

HANCOCK COUNTY

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

June 30, 2013

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HANCOCK COUNTY
Garner, Iowa

OFFICIALS

(Before January 2013)

<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

(After January 2013)

Ted Hall	Board of Supervisors	Jan 2015
Florence Thomas-Greiman	Board of Supervisors	Jan 2015
Jerry Tlach	Board of Supervisors	Jan 2017
Michelle Eisenman	County Auditor	Jan 2017
Deborah Engstler	County Treasurer	Jan 2015
June Brady	County Recorder	Jan 2015
Scott Dodd	County Sheriff	Jan 2017
David Solheim	County Attorney	Jan 2015
Marianne Welsch	County Assessor	Appointed



Renner & Birchem, PC

Certified Public Accountants

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Independent Auditor's Report

To the Board of Supervisors
Hancock County
Garner, Iowa

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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.

The supplementary 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. Such 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2014 on our consideration of Hancock County's internal control over financial reporting and on 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 in considering Hancock County's internal control over financial reporting and compliance.

January 24, 2014


Renner & Birchem, P.C.
Britt, Iowa

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, 2013. We encourage readers to consider this information in conjunction with the county's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Hancock County governmental funds revenue decreased 4.2%, or approximately \$459,000 from 2012; capital grants, contributions and restricted interest decreased approximately \$174,000, charges for services decreased approximately \$139,000 and operating grants, contributions and restricted interest decreased approximately \$461,000.
- Program expenses of the County's governmental activities were 13.8%, or approximately \$1,713,000, less in fiscal 2013 than in fiscal year 2012. Mental health, roads and transportation and non-program expenses decreased approximately \$781,000, \$667,000 and \$186,000, respectively.
- The County's net position decreased 1.3%, or approximately \$258,000 at June 30, 2013.

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 Position 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 County 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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 Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position 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 Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position 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 position may serve over time as a useful indicator of financial position. The County's combined net position decreased approximately \$258,000 from a year ago. The analysis that follows focuses on the changes in the net position for governmental activities.

		Net Position of Governmental Activities (Expressed in Thousands)	
		June 30	
		2013	2012
Current and other assets	\$	10,713	9,899
Capital assets		14,278	14,820
	Total assets	24,991	24,719
Long term liabilities		639	694
Other liabilities		5,544	4,958
	Total liabilities	6,183	5,652
Net position			
Net invested in capital assets		14,278	14,820
Restricted		3,462	3,409
Unrestricted		1,068	838
	Total net position	\$ 18,808	19,067

Net position of the County's governmental activities decreased by 1.3%. The largest portion of the County's net position is the Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was approximately \$1.1 million at June 30, 2013.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 1,099	1,238
Operating grants, contributions and restricted interest	3,208	3,669
Capital grants, contributions and restricted interest	157	331
General revenues:		
Property tax	4,459	4,014
Penalty and interest on property tax	41	34
State tax credits	176	145
Local option sales tax	443	426
Grants and contributions not restricted to specific purposes	114	187
Unrestricted investment earnings	242	196
Other general revenues	485	643
Total revenues:	10,424	10,883
Program expenses:		
Public safety and legal services	1,444	1,500
Physical health and social service	979	966
Mental health	599	1,380
County environment and education	525	539
Roads and transportation	5,255	5,922
Governmental services to residents	372	359
Administration	1,129	1,164
Non-program	379	565
Total expenses:	10,682	12,395
Increase <decrease> in net position	<258>	<1,512>
Net position beginning of year	19,066	20,578
Net position end of year	\$ 18,808	19,066

The results of governmental activities for the year resulted in Hancock County's net position decreasing by approximately \$258,000. Revenues for governmental activities decreased by approximately \$459,000 over the prior year.

The cost of all governmental activities this year was \$10.7 million compared to \$12.4 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 \$6.2 million because some of the cost was paid by those directly benefited from the programs (\$1,098,952) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,365,299).

