

HANCOCK COUNTY

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

June 30, 2012

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
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>		51-52
Schedule of Findings		53-55

HANCOCK COUNTY  
Garner, Iowa

OFFICIALS

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



**Renner &  
Birchem, PC**

**Certified Public Accountants**

*"Where people who care make the difference"*

DENNIS L. RENNER, CPA  
MICHAEL J. BIRCHEM, CPA, CFP®

109 SECOND STREET N.E. • MASON CITY, IOWA 50401  
4 MAIN AVENUE SOUTH • BRITT, IOWA 50423  
226 WEST 4TH STREET • ST. ANSGAR, IOWA 50472

(641) 423-7155  
(641) 843-3729  
(641) 736-4324  
(866) 259-3667

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, 2012, 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, 2012, 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 November 27, 2012 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.

U.S generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 11 and 37 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing

standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. . Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 27, 2012



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, 2012. We encourage readers to consider this information in conjunction with the county's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- Hancock County governmental funds revenue decreased 2.9%, or approximately \$328,000 from 2011; capital grants, contributions and restricted interest decreased approximately \$311,000, charges for services decreased approximately \$49,000 and local option sales tax decreased approximately \$19,000.
- Hancock County 2012 program expenses were \$109,000 more than 2011. Secondary road expenses increased approximately \$712,000.
- The County's net assets decreased 7.0%, or approximately \$1,512,000 at June 30, 2012.

### **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 \$1.5 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	
		2012	2011
Current and other assets	\$	9,899	10,730
Capital assets		14,820	15,095
	Total assets	24,719	25,825
Long term liabilities		694	515
Other liabilities		4,958	4,732
	Total liabilities	5,652	5,247
Net assets			
Invested in capital assets		14,820	15,095
Restricted		3,409	4,487
Unrestricted		838	996
	Total net assets	\$ 19,067	20,578

Net assets of the County's governmental activities decreased by 7.0%. 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 \$0.8 million at June 30, 2012.

Changes in Net Assets of Governmental Activities			
(Expressed in Thousands)			
		Year ended June 30	
		2012	2011
Revenues:			
Program revenues:			
Charges for service	\$	1,238	1,287
Operating grants, contributions and restricted interest		3,669	3,693
Capital grants, contributions and restricted interest		331	642
General revenues:			
Property tax		4,014	3,752
Penalty and interest on property tax		34	38
State tax credits		145	144
Local option sales tax		426	445
Grants and contributions not restricted to specific purposes		187	283
Unrestricted investment earnings		196	190
Other general revenues		643	737
Total revenues:		10,883	11,211
Program expenses:			
Public safety and legal services		1,500	1,454
Physical health and social service		966	1,383
Mental health		1,380	1,514
County environment and education		539	600
Roads and transportation		5,922	5,210
Governmental services to residents		359	348
Administration		1,164	1,146
Non-program		565	631
Total expenses:		12,395	12,286
Increase <decrease> in net assets		<1,512>	<1,075>
Net assets beginning of year		20,578	21,653
Net assets end of year	\$	19,066	20,578

The results of governmental activities for the year resulted in Hancock County's net assets decreasing by approximately \$1,512,000. Revenues for governmental activities decreased by approximately \$328,000 over the prior year.

The cost of all governmental activities this year was \$12.4 million compared to \$12.3 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 (\$1,238,341) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,00,158).

## THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$4.6 million, which is \$1.0 million less than last year's total of \$5.6 million. The County funds expended approximately \$994,194 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 \$72,139 to \$1,119,331. 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 \$1,379,581, a decrease of 8.9% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$156,115 over the prior year and reflects a balance of \$61,304.
- Secondary Roads Fund expenditures increased by approximately \$588,401 over the prior year. The County continues to aggressively upgrade and maintain the condition of the County roadway system but weather conditions in early Spring can create problems with bridge and road construction. The Secondary Road Fund balance at year end increased by approximately \$15,329 over the prior year.
- The Secondary Road Highway 111 Fund balance decreased by \$691,733 over the prior year and reflects a balance of \$888,688.
- The Mokry Trust Fund balance decreased by \$9,243 over the prior year and reflects a balance of \$808,059.

## 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 two times. The amendments resulted in an increase in budgeted disbursements of \$703,000.

None of the amendments made during the 2012 fiscal year should have any impact on the 2013 fiscal year's budget.

## CAPITAL ASSETS

At June 30, 2012 Hancock County had approximately \$14.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net decrease (including additions and deletions and depreciation) of approximately \$275,000 or 1.8% from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	2012	2011
Land	357	357
Buildings and improvements	4,882	5,053
Machinery and equipment	1,888	1,962
Infrastructure	7,693	7,723
Totals	14,820	15,095

The County had depreciation expense of \$1,253,126 for the year ended June 30, 2012 and total accumulation depreciation as of June 30, 2012 of \$25,288,293.

