	<u><u>28,566</u></u>	<u><u>17,194</u></u>	<u><u>26,032</u></u>
LIABILITIES							
Salaries payable							1,788
Accounts payable				1,750			445
Due to other governments	1,019,406	276,289	3,614	132,459	6,755		23,799
Trusts payable					21,811	17,194	
Compensated absences							
TOTAL LIABILITIES	<u><u>\$ 1,019,406</u></u>	<u><u>276,289</u></u>	<u><u>3,614</u></u>	<u><u>134,209</u></u>	<u><u>28,566</u></u>	<u><u>17,194</u></u>	<u><u>26,032</u></u>

HANCOCK COUNTY
Garner, Iowa

Schedule 3
(continued)

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2011

	County Assessor	Special Appraiser	Schools	Community Colleges	Corporations	Townships	City Special Assessments
ASSETS							
Cash and pooled investments:							
County treasurer	63,129	39,287	129,179	5,945	49,690	3,105	1,108
Other County officials							
Receivables:							
Property tax:							
Delinquent	501	71	27,309	1,225	22,573	152	
Succeeding year	204,854	19,605	9,572,934	502,925	3,602,163	264,416	
Accounts							
TOTAL ASSETS	<u>268,484</u>	<u>58,963</u>	<u>9,729,422</u>	<u>510,095</u>	<u>3,674,426</u>	<u>267,673</u>	<u>1,108</u>
LIABILITIES							
Salaries payable	5,609						
Accounts payable	295						
Due to other governments	261,435	58,963	9,729,422	510,095	3,674,426	267,673	1,108
Trusts payable							
Compensated absences	1,145						
TOTAL LIABILITIES	<u>268,484</u>	<u>58,963</u>	<u>9,729,422</u>	<u>510,095</u>	<u>3,674,426</u>	<u>267,673</u>	<u>1,108</u>

HANCOCK COUNTY
Garner, Iowa

Schedule 3
(continued)

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2011

	Advance Tax	Ag Extension Education	Parital Tax Payment	Recorder Electronic Transaction Fee	Other	Total
ASSETS						
Cash and pooled investments:						
County treasurer	26,945	1,899	115	807	258	751,846
Other County officials						45,760
Receivables:						
Property tax:						
Delinquent		389			53	54,735
Succeeding year		159,330			20,546	15,354,178
Accounts				743		20,047
TOTAL ASSETS	<u>26,945</u>	<u>161,618</u>	<u>115</u>	<u>1,550</u>	<u>20,857</u>	<u>16,226,566</u>
LIABILITIES						
Salaries payable						7,397
Accounts payable						2,490
Due to other governments	26,945	161,618	115	1,550	20,857	16,176,529
Trusts payable						39,005
Compensated absences						1,145
TOTAL LIABILITIES	<u>26,945</u>	<u>161,618</u>	<u>115</u>	<u>1,550</u>	<u>20,857</u>	<u>16,226,566</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, 2011

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	\$ 478,358	248,388	3,555	118,542		29,367	24,250	18,051
Additions:								
Property and other county tax	928,706		2,384					
E-911 surcharge				93,498				
State tax credits	35,935		92					
Office fees and collections					12,656	198,005	219,406	
Auto licenses, use tax and postage		3,308,480						
Assessments								83,007
Trusts							171,847	
Miscellaneous	195		1	1,441				274
Total additions	964,836	3,308,480	2,477	94,939	12,656	198,005	391,253	83,281
Deductions:								
Agency remittances:								
To other funds		121,633			12,656	103,363	219,440	
To other governments	423,788	3,158,946	2,418	79,272				75,300
Trusts paid out						95,443	178,869	
Total deductions	423,788	3,280,579	2,418	79,272	12,656	198,806	398,309	75,300
Balance end of year	\$ 1,019,406	276,289	3,614	134,209		28,566	17,194	26,032

HANCOCK COUNTY
Garner, Iowa

Schedule 4
(continued)