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$5.2 million, which is \$.6 million more than last year's total of \$4.6 million. The County funds received approximately \$534,000 more in operating revenue than expenditures for the year. The following are reasons for major changes in fund balances from the prior year:

- The ending General Fund balance showed an increase from the prior year of \$253,031 to \$1,372,362.
- The Rural Services Fund decreased by \$65,293 from the prior year and reflects a balance of \$142,118.
- Secondary Roads Fund expenditures decreased by approximately \$978,000 over the prior year. The County continues to aggressively upgrade and maintain the condition of the County roadway system but weather conditions in early Spring can create problems with bridge and road construction. The Secondary Road Fund balance at year end increased by approximately \$106,464 over the prior year.
- The Secondary Road Highway 111 Fund balance increased by \$4,649 over the prior year and reflects a balance of \$893,337.
- The Mokry Trust Fund balance decreased by \$218,426 from the prior year and reflects a balance of \$589,633.

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 \$167,120.

None of the amendments made during the 2013 fiscal year should have any impact on the 2014 fiscal year's budget.

CAPITAL ASSETS

At June 30, 2013 Hancock County had approximately \$14.3 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 \$542,000 or 3.0% from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	2013	2012
Land	\$ 357	357
Buildings and improvements	4,714	4,882
Machinery and equipment	1,791	1,888
Infrastructure	7,416	7,693
Totals	\$ 14,278	14,820

The County had depreciation expense of \$1,148,416 for the year ended June 30, 2013 and total accumulation depreciation as of June 30, 2013 of \$26,103,338.

The County's fiscal year 2013 capital budget included \$807,200 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 2014 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 2014 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 Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,515,754
Receivables:	
Property tax:	
Delinquent	7,541
Succeeding year	5,042,098
Accounts	91,076
Accrued interest	2,183
Drainage assessments	265,295
Due from other governments	360,348
Inventories	345,281
Prepaid insurance	84,015
Capital assets (net of accumulated depreciation)	<u>14,277,767</u>
Total assets	<u>24,991,358</u>
Liabilities	
Accounts payable	176,158
Salaries and benefits payable	131,609
Deferred revenue:	
Succeeding year property tax	5,042,098
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	40,381
Portion due or payable after one year:	
Drainage district warrants and certificates payable	501,492
Net OPEB liability	<u>291,208</u>
Total liabilities	<u>6,182,946</u>
Net Position	
Invested in capital assets	14,277,767
Restricted for:	
Supplemental levy purposes	3,625
Mental health purposes	105,923
Rural services purposes	142,118
Secondary roads purposes	1,154,242
Other purposes	2,056,634
Unrestricted	<u>1,068,103</u>
Total net position	<u>\$ 18,808,412</u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit B

Statement of Activities
Year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,443,790	61,828	12,874		(1,369,088)
Physical health and social services	979,337	431,945	323,897		(223,495)
Mental health	599,196		9,918		(589,278)
County environment and education	525,493	74,006	13,561		(437,926)
Roads & transportation	5,254,598	180,104	2,837,615	157,434	(2,079,445)
Governmental services to residents	371,813	233,253	10,000		(128,560)
Administration	1,129,114	5,454			(1,123,660)
Non-program	379,014	112,362			(266,652)
Total	\$ 10,682,355	1,098,952	3,207,865	157,434	(6,218,104)
General Revenues:					
Property and other county tax levied for general purposes					4,459,397
Penalty and interest on property tax					41,397
State tax credits					175,664
Local option sales tax					442,590
Grants and contributions not restricted to specific purpose					114,239
Unrestricted investment earnings					242,183
Miscellaneous					484,642
Total general revenues					5,960,112
Change in net position					(257,992)
Net position beginning of year					19,066,404
Net position end of year					\$ 18,808,412