The County's fiscal year 2012 capital budget included \$632,000 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 2013 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, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 4,177,284
Receivables:	
Property tax:	
Delinquent	8,253
Succeeding year	4,543,043
Accounts	79,715
Accrued interest	4,026
Drainage assessments	384,934
Due from other governments	270,830
Inventories	352,891
Prepaid insurance	78,162
Capital assets (net of accumulated depreciation)	14,819,592
<b>Total assets</b>	<u><b>24,718,730</b></u>
<b>Liabilities</b>	
Accounts payable	264,323
Salaries and benefits payable	150,553
Deferred revenue:	
Succeeding year property tax	4,543,043
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	50,015
Portion due or payable after one year:	
Drainage district warrants and certificates payable	417,585
Net OPEB liability	226,807
<b>Total liabilities</b>	<u><b>5,652,326</b></u>
<b>Net Assets</b>	
Invested in capital assets net of related debt	14,819,592
Restricted for:	
Supplemental levy purposes	3,625
Mental health purposes	62,786
Rural services purposes	207,411
Secondary roads purposes	1,049,028
Other purposes	2,086,246
Unrestricted	837,716
<b>Total net assets</b>	<u><u><b>\$ 19,066,404</b></u></u>

See notes to financial statements.

Hancock County  
Garner, Iowa

Exhibit B

Statement of Activities  
Year ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,499,952	62,628			(1,437,324)
Physical health and social services	965,967	450,296	270,321		(245,350)
Mental health	1,379,581	63,370	526,257		(789,954)
County environment and education	539,334	76,636	27,941		(434,757)
Roads & transportation	5,922,194	286,283	2,832,214	331,371	(2,472,326)
Governmental services to residents	358,459	211,194	10,000		(137,265)
Administration	1,164,432	4,669	2,054		(1,157,709)
Non-program	565,434	83,265			(482,169)
<b>Total</b>	<b>\$ 12,395,353</b>	<b>1,238,341</b>	<b>3,668,787</b>	<b>331,371</b>	<b>(7,156,854)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					4,013,823
Penalty and interest on property tax					33,827
State tax credits					144,731
Local option sales tax					425,654
Grants and contributions not restricted to specific purpose					186,954
Unrestricted investment earnings					195,945
Miscellaneous					644,365
<b>Total general revenues</b>					<b>5,645,299</b>
<b>Change in net assets</b>					<b>(1,511,555)</b>
<b>Net assets beginning of year</b>					<b>20,577,959</b>
<b>Net assets end of year</b>					<b>\$ 19,066,404</b>

See notes to financial statements.

Hancock County  
Garner, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2012

Assets	Special Revenue							Total
	General	Mental Health	Rural Services	Secondary Roads	Secondary Roads Hwy 111	Mokry Poor Trust	Nonmajor Special Revenue	
Cash and pooled investments	\$ 1,127,331	134,472	140,807	669,020	888,688	812,425	382,710	4,155,453
Receivables:								
Property tax:								
Delinquent	5,822	1,545	886					8,253
Succeeding year	2,452,142	617,171	1,473,730					4,543,043
Accounts	45,177			8,262			26,276	79,715
Accrued interest	4,026							4,026
Drainage assessments							384,934	384,934
Due from other governments	2,640		70,700	190,357			7,133	270,830
Inventories				352,891				352,891
Prepaid insurance	32,354			36,878			8,930	78,162
<b>Total assets</b>	<b>\$ 3,669,492</b>	<b>753,188</b>	<b>1,686,123</b>	<b>1,257,408</b>	<b>888,688</b>	<b>812,425</b>	<b>809,983</b>	<b>9,877,307</b>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 33,984	72,306	1,707	122,083		4,366	29,877	264,323
Salaries and benefits payable	59,251	925	2,404	60,766			27,207	150,553
Deferred revenue:								
Succeeding year property tax	2,452,142	617,171	1,473,730					4,543,043
Other	4,784	1,482	871				293,037	300,174
<b>Total liabilities</b>	<b>2,550,161</b>	<b>691,884</b>	<b>1,478,712</b>	<b>182,849</b>		<b>4,366</b>	<b>350,121</b>	<b>5,258,093</b>
Fund balances:								
Nonspendable:								
Inventories				352,891				352,891
Prepaid insurance	32,354			36,878			8,930	78,162
Trust							30,000	30,000
Restricted for:								
Supplemental levy purposes	3,625							3,625
Mental health purposes		61,304						61,304
Rural service purposes			207,411					207,411
Secondary roads purposes				684,790				684,790
Drainage							124,548	124,548
Other purposes					888,688	808,059	296,384	1,993,131
Unassigned	1,083,352							1,083,352
<b>Total fund balances</b>	<b>1,119,331</b>	<b>61,304</b>	<b>207,411</b>	<b>1,074,559</b>	<b>888,688</b>	<b>808,059</b>	<b>459,862</b>	<b>4,619,214</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,669,492</b>	<b>753,188</b>	<b>1,686,123</b>	<b>1,257,408</b>	<b>888,688</b>	<b>812,425</b>	<b>809,983</b>	<b>9,877,307</b>

See notes to financial statements.