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year ended June 30, 2011

ASSETS AND LIABILITIES	County Assessor	Special Appraiser	Schools	Community Colleges	Corporation	Townships	City Special Assessments
Balance beginning of year	263,411	61,385	9,814,709	473,790	3,583,283	279,804	586
Additions:							
Property and other county tax	189,321	26,967	9,527,904	460,910	3,491,960	273,010	
E-911 surcharge							
State tax credits	7,325	1,043	376,084	17,839	120,898	10,176	
Office fees and collections							
Auto licenses, use tax and postage							
Assessments							9,698
Trusts							
Miscellaneous	20,885	6	2,413	97		58	
Total additions	<u>217,531</u>	<u>28,016</u>	<u>9,906,401</u>	<u>478,846</u>	<u>3,612,858</u>	<u>283,244</u>	<u>9,698</u>
Deductions:							
Agency remittances:							
To other funds							
To other governments	212,458	30,438	9,991,688	442,541	3,521,715	295,375	9,176
Trusts paid out							
Total deductions	<u>212,458</u>	<u>30,438</u>	<u>9,991,688</u>	<u>442,541</u>	<u>3,521,715</u>	<u>295,375</u>	<u>9,176</u>
Balance end of year	<u><u>268,484</u></u>	<u><u>58,963</u></u>	<u><u>9,729,422</u></u>	<u><u>510,095</u></u>	<u><u>3,674,426</u></u>	<u><u>267,673</u></u>	<u><u>1,108</u></u>

HANCOCK COUNTY
Garner, Iowa

Schedule 4
(continued)

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year ended June 30, 2011

ASSETS AND LIABILITIES	Advance Tax	Agricultural Extension Education	Partial Tax Payments	Recorder Electronic Transaction Fee	Other	Total
Balance beginning of year	15,201	151,443	115	1,007	20,578	15,585,823
Additions:						
Property and other county tax		147,239			20,033	15,068,434
E-911 surcharge						93,498
State tax credits		5,697			775	575,864
Office fees and collections				8,364		438,431
Auto licenses, use tax and postage						3,308,480
Assessments						92,705
Trusts						171,847
Miscellaneous	11,744	31		10	4	37,159
Total additions	<u>11,744</u>	<u>152,967</u>		<u>8,374</u>	<u>20,812</u>	<u>19,786,418</u>
Deductions:						
Agency remittances:						
To other funds						457,092
To other governments		142,792			20,533	18,406,440
Trusts paid out				7,831		282,143
Total deductions		<u>142,792</u>		<u>7,831</u>	<u>20,533</u>	<u>19,145,675</u>
Balance end of year	<u>26,945</u>	<u>161,618</u>	<u>115</u>	<u>1,550</u>	<u>20,857</u>	<u>16,226,566</u>

See accompanying independent auditor's report.

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

	Modified Accrual Basis								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:									
Property and other county tax	\$ 4,208,608	4,154,689	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	38,081	43,061	32,951	39,036	28,197	31,087	28,282	28,236	32,693
Intergovernmental	5,316,464	5,519,798	5,906,982	5,701,445	6,672,034	5,465,711	5,373,825	5,220,159	4,349,814
Licenses and permits	16,374	14,185	8,450	25,143	4,970	3,525	1,075	2,850	3,613
Charges for service	462,115	436,017	466,361	493,421	490,931	465,932	457,339	420,296	399,495
Use of money and property	189,631	288,099	338,872	538,173	560,430	370,550	242,888	230,508	325,387
Miscellaneous	268,081	311,157	633,382	276,442	350,211	396,428	665,255	595,770	945,524
Total	\$ 10,499,354	10,767,006	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	\$ 1,373,179	1,342,131	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	1,366,563	1,882,320	1,967,479	2,365,677	2,583,799	2,040,593	1,961,517	2,290,820	1,326,664
Mental health	1,514,115	1,448,811	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	574,489	550,973	655,648	510,251	586,271	508,975	567,613	480,131	464,718
Roads and transportation	4,456,997	4,791,533	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	313,345	327,706	348,263	318,733	293,242	415,247	307,543	266,368	260,287
Administrative services	885,226	923,698	1,029,855	923,876	889,268	933,683	857,766	818,195	780,356
Non-program	630,786	461,774	400,873	244,663	139,548	367,547	323,713	210,263	849
Capital projects	768,016	492,029	392,388	1,102,830	423,639	1,069,725	225,081	204,308	682,308
Total	\$ 11,882,716	12,220,975	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, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Food Stamps	10.561		\$ 5,255
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO41(90)-8J-41	5,536
Highway Planning and Construction	20.205	BROS-CO41(91)-8J-41	40,396
Highway Planning and Construction	20.205	BROS-CO41(98)-8J-41	223,292
Highway Planning and Construction	20.205	BROS-CO41(99)-8J-41	156,214
Highway Planning and Construction	20.205	BROS-CO41(100)-8J-41	61,338
			<u>486,776</u>
U.S. Department of Health & Human Services:			
Iowa Department of Public Health:			
Emergency Preparedness	93.069	5888BT41	<u>20,224</u>
Care for Yourself	93.283	5881NB12	27,825
Get Screened	93.283	5881CRC06	3,315
Iowa Healthy Communities	93.283	58810B27	<u>19,267</u>
			<u>50,407</u>
U.S. Department of Health & Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee & Entrant Assistance	93.566		<u>4</u>
Child Care Development	93.596		<u>1,284</u>
Foster Care Title IV-E	93.658		<u>2,085</u>
Adoption Assistance	93.659		<u>505</u>
Children's Health Insurance Program	93.767		<u>24</u>
Medical Assistance Program	93.778		<u>5,044</u>
Social Services Block Grant	93.667		<u>1,797</u>
Social Services Block Grant	93.667		<u>36,427</u>
			<u>38,224</u>
Total			<u>\$ 609,832</u>