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2013

	Special Revenue						Total
	General	Rural Services	Secondary Roads	Secondary Roads Hwy 111	Mokry Poor Trust	Nonmajor Special Revenue	
Assets							
Cash and pooled investments	\$ 1,391,712	76,380	679,115	893,337	589,633	862,795	4,492,972
Receivables:							
Property tax:							
Delinquent	5,523	628				1,390	7,541
Succeeding year	2,601,402	1,916,838				523,858	5,042,098
Accounts	44,575		34,289			12,212	91,076
Accrued interest	2,183						2,183
Drainage assessments						265,295	265,295
Due from other governments	3,332	71,102	224,288			61,626	360,348
Inventories			345,281				345,281
Prepaid insurance	32,680		40,456			10,879	84,015
Total assets	\$ 4,081,407	2,064,948	1,323,429	893,337	589,633	1,738,055	10,690,809
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 44,925	2,374	80,031			48,828	176,158
Salaries and benefits payable	59,111	3,050	62,375			7,073	131,609
Deferred revenue:							
Succeeding year property tax	2,601,402	1,916,838				523,858	5,042,098
Other	3,607	568				184,053	188,228
Total liabilities	2,709,045	1,922,830	142,406			763,812	5,538,093
Fund balances:							
Nonspendable:							
Inventories			345,281				345,281
Prepaid insurance	32,680		40,456			10,879	84,015
Trust						30,000	30,000
Restricted for:							
Supplemental levy purposes	3,625						3,625
Mental health purposes						104,707	104,707
Rural service purposes		142,118					142,118
Secondary roads purposes			795,286				795,286
Drainage						318,655	318,655
Other purposes				893,337	589,633	510,002	1,992,972
Committed for capital improvements	31,000						31,000
Unassigned	1,305,057						1,305,057
Total fund balances	1,372,362	142,118	1,181,023	893,337	589,633	974,243	5,152,716
Total liabilities and fund balances	\$ 4,081,407	2,064,948	1,323,429	893,337	589,633	1,738,055	10,690,809

See notes to financial statements.

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

June 30, 2013

Total governmental fund balances (page 15) \$ 5,152,716

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

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 \$40,381,106 and the accumulated depreciation is \$26,103,339. 14,277,767

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 188,228

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. 22,782

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. (833,081)

Net position of governmental activities (page 13) \$ 18,808,412

See notes to financial statements.

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

Year ended June 30, 2013

	Special Revenue						Total
	General	Rural Services	Secondary Roads	Secondary Roads Hwy 111	Mokry Poor Trust	Nonmajor Governmental	
Revenue:							
Property and other county tax	\$ 2,408,217	1,888,729				606,788	4,903,734
Interest and penalty on property tax	41,397						41,397
Intergovernmental	217,432	55,158	3,010,809			728,772	4,012,171
Licenses and permits			2,340			16,203	18,543
Charges for services	315,666					133,850	449,516
Use of money and property	188,408		43,159	4,649	3,464	2,381	242,061
Miscellaneous	27,703		180,104			83,612	291,419
Total revenues	3,198,823	1,943,887	3,236,412	4,649	3,464	1,571,606	9,958,841
Expenditures:							
Operating:							
Public safety and legal services	1,370,036	83,447					1,453,483
Physical health and social services	71,759				2,500	711,210	785,469
Mental health						599,196	599,196
County environment and education	18,382	215,907				260,497	494,786
Roads and transportation			4,625,394				4,625,394
Governmental services to residents	331,960	7,186				582	339,728
Administration	863,728	2,640					866,368
Non-program	427				2,061	376,526	379,014
Capital projects			204,554		217,329	8,909	430,792
Total expenditures	2,656,292	309,180	4,829,948		221,890	1,956,920	9,974,230
Excess(deficiency) of revenues over (under) expenditures	542,531	1,634,707	(1,593,536)	4,649	(218,426)	(385,314)	(15,389)
Other financing sources (uses):							
Operating transfers in			1,700,000			289,500	1,989,500
Operating transfers out	(289,500)	(1,700,000)					(1,989,500)
Drainage proceeds						548,891	548,891
Total other financing sources (uses)	(289,500)	(1,700,000)	1,700,000			838,391	548,891
Change in fund balances	253,031	(65,293)	106,464	4,649	(218,426)	453,077	533,502
Fund balances beginning of year	1,119,331	207,411	1,074,559	888,688	808,059	521,166	4,619,214
Fund balances end of year	\$ 1,372,362	142,118	1,181,023	893,337	589,633	974,243	5,152,716