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

June 30, 2012

<b>Total governmental fund balances (page 15)</b>	<b>\$ 4,619,214</b>
<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 governmental funds. The cost of assets is \$40,107,885 and the accumulated depreciation is \$25,288,293.	14,819,592
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	300,174
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.	21,831
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>(694,407)</u>
<b>Net assets of governmental activities (page 13)</b>	<b><u>\$ 19,066,404</u></b>

See notes to financial statements.

Hancock County  
Garner, Iowa

Exhibit E

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

Year ended June 30, 2012

	Special Revenue						Total	
	General	Mental Health	Rural Services	Secondary Roads	Secondary Roads Hwy 111	Mokry Poor Trust		Nonmajor Governmental
<b>Revenue:</b>								
Property and other county tax	\$ 2,271,239	602,634	1,564,624				584	4,439,081
Interest and penalty on property tax	33,827							33,827
Intergovernmental	207,352	611,543	40,211	3,247,837			662,169	4,769,112
Licenses and permits				2,030			19,054	21,084
Charges for services	287,311						144,214	431,525
Use of money and property	142,777			37,593	8,267	5,758	1,256	195,651
Miscellaneous	27,325	9,289	37	286,283			42,315	365,249
<b>Total revenues</b>	<u>2,969,831</u>	<u>1,223,466</u>	<u>1,604,872</u>	<u>3,573,743</u>	<u>8,267</u>	<u>5,758</u>	<u>869,592</u>	<u>10,255,529</u>
<b>Expenditures:</b>								
<b>Operating:</b>								
Public safety and legal services	1,360,688		81,669				5,950	1,448,307
Physical health and social services	85,273					4,375	861,413	951,061
Mental health		1,379,581						1,379,581
County environment and education	18,356		200,157				247,672	466,185
Roads and transportation				5,247,207				5,247,207
Governmental services to residents	311,168		7,301				2,232	320,701
Administration	901,337		2,454					903,791
Non-program	148					10,626	554,660	565,434
Capital projects				561,207			75,511	636,718
<b>Total expenditures</b>	<u>2,676,970</u>	<u>1,379,581</u>	<u>291,581</u>	<u>5,808,414</u>	<u></u>	<u>15,001</u>	<u>1,747,438</u>	<u>11,918,985</u>
Excess(deficiency) of revenues over (under) expenditures	<u>292,861</u>	<u>(156,115)</u>	<u>1,313,291</u>	<u>(2,234,671)</u>	<u>8,267</u>	<u>(9,243)</u>	<u>(877,846)</u>	<u>(1,663,456)</u>
<b>Other financing sources (uses):</b>								
Operating transfers in				2,250,000			365,000	2,615,000
Operating transfers out	(365,000)		(1,550,000)		(700,000)			(2,615,000)
Drainage proceeds							669,262	669,262
<b>Total other financing sources (uses)</b>	<u>(365,000)</u>	<u></u>	<u>(1,550,000)</u>	<u>2,250,000</u>	<u>(700,000)</u>	<u></u>	<u>1,034,262</u>	<u>669,262</u>
<b>Net change in fund balances</b>	<u>(72,139)</u>	<u>(156,115)</u>	<u>(236,709)</u>	<u>15,329</u>	<u>(691,733)</u>	<u>(9,243)</u>	<u>156,416</u>	<u>(994,194)</u>
Fund balances beginning of year	1,191,470	217,419	444,120	1,059,230	1,580,421	817,302	303,446	5,613,408
<b>Fund balances end of year</b>	<u>\$ 1,119,331</u>	<u>61,304</u>	<u>207,411</u>	<u>1,074,559</u>	<u>888,688</u>	<u>808,059</u>	<u>459,862</u>	<u>4,619,214</u>

See notes to financial statements.

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

June 30, 2012

**Net change in fund balances - Total governmental fund (page 17)** \$ (994,194)

*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	986,550	
Depreciation expense	(1,253,126)	
Disposition of assets	<u>(8,750)</u>	(275,326)

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	395	
Other	<u>(24,017)</u>	(23,622)

Repayment of drainage warrants more than current year issues. (92,179)

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	(4,725)	
Other postemployment benefits	<u>(82,662)</u>	(87,387)

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.

(38,847)

**Change in net assets of governmental activities (page 14)** \$ (1,511,555)

See notes to financial statements.