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 in this schedule is presented in accordance with 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, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated October 21, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify certain deficiencies in internal control which we consider to be a significant deficiency.

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, 2011 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. 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.

October 21, 2011

Renner & Birchem, P.C.

Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each
Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Hancock County:

Compliance

We have audited Hancock County, Garner Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2011. Hancock County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Hancock County's management. Our responsibility is to express an opinion on Hancock County's compliance based on our audit.

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

In our opinion Hancock County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2011.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify certain deficiencies in internal control over compliance we consider to be a material weakness or a significant deficiency.

A deficiency in the County's internal control over compliance exists when the design or operation of the control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

October 21, 2011

Renner & Birchem, P.C.

HANCOCK COUNTY
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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 program was CFDA Number 20.205 – Highway Planning and Construction.
- (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, 2011

Part II: Findings Related to the Financial Statements:

Significant Deficiencies

II-A-11 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-11 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.

HANCOCK COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

II-C-11 Authorized Signatures-One financial institution indicated that former treasurer Jean Bell was still listed as an authorized signer.

Recommendation-The treasurer should immediately have a new signature card in place with only the correct authorized signer. Whenever a change in authorized signature occurs all financial institutions must be notified and a new signature card completed.

Response-We have notified the bank.

Conclusion-Response accepted.

Instances of Non-Compliance

No matters were reported.

HANCOCK COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

No matters were reported.

HANCOCK COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget**-Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted which is in compliance with Chapter 384.20 of the Code of Iowa.
- IV-B-11 Questionable Expenditures**-We noted no expenditures that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-11 Travel Expense**-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-11 Business Transactions**-No business transactions between the County and County officials or employees were noted.
- IV-E-11 Bond Coverage**-Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes**-No transactions were found that we believe should have been approved in the board minutes but were not.
- IV-G-11 Deposits and Investments**-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-11 Resource Enhancement and Protection Certification**-The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV -I-11 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, 2011 did not exceed the amount budgeted.

HANCOCK COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

IV-J-11 Outstanding Checks-It was noted that the list of outstanding checks included checks outstanding for more than one year. Chapter 331.554(6) of the Code of Iowa states that checks outstanding for more than one year.

Recommendation-The amount of a check outstanding for more than one year shall be canceled, removed from the list of outstanding checks, deposited to the account on which the check was written, and credited as unclaimed fees and trusts. The treasurer shall maintain a list of the checks for one year after cancellation. A person may claim the amount of the canceled Treasurer's check for a period of one year after cancellation upon proof of ownership by filing a claim with the county auditor.

Response-We will comply with Code requirements.

Conclusion-Response accepted.