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, 2013

Change in fund balances - Total governmental fund (page 17) \$ 533,502

*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	606,592	
Depreciation expense	<u>(1,148,417)</u>	(541,825)

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

Property tax	(1,746)	
Other	<u>(110,200)</u>	(111,946)

Repayment of drainage warrants more than current year issues. (83,907)

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	9,634	
Other postemployment benefits	<u>(64,401)</u>	(54,767)

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.

951

Change in net position of governmental activities (page 14) \$ (257,992)

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit G

Statement of Net Position

Proprietary Fund

June 30, 2013

	<u>Medical Benefits</u>
Assets	
Cash and cash equivalents	\$ 22,782
Total assets	<u>22,782</u>
Net Position	
Unrestricted	<u><u>\$ 22,782</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit H

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

Proprietary Fund

Year ended June 30, 2013

	<u>Medical Benefits</u>
Operating revenues:	
Reimbursements	\$ 1,149,322
Operating expenses:	
Medical claims	<u>1,148,493</u>
Operating income (loss)	829
Non-operating revenues:	
Interest	<u>122</u>
Net income (loss)	951
Net position beginning of year	<u>21,831</u>
Net position end of year	<u><u>\$ 22,782</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit I

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2013

	<u>Medical Benefits</u>
Cash flows from operating activities:	
Cash received from reimbursements	\$ 1,149,322
Cash payments to suppliers for services	<u>1,148,493</u>
Net cash provided (used) by operating activities	829
Cash flows from investing activities:	
Interest on investments	<u>122</u>
Net increase (decrease) in cash and cash equivalents	951
Cash and cash equivalents at beginning of year	<u>21,831</u>
Cash and cash equivalents at end of year	<u><u>\$ 22,782</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 829</u>
Net cash provided (used) by operating activities	<u><u>\$ 829</u></u>

See notes to financial statements.

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2013

Assets

Cash and pooled investments:

County Treasurer	\$ 828,055
Other County officials	52,201

Property tax receivable:

Delinquent	51,289
Succeeding year	16,050,681

Accounts receivable	51,394
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Prepaid insurance	678
-------------------	-----

Total assets	<u>\$ 17,034,298</u>
--------------	----------------------

Liabilities

Accounts payable	\$ 25,367
------------------	-----------

Salaries and benefits payable	6,912
-------------------------------	-------

Due to other governments	16,964,980
--------------------------	------------

Trust payable	35,038
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Compensated absences	2,001
----------------------	-------

Total liabilities	<u>17,034,298</u>
-------------------	-------------------

Net position

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

HANCOCK COUNTY
Garner, Iowa

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 Position (previously referred to as 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 Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Invested in capital assets 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 position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that do not meet the definition of the two preceding categories. Unrestricted net position 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 Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

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

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

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

Additionally, the County reports the following funds:

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

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

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

The government-wide, proprietary 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 position 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.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

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, 2013, 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 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 Position. 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 Position 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, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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 Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. **BUDGETS AND BUDGETARY ACCOUNTING**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. **Cash and Pooled Investments**

The County's deposits at June 30, 2013 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, 2013 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$1,700,000
Public Health Nurses	General	87,500
Conservation	General	<u>202,000</u>
		<u>\$1,989,500</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, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 356,891			356,891
Total capital assets not being depreciated	<u>356,891</u>			<u>356,891</u>
Capital assets being depreciated:				
Buildings	7,931,961			7,931,961
Machinery and equipment	8,635,391	400,947	(333,371)	8,702,967
Infrastructure	23,183,642	205,645		23,389,287
Total capital assets being depreciated	<u>39,750,994</u>	<u>606,592</u>	<u>(333,371)</u>	<u>40,024,215</u>
Less accumulated depreciation for:				
Buildings	3,050,026	168,621		3,218,647
Machinery and equipment	6,747,469	497,652	(333,371)	6,911,750
Infrastructure, road network	15,490,798	482,143		15,972,941
Total accumulated depreciation	<u>25,288,293</u>	<u>1,148,416</u>	<u>(333,371)</u>	<u>26,103,338</u>
Total capital assets being depreciated, net	<u>14,462,701</u>	<u>(541,824)</u>		<u>13,920,877</u>
Governmental activities capital assets, net	<u>14,819,592</u>	<u>(541,824)</u>		<u>14,277,768</u>