Hancock County  
Garner, Iowa

Exhibit G

Statement of Net Assets

Proprietary Fund

June 30, 2012

	<u>Medical Benefits</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 21,831</u>
Total assets	<u>21,831</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 21,831</u></u>

See notes to financial statements.

Hancock County  
Garner, Iowa

Exhibit H

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

Proprietary Fund

Year ended June 30, 2012

	<u>Medical Benefits</u>
Operating revenues:	
Reimbursements	\$ 1,163,362
Operating expenses:	
Medical claims	<u>1,202,502</u>
Operating income (loss)	(39,140)
Non-operating revenues:	
Interest	<u>293</u>
Net income (loss)	(38,847)
Net assets beginning of year	<u>60,678</u>
Net assets end of year	<u><u>\$ 21,831</u></u>

See notes to financial statements.

Hancock County  
Garner, Iowa

Exhibit I

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2012

	<u>Medical Benefits</u>
Cash flows from operating activities:	
Cash received from reimbursements	\$ 1,163,362
Cash payments to suppliers for services	<u>1,202,502</u>
Net cash provided (used) by operating activities	(39,140)
Cash flows from investing activities:	
Interest on investments	<u>293</u>
Net increase (decrease) in cash and cash equivalents	(38,847)
Cash and cash equivalents at beginning of year	<u>60,678</u>
Cash and cash equivalents at end of year	<u>\$ 21,831</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income (loss)	<u>\$ (39,140)</u>
Net cash provided (used) by operating activities	<u>\$ (39,140)</u>

See notes to financial statements.

Hancock County  
Garner, Iowa

Exhibit J

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2012

**Assets**

Cash and pooled investments:

County Treasurer	\$	712,271
Other County officials		48,288

Property tax receivable:

Delinquent		53,452
Succeeding year		15,584,053

Accounts receivable		28,407
---------------------	--	--------

Prepaid insurance		520
-------------------	--	-----

Total assets	\$	<u>16,426,991</u>
--------------	----	-------------------

**Liabilities**

Accounts payable	\$	3,383
------------------	----	-------

Salaries and benefits payable		7,511
-------------------------------	--	-------

Due to other governments		16,377,013
--------------------------	--	------------

Trust payable		38,276
---------------	--	--------

Compensated absences		808
----------------------	--	-----

Total liabilities		<u>16,426,991</u>
-------------------	--	-------------------

Net assets	\$	<u><u>-</u></u>
------------	----	-----------------

See notes to financial statements.

HANCOCK COUNTY  
Garner, Iowa

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues 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 Morry 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

**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, 2012, 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, 2012. 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 the preceding 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. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the non-program function.

2. **Cash and Pooled Investments**

The County's deposits at June 30, 2012 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, 2012 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$1,550,000
	Secondary Roads Hwy 111	<u>700,000</u>
		2,250,000
Public Health Nurses	General	175,000
Conservation	General	<u>190,000</u>
		<u>\$2,615,000</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, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 356,891			356,891
Total capital assets not being depreciated	<u>356,891</u>			<u>356,891</u>
Capital assets being depreciated:				
Buildings	7,931,961			7,931,961
Machinery and equipment	8,198,838	445,303	(8,750)	8,635,391
Infrastructure	22,642,395	541,247		23,183,642
Total capital assets being depreciated	<u>38,773,194</u>	<u>986,550</u>	<u>(8,750)</u>	<u>39,750,994</u>
Less accumulated depreciation for:				
Buildings	2,878,652	171,374		3,050,026
Machinery and equipment	6,237,326	510,143		6,747,469
Infrastructure, road network	14,919,189	571,609		15,490,798
Total accumulated depreciation	<u>24,035,167</u>	<u>1,253,126</u>		<u>25,288,293</u>
Total capital assets being depreciated, net	<u>14,738,027</u>	<u>(266,576)</u>	<u>(8,750)</u>	<u>14,462,701</u>
Governmental activities capital assets, net	<u><u>15,094,918</u></u>	<u><u>(266,576)</u></u>	<u><u>(8,750)</u></u>	<u><u>14,819,592</u></u>

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

Governmental activities:	
Public safety and legal services	\$ 79,251
Physical health and social services	17,279
County environment and education	32,494
Roads and transportation	962,950
Governmental services to residents	32,676
Administrative services	128,476
Total depreciation expense - Governmental activities	<u><u>\$ 1,253,126</u></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	\$ 9,768,690
Community Colleges		525,872
Corporations		3,737,799
Auto License & Use Tax		266,312
Townships		265,721
County Hospital		1,052,379
All other		<u>760,240</u>
Total for agency funds		<u>\$16,377,013</u>

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

A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 325,406	45,290	144,145	514,841
Increases	761,441	4,725	82,662	848,828
Decreases	<u>(669,262)</u>			<u>(669,262)</u>
Balance end of year	<u>\$ 417,585</u>	<u>50,015</u>	<u>226,807</u>	<u>694,407</u>
Due within one year		<u>50,015</u>		<u>50,015</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 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$291,580, \$278,737, and \$270,260 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 78 active and 2 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, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 90,009
Interest on net OPEB obligation	3,604
Adjustment to annual required contribution	<u>(8,303)</u>
Annual OPEB cost	85,310
Contributions made-implicit	<u>(2,648)</u>
Increase in net OPEB obligation	82,662
Net OPEB obligation beginning of year	<u>144,145</u>
Net OPEB obligation end of year	<u>\$ 226,807</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, 2012.

For the year ended June 30, 2012, the County contributed \$2,648 to the medical plan. Plan members eligible for benefits contributed \$30,862.

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
June 30, 2012	85,310	3.1%	226,807

**Funded Status and Funding Progress.** As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$581,101, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$581,101. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,191,073 and the ratio of the UAAL to covered payroll was 18.2%. As of June 30, 2012, 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 for the Retiree Health Plan, 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 \$568 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, 2012 principal of \$170,000 and interest of \$17,445 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, 2012 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Hospital General</u> <u>Obligation County Bonds</u>			<u>Revenue Bond</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>

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, 2012

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final Variance to Net
				Original	Final	
<b>Receipts:</b>						
Property and other county tax	\$ 4,448,331		4,448,331	4,380,176	4,380,176	68,155
Interest and penalty on property tax	33,827		33,827	36,500	36,500	(2,673)
Intergovernmental	4,851,995		4,851,995	5,098,761	5,113,255	(261,260)
Licenses and permits	19,804		19,804	26,355	26,355	(6,551)
Charges for services	434,129		434,129	442,265	442,265	(8,136)
Use of money and property	186,616		186,616	223,174	223,174	(36,558)
Miscellaneous	395,227	1,594	393,633	223,655	223,655	169,978
<b>Total receipts</b>	<b>10,369,929</b>	<b>1,594</b>	<b>10,368,335</b>	<b>10,430,886</b>	<b>10,445,380</b>	<b>(77,045)</b>
<b>Disbursements:</b>						
Public safety and legal services	1,443,303		1,443,303	1,427,597	1,465,597	22,294
Physical health and social services	967,202		967,202	1,487,731	1,487,731	520,529
Mental health	1,548,773		1,548,773	1,549,000	1,549,000	227
County environment and education services	465,609		465,609	510,651	570,651	105,042
Roads and transportation	5,368,369		5,368,369	4,839,800	5,439,800	71,431
Governmental services to residents	319,605		319,605	350,059	350,059	30,454
Administration	896,387		896,387	936,559	936,559	40,172
Non-program	561,693	554,660	7,033	1,700	6,700	(333)
Capital projects	625,549		625,549	632,000	632,000	6,451
<b>Total disbursements</b>	<b>12,196,490</b>	<b>554,660</b>	<b>11,641,830</b>	<b>11,735,097</b>	<b>12,438,097</b>	<b>796,267</b>
Excess (deficiency) of receipts over (under) disbursements	(1,826,561)	(553,066)	(1,273,495)	(1,304,211)	(1,992,717)	719,222
Other financing sources, net	669,262	669,262				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,157,299)	116,196	(1,273,495)	(1,304,211)	(1,992,717)	719,222
Balance beginning of year	5,404,878	8,352	5,396,526	5,262,720	5,262,720	133,806
Balance end of year	\$ 4,247,579	124,548	4,123,031	3,958,509	3,270,003	853,028

See accompanying independent auditor's report.

Hancock County  
Garner, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,369,929	(114,400)	10,255,529
Expenditures	12,196,490	(277,505)	11,918,985
Net	(1,826,561)	163,105	(1,663,456)
Other financing sources, net	669,262		669,262
Beginning fund balances	5,404,878	208,530	5,613,408
Ending fund balances	\$ 4,247,579	371,635	4,619,214

See accompanying independent auditor's report.

Hancock County  
Garner, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$703,000. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the non-program function.

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%
2012	July 1, 2009	-	581,101	581,101	0.0%	3,191,000	18.2%

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.