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

Governmental activities:	
Public safety and legal services	\$ 76,205
Physical health and social services	14,612
County environment and education	30,883
Roads and transportation	873,756
Governmental services to residents	32,676
Administrative services	120,284
Total depreciation expense - Governmental activities	<u>\$ 1,148,416</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	\$ 9,976,490
Community Colleges		552,018
Corporations		3,941,450
Auto License & Use Tax		269,527
Townships		272,079
County Hospital		1,169,047
All other		<u>784,369</u>
Total for agency funds		<u>\$16,964,980</u>

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

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 417,585	50,015	226,807	694,407
Increases	632,798		64,401	697,199
Decreases	(548,891)	(9,634)		(558,525)
Balance end of year	<u>\$ 501,492</u>	<u>40,381</u>	<u>291,208</u>	<u>833,081</u>
Due within one year		<u>40,381</u>		<u>40,381</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 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$296,890, \$291,580, and \$278,737 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 employees, retirees and their spouses. There are 76 active and 1 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, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 75,334
Interest on net OPEB obligation	5,655
Adjustment to annual required contribution	<u>(11,977)</u>
Annual OPEB cost	69,012
Contributions made-implicit	<u>(4,611)</u>
Increase in net OPEB obligation	64,401
Net OPEB obligation beginning of year	<u>226,807</u>
Net OPEB obligation end of year	<u>\$ 291,208</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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, 2013.

For the year ended June 30, 2013, the County contributed \$4,611 to the medical plan. Plan members eligible for benefits contributed \$15,431.

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, 2011	\$ 78,064	3.3%	\$ 144,145
June 30, 2012	85,310	3.1%	226,807
June 30, 2013	69,012	6.6%	291,208

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$617,938, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$617,938. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,730,000 and the ratio of the UAAL to covered payroll was 22.6%. As of June 30, 2013, 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, 2012 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, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

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.

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, 2013

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final Variance to Net
				Original	Final	
Receipts:						
Property and other county tax	\$ 4,903,346		4,903,346	4,892,366	4,892,366	10,980
Interest and penalty on property tax	40,347		40,347	38,000	38,000	2,347
Intergovernmental	3,933,320		3,933,320	4,715,935	4,715,935	(782,615)
Licenses and permits	18,403		18,403	24,000	24,000	(5,597)
Charges for services	456,616		456,616	417,360	417,360	39,256
Use of money and property	244,079		244,079	237,278	237,278	6,801
Miscellaneous	262,658	21,742	240,916	219,150	219,150	21,766
Total receipts	9,858,769	21,742	9,837,027	10,544,089	10,544,089	(707,062)
Disbursements:						
Public safety and legal services	1,447,934		1,447,934	1,473,614	1,485,614	37,680
Physical health and social services	797,731		797,731	1,027,423	912,043	114,312
Mental health	671,920		671,920	1,549,000	1,549,000	877,080
County environment and education services	495,162		495,162	518,424	538,924	43,762
Roads and transportation	4,652,200		4,652,200	4,824,300	4,824,300	172,100
Governmental services to residents	339,486		339,486	383,853	383,853	44,367
Administration	860,456		860,456	951,281	951,281	90,825
Non-program	382,755	376,526	6,229	1,700	11,700	5,471
Capital projects	432,164		432,164	567,200	807,200	375,036
Total disbursements	10,079,808	376,526	9,703,282	11,296,795	11,463,915	1,760,633
Excess (deficiency) of receipts over (under) disbursements	(221,039)	(354,784)	133,745	(752,706)	(919,826)	1,053,571
Other financing sources, net	548,891	548,891				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	327,852	194,107	133,745	(752,706)	(919,826)	1,053,571
Balance beginning of year	4,247,579	124,548	4,123,031	5,396,529	4,123,031	
Balance end of year	\$ 4,575,431	318,655	4,256,776	4,643,823	3,203,205	1,053,571