**SUPPLEMENTARY INFORMATION**

HANCOCK COUNTY  
Garnier, Iowa

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2012

ASSETS	Communi- cations Revolving	Public Health Nurses	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorders Records Management	Funnemark Trust	Total
Cash and pooled investments	\$ 64,081	107,311	32,651	20,236	35,678	43,418	42,893	36,442	382,710
Receivables:									
Accounts		18,376			7,248		652		26,276
Drainage assessments			384,934						384,934
Due from other governments		7,133							7,133
Prepaid insurance		5,766			3,164				8,930
<b>TOTAL ASSETS</b>	<b>64,081</b>	<b>138,586</b>	<b>417,585</b>	<b>20,236</b>	<b>46,090</b>	<b>43,418</b>	<b>43,545</b>	<b>36,442</b>	<b>809,983</b>
<b>LIABILITIES AND FUND EQUITY</b>									
Liabilities:									
Accounts payable		16,075		247	13,555				29,877
Salaries and benefits payable		20,020			7,187				27,207
Deferred revenue:									
Other			293,037						293,037
Total liabilities		36,095	293,037		20,742				350,121
Fund balances:									
Nonspendable:									
Prepaid insurance		5,766			3,164				8,930
Trust								30,000	30,000
Restricted for:									
Drainage			124,548						124,548
Other purposes	64,081	96,725		19,989	22,184	43,418	43,545	6,442	296,384
Total fund equity	64,081	102,491	124,548	19,989	25,348	43,418	43,545	36,442	459,862
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 64,081</b>	<b>138,586</b>	<b>417,585</b>	<b>19,989</b>	<b>46,090</b>	<b>43,418</b>	<b>43,545</b>	<b>36,442</b>	<b>809,983</b>

See accompanying independent auditor's report.

HANCOCK COUNTY  
Gamer, Iowa

Schedule 2

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
Year ended June 30, 2012

	Communi- cations Revolving	Public Health Nurses	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorder's Records Management	Funnemark Trust	Total
<b>REVENUES:</b>									
Property and other county tax					584				584
Intergovernmental		634,228			7,500	20,441			662,169
License and permits		19,054							19,054
Charges for services		76,397			65,213		2,604		144,214
Uses of money and property					271	424	306	255	1,256
Miscellaneous		35,904	1,594	1,640	3,177				42,315
Total revenues		<u>765,583</u>	<u>1,594</u>	<u>1,640</u>	<u>76,745</u>	<u>20,865</u>	<u>2,910</u>	<u>255</u>	<u>869,592</u>
<b>EXPENDITURES:</b>									
<b>Operating:</b>									
Public safety and legal service	\$ 5,950								5,950
Physical health and social services		861,413							861,413
County environment and education					247,672				247,672
Governmental services to residents							2,232		2,232
Capital projects				16,793		58,718			75,511
Non-Program			554,660						554,660
Total expenditures	<u>5,950</u>	<u>861,413</u>	<u>554,660</u>	<u>16,793</u>	<u>247,672</u>	<u>58,718</u>	<u>2,232</u>		<u>1,747,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,950)</u>	<u>(95,830)</u>	<u>(553,066)</u>	<u>(15,153)</u>	<u>(170,927)</u>	<u>(37,853)</u>	<u>678</u>	<u>255</u>	<u>(877,846)</u>
<b>Other financing sources (uses):</b>									
Drainage proceeds			669,262						669,262
Transfers in		175,000			190,000				365,000
Total other financing sources (uses):		<u>175,000</u>	<u>669,262</u>		<u>190,000</u>				<u>1,034,262</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	<u>(5,950)</u>	<u>79,170</u>	<u>116,196</u>	<u>(15,153)</u>	<u>19,073</u>	<u>(37,853)</u>	<u>678</u>	<u>255</u>	<u>156,416</u>
Fund balances beginning of year	<u>70,031</u>	<u>23,321</u>	<u>8,352</u>	<u>35,142</u>	<u>6,275</u>	<u>81,271</u>	<u>42,867</u>	<u>36,187</u>	<u>303,446</u>
Fund balances end of year	<u>\$ 64,081</u>	<u>102,491</u>	<u>124,548</u>	<u>19,989</u>	<u>25,348</u>	<u>43,418</u>	<u>43,545</u>	<u>36,442</u>	<u>459,862</u>

See accompanying independent auditor's report.

HANCOCK COUNTY  
Garner, Iowa

Schedule 3

AGENCY FUNDS  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2012

	County Hospital	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	County Offices		Emergency Management Services
					Recorder	Sheriff	
<b>ASSETS</b>							
Cash and pooled investments:							
County treasurer	\$ 10,309	266,312	1,231	136,864			21,836
Other County officials					27,857	20,431	
Receivables:							
Property tax:							
Delinquent	2,540		6				
Succeeding year	1,039,530		2,593				
Accounts				21,394			
Prepaid insurance							6,807
<b>TOTAL ASSETS</b>	<u><u>1,052,379</u></u>	<u><u>266,312</u></u>	<u><u>3,830</u></u>	<u><u>158,258</u></u>	<u><u>27,857</u></u>	<u><u>20,431</u></u>	<u><u>28,643</u></u>
<b>LIABILITIES</b>							
Salaries payable							2,024
Accounts payable				1,231			598
Due to other governments	1,052,379	266,312	3,830	157,027	10,012		26,021
Trusts payable					17,845		
Compensated absences						20,431	
<b>TOTAL LIABILITIES</b>	<u><u>\$ 1,052,379</u></u>	<u><u>266,312</u></u>	<u><u>3,830</u></u>	<u><u>158,258</u></u>	<u><u>27,857</u></u>	<u><u>20,431</u></u>	<u><u>28,643</u></u>