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,858,769	100,072	9,958,841
Expenditures	10,079,808	(105,578)	9,974,230
Net	(221,039)	205,650	(15,389)
Other financing sources, net	548,891		548,891
Beginning fund balances	4,247,579	371,635	4,619,214
Ending fund balances	\$ 4,575,431	577,285	5,152,716

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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 \$167,120. 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.

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%
2013	July 1, 2012	-	617,938	617,938	0.0%	2,730,164	22.6%

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

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

HANCOCK COUNTY
Garner, Iowa

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013

	Mental Health	Communi- cations Revolving	Public Health Nurses	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorders Management	Funne-mark Trust	Total
Cash and pooled investments	\$ 105,040	76,955	249,582	236,197	20,482	34,768	57,247	45,891	36,633	862,795
Receivables:										
Property tax:										
Delinquent	1,390									1,390
Succeeding year	523,858									523,858
Accounts			1,666			9,803		743		12,212
Drainage assessments				265,295						265,295
Due from other governments			61,626							61,626
Prepaid insurance			7,406			3,473				10,879
TOTAL ASSETS	630,288	76,955	320,280	501,492	20,482	48,044	57,247	46,634	36,633	1,738,055

LIABILITIES AND FUND EQUITY

Liabilities:										
Accounts payable	507		25,421			14,419	8,481			48,828
Salaries and benefits payable			1,428			5,645				7,073
Deferred revenue:										
Succeeding year property tax	523,858									523,858
Other	1,216			182,837						184,053
Total liabilities	525,581		26,849	182,837		20,064	8,481			763,812
Fund balances:										
Nonspendable:										
Prepaid insurance			7,406			3,473			30,000	10,879
Trust										30,000
Restricted for:										
Mental health purposes	104,707									104,707
Drainage				318,655						318,655
Other purposes		76,955	286,025		20,482	24,507	48,766	46,634	6,633	510,002
Total fund equity	104,707	76,955	293,431	318,655	20,482	27,980	48,766	46,634	36,633	974,243
TOTAL LIABILITIES & FUND EQUITY	\$ 630,288	76,955	320,280	501,492	20,482	48,044	57,247	46,634	36,633	1,738,055

See accompanying independent auditor's report.

HANCOCK COUNTY
Garner, Iowa

NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year ended June 30, 2013

	Mental Health	Communi- cations Revolving	Public Health Nurses	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorder's Records Management	Funnemark Trust	Total
REVENUES:										
Property and other county tax	\$ 606,270					518				606,788
Intergovernmental	34,149	12,874	668,188				13,561			728,772
License and permits			16,203							16,203
Charges for services			74,975			55,438		3,437		133,850
Uses of money and property	2,180		55,284	21,742	921	1,688	268	234	191	2,381
Miscellaneous	642,599	12,874	814,650	21,742	921	3,485	13,829	3,671	191	83,612
Total revenues										1,571,606
EXPENDITURES:										
Operating:										
Physical health and social services			711,210							711,210
Mental health	599,196					260,497				599,196
County environment and education					428		8,481	582		260,497
Governmental services to residents										582
Capital projects				376,526						8,909
Non-Program				376,526						376,526
Total expenditures	599,196		711,210	376,526	428	260,497	8,481	582		1,956,920
Excess (deficiency) of revenues over (under) expenditures	43,403	12,874	103,440	(354,784)	493	(199,368)	5,348	3,089	191	(385,314)
Other financing sources (uses):										
Drainage proceeds				548,891						548,891
Transfers in			87,500			202,000				289,500
Total other financing sources (uses):			87,500	548,891		202,000				838,391
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	43,403	12,874	190,940	194,107	493	2,632	5,348	3,089	191	453,077
Fund balances beginning of year	61,304	64,081	102,491	124,548	19,989	25,348	43,418	43,545	36,442	521,166
Fund balances end of year	\$ 104,707	76,955	293,431	318,655	20,482	27,980	48,766	46,634	36,633	974,243

See accompanying independent auditor's report.