HANCOCK COUNTY  
Garner, Iowa

Schedule 3  
(continued)

AGENCY FUNDS  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2012

	County Assessor	Special Appraiser	Schools	Community Colleges	Corporations	Townships
<b>ASSETS</b>						
Cash and pooled investments:						
County treasurer	73,261	32,015	101,010	5,161	30,139	2,739
Other County officials						
Receivables:						
Property tax:						
Delinquent	518	50	25,965	1,280	22,473	165
Succeeding year	247,206		9,641,715	519,431	3,685,187	262,817
Accounts						
Prepaid insurance	520					
<b>TOTAL ASSETS</b>	<u>321,505</u>	<u>32,065</u>	<u>9,768,690</u>	<u>525,872</u>	<u>3,737,799</u>	<u>265,721</u>
<b>LIABILITIES</b>						
Salaries payable	5,487					
Accounts payable	1,554					
Due to other governments	313,656	32,065	9,768,690	525,872	3,737,799	265,721
Trusts payable						
Compensated absences	808					
<b>TOTAL LIABILITIES</b>	<u>321,505</u>	<u>32,065</u>	<u>9,768,690</u>	<u>525,872</u>	<u>3,737,799</u>	<u>265,721</u>

HANCOCK COUNTY  
Garner, Iowa

Schedule 3  
(continued)

AGENCY FUNDS  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2012

	Advance Tax	Ag Extension Education	Parital Tax Payment	Recorder Electronic Transaction Fee	Other	Total
<b>ASSETS</b>						
Cash and pooled investments:						
County treasurer	29,213	1,634	115	221	211	712,271
Other County officials						48,288
Receivables:						
Property tax:						
Delinquent		403			52	53,452
Succeeding year		164,785			20,789	15,584,053
Accounts				206		28,407
Prepaid insurance						520
<b>TOTAL ASSETS</b>	<u>29,213</u>	<u>166,822</u>	<u>115</u>	<u>427</u>	<u>21,052</u>	<u>16,426,991</u>
<b>LIABILITIES</b>						
Salaries payable						7,511
Accounts payable						3,383
Due to other governments	29,213	166,822	115	427	21,052	16,377,013
Trusts payable						38,276
Compensated absences						808
<b>TOTAL LIABILITIES</b>	<u>29,213</u>	<u>166,822</u>	<u>115</u>	<u>427</u>	<u>21,052</u>	<u>16,426,991</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, 2012

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	\$ 1,019,406	276,289	3,614	134,209		28,566	17,194	26,032
Additions:								
Property and other county tax	990,843		2,395					
E-911 surcharge				97,075				
State tax credits	36,036		87					
Office fees and collections					12,323	234,897	106,698	
Auto licenses, use tax and postage		3,444,234						
Assessments								75,231
Trusts							140,488	
Miscellaneous				1,071				63
Total additions	1,026,879	3,444,234	2,482	98,146	12,323	234,897	247,186	75,294
Deductions:								
Agency remittances:								
To other funds		135,647						
To other governments	993,906	3,318,564	2,266	74,097	12,323	103,673	104,803	
Trusts paid out								72,683
Total deductions	993,906	3,454,211	2,266	74,097	12,323	131,933	139,146	72,683
Balance end of year	\$ 1,052,379	266,312	3,830	158,258		27,857	20,431	28,643

HANCOCK COUNTY  
Garner, Iowa

Schedule 4  
(continued)

AGENCY FUNDS  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
Year ended June 30, 2012

ASSETS AND LIABILITIES	County Assessor	Special Appraiser	Schools	Community Colleges	Corporation	Townships	City Special Assessments
Balance beginning of year	268,484	58,963	9,729,422	510,095	3,674,426	267,673	1,108
<b>Additions:</b>							
Property and other county tax	201,984	19,328	9,428,869	495,841	3,570,648	260,626	
E-911 surcharge							
State tax credits	7,346	703	348,249	18,039	118,312	9,312	
Office fees and collections							
Auto licenses, use tax and postage							
Assessments							20,474
Trusts							
Miscellaneous	21,358						
Total additions	230,688	20,031	9,777,118	513,880	3,688,960	269,938	20,474
<b>Deductions:</b>							
<b>Agency remittances:</b>							
To other funds							
To other governments	177,667	46,929	9,737,850	498,103	3,625,587	271,890	21,582
Trusts paid out							
Total deductions	177,667	46,929	9,737,850	498,103	3,625,587	271,890	21,582
Balance end of year	321,505	32,065	9,768,690	525,872	3,737,799	265,721	

HANCOCK COUNTY  
Garner, Iowa

Schedule 4  
(continued)

AGENCY FUNDS  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
Year ended June 30, 2012