HANCOCK COUNTY
Garner, Iowa *

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2013

	County Hospital	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	Recorder	Sheriff	Emergency Management Services
Cash and pooled investments:							
County treasurer	\$ 19,996	252,264	1,286	117,773	30,877	21,324	25,981
Other County officials							
Receivables:							
Property tax:							
Delinquent	2,341		6				
Succeeding year	1,146,710	17,263	2,697	26,888			6,939
Accounts							
Prepaid insurance							
TOTAL ASSETS	1,169,047	269,527	3,989	144,661	30,877	21,324	32,920
LIABILITIES							
Salaries payable				24,693			2,055
Accounts payable				119,968			316
Due to other governments	1,169,047	269,527	3,989		17,163		29,517
Trusts payable					13,714	21,324	
Compensated absences							1,032
TOTAL LIABILITIES	\$ 1,169,047	269,527	3,989	144,661	30,877	21,324	32,920

HANCOCK COUNTY
Garner, Iowa

Schedule 3
(continued)

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2013

	EMA Storm Safe	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessments
ASSETS							
Cash and pooled investments:							
County treasurer	5,000	135,184	190,268	9,997	32,088	6,114	4,939
Other County officials							
Receivables:							
Property tax:							
Delinquent		557	23,669	1,183	22,979	136	
Succeeding year		273,390	9,762,553	540,838	3,886,383	265,829	
Accounts		80					
Prepaid insurance		678					
TOTAL ASSETS	<u>5,000</u>	<u>409,889</u>	<u>9,976,490</u>	<u>552,018</u>	<u>3,941,450</u>	<u>272,079</u>	<u>4,939</u>
LIABILITIES							
Salaries payable		4,857					
Accounts payable		358					
Due to other governments	5,000	403,705	9,976,490	552,018	3,941,450	272,079	4,939
Trusts payable							
Compensated absences		969					
TOTAL LIABILITIES	<u>5,000</u>	<u>409,889</u>	<u>9,976,490</u>	<u>552,018</u>	<u>3,941,450</u>	<u>272,079</u>	<u>4,939</u>

HANCOCK COUNTY
Garner, Iowa

Schedule 3
(continued)

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2013

	Advance Tax	Ag Extension Education	Parital Tax Payment	Recorder Electronic Transaction Fee	Other	Total
ASSETS						
Cash and pooled investments:						
County treasurer	23,224	3,170	115	256	400	828,055
Other County officials						52,201
Receivables:						
Property tax:						
Delinquent		371			47	51,289
Succeeding year		172,281				16,050,681
Accounts				224		51,394
Prepaid insurance						678
TOTAL ASSETS	<u>23,224</u>	<u>175,822</u>	<u>115</u>	<u>480</u>	<u>447</u>	<u>17,034,298</u>
LIABILITIES						
Salaries payable						6,912
Accounts payable						25,367
Due to other governments	23,224	175,822	115	480	447	16,964,980
Trusts payable						35,038
Compensated absences						2,001
TOTAL LIABILITIES	<u>23,224</u>	<u>175,822</u>	<u>115</u>	<u>480</u>	<u>447</u>	<u>17,034,298</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, 2013