ASSETS AND LIABILITIES	Advance Tax	Agricultural Extension Education	Partial Tax Payments	Recorder Electronic Transaction Fee	Other	Total
Balance beginning of year	26,945	161,618	115	1,550	20,857	16,226,566
Additions:						
Property and other county tax		157,090			20,258	15,147,882
E-911 surcharge						97,075
State tax credits		5,713			737	544,534
Office fees and collections				2,604		356,522
Auto licenses, use tax and postage						3,444,234
Assessments						95,705
Trusts						140,488
Miscellaneous	2,268			1		24,761
Total additions	<u>2,268</u>	<u>162,803</u>		<u>2,605</u>	<u>20,995</u>	<u>19,851,201</u>
Deductions:						
Agency remittances:						
To other funds						356,446
To other governments		157,599			20,800	19,019,523
Trusts paid out				3,728		274,807
Total deductions		<u>157,599</u>		<u>3,728</u>	<u>20,800</u>	<u>19,650,776</u>
Balance end of year	<u>29,213</u>	<u>166,822</u>	<u>115</u>	<u>427</u>	<u>21,052</u>	<u>16,426,991</u>

See accompanying independent auditor's report.

HANCOCK COUNTY  
Garner, Iowa

Schedule 5

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

	Modified Accrual Basis									
	2012	2,011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues:</b>										
Property and other county tax	\$ 4,439,081	4,195,541	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	33,827	38,081	43,061	32,951	39,036	28,197	31,087	28,282	28,236	32,693
Intergovernmental	4,769,112	5,329,531	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	21,084	16,374	14,185	8,450	25,143	4,970	3,525	1,075	2,850	3,613
Charges for service	431,525	462,115	436,017	466,361	493,421	490,931	465,932	457,339	420,296	399,495
Use of money and property	195,651	189,631	288,099	338,872	538,173	560,430	370,550	242,888	230,508	325,387
Miscellaneous	365,249	268,081	311,157	633,382	276,442	350,211	396,428	665,255	595,770	945,524
Total	\$ 10,255,529	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
<b>Expenditures:</b>										
<b>Current:</b>										
Public safety and legal services	\$ 1,448,307	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	951,061	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	1,379,581	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	466,185	574,489	550,973	655,648	510,251	586,271	508,975	567,613	480,131	464,718
Roads and transportation	5,247,207	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	320,701	313,345	327,706	348,263	318,733	293,242	415,247	307,543	266,368	260,287
Administrative services	903,791	885,226	923,698	1,029,855	923,876	889,268	933,683	857,766	818,195	780,356
Non-program	565,434	630,786	461,774	400,873	244,663	139,548	367,547	323,713	210,263	849
Capital projects	636,718	768,016	492,029	392,388	1,102,830	423,639	1,069,725	225,081	204,308	682,308
Total	\$ 11,918,985	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.



DENNIS L. RENNER, CPA  
MICHAEL J. BIRCHEM, CPA, CFP®

109 SECOND STREET N.E. • MASON CITY, IOWA 50401  
4 MAIN AVENUE SOUTH • BRITT, IOWA 50423  
226 WEST 4TH STREET • ST. ANSGAR, IOWA 50472

(641) 423-7155  
(641) 843-3729  
(641) 736-4324  
(866) 259-3667

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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated November 27, 2012. 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

The management of Hancock County is responsible for establishing and maintaining effective 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 described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 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 consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-12 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 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, and 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.

November 27, 2012

  
Renner & Birchem, P.C.

# HANCOCK COUNTY

## Schedule of Findings

Year ended June 30, 2012

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

#### **Internal Control Deficiencies**

**I-A-12** **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.

**I-B-12** **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**

**Year ended June 30, 2012**

**Part I: Findings Related to the Financial Statements: (continued)**

**I-C-12 Miscellaneous Receipts**-During our audit procedures it was determined that not all receipt numbers were not accounted for in the miscellaneous receipt listing.

**Recommendation**-The County should ensure that all miscellaneous receipt numbers are accounted for even if voided.

**Response**-We have contacted computer software support to account for all miscellaneous receipts.

**Conclusion**-Response accepted.

**Instances of Non-Compliance**

No matters were reported.

# HANCOCK COUNTY

## Schedule of Findings

Year ended June 30, 2012

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

**II-A-12 Certified Budget**-Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the non-program function.

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

**Response**-We will amend the budget when required.

**Conclusion**-Response accepted.

**II-B-12 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.

**II-C-12 Travel Expense**-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

**II-D-12 Business Transactions**-No business transactions between the County and County officials or employees were noted.

**II-E-12 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.

**II-F-12 Board Minutes**-No transactions were found that we believe should have been approved in the board minutes but were not.

**II-G-12 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.

**II-H-12 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).

**II-I-12 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, 2012 did not exceed the amount budgeted.