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	\$ 1,052,379	266,312	3,830	158,258	27,857	20,431	28,643	
Additions:								
Property and other county tax	1,021,364		2,544					
E-911 surcharge				112,963				
State tax credits	40,813		102					
Office fees and collections								
Auto licenses, use tax and postage		3,620,992		18,409	293,155	108,275		
Assessments							67,341	
Trusts						155,427		
Miscellaneous				693			13,281	
Total additions	1,062,177	3,620,992	2,646	113,656	293,155	263,702	80,622	
Deductions:								
Agency remittances:								
To other funds	945,509	127,281						
To other governments		3,490,496	2,487	127,253	99,392	108,275	76,345	
Trusts paid out								
Total deductions	945,509	3,617,777	2,487	127,253	190,743	154,534	76,345	
Balance end of year	\$ 1,169,047	269,527	3,989	144,661	30,877	21,324	32,920	

HANCOCK COUNTY
Garner, Iowa

Schedule 4
(continued)

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year ended June 30, 2013

	EMA Storm Safe	County Assessor	Special Appraiser	Schools	Community Colleges	Corporation	Townships	City Special Assessments
ASSETS AND LIABILITIES								
Balance beginning of year		321,505	32,065	9,768,690	525,872	3,737,799	265,721	
Additions:								
Property and other county tax		242,861		9,468,945	510,331	3,636,990	257,946	
E-911 surcharge								
State tax credits		9,706		380,141	20,402	140,698	10,101	
Office fees and collections								
Auto licenses, use tax and postage								
Assessments								48,356
Trusts								
Miscellaneous	5,000	53,406						
Total additions	5,000	305,973		9,849,086	530,733	3,777,688	268,047	48,356
Deductions:								
Agency remittances:								
To other funds			32,065					
To other governments		217,589		9,641,286	504,587	3,574,037	261,689	43,417
Trusts paid out								
Total deductions		217,589	32,065	9,641,286	504,587	3,574,037	261,689	43,417
Balance end of year	5,000	409,889		9,976,490	552,018	3,941,450	272,079	4,939

HANCOCK COUNTY
Garner, Iowa

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year ended June 30, 2013

ASSETS AND LIABILITIES

	Advance Tax	Agricultural Extension Education	Partial Tax Payments	Recorder Electronic Transaction Fee	Other	Total
Balance beginning of year	29,213	166,822	115	427	21,052	16,426,991
Additions:						
Property and other county tax		161,903			20,416	15,323,300
E-911 surcharge						112,963
State tax credits		6,470			816	609,249
Office fees and collections				3,437		423,276
Auto licenses, use tax and postage						3,620,992
Assessments						115,697
Trusts						155,427
Miscellaneous						72,381
Total additions		168,373		3,438	21,232	20,433,285
Deductions:						
Agency remittances:						
To other funds	5,989	159,373			41,837	385,422
To other governments						19,091,894
Trusts paid out				3,385		348,662
Total deductions	5,989	159,373		3,385	41,837	19,825,978
Balance end of year	23,224	175,822	115	480	447	17,034,298

See accompanying independent auditor's report.

HANCOCK COUNTY
Garnet, Iowa

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

	Modified Accrual Basis										
	2013	2012	2,011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:											
Property and other county tax	\$ 4,903,734	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	41,397	33,827	38,081	43,061	32,951	39,036	28,197	31,087	28,282	28,236	32,693
Intergovernmental	4,012,171	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	18,543	21,084	16,374	14,185	8,450	25,143	4,970	3,525	1,075	2,850	3,613
Charges for service	449,516	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	242,061	195,651	189,631	288,099	338,872	538,173	560,430	370,550	242,888	230,508	325,387
Miscellaneous	291,419	365,249	268,081	311,157	633,382	276,442	350,211	396,428	665,255	595,770	945,524
Total	\$ 9,958,841	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
Expenditures:											
Current:											
Public safety and legal services	\$ 1,453,483	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	785,469	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	599,196	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	494,786	466,185	574,489	550,973	655,648	510,251	586,271	508,975	567,613	480,131	464,718
Roads and transportation	4,625,394	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	339,728	320,701	313,345	327,706	348,263	318,733	293,242	415,247	307,543	266,368	260,287
Administrative services	866,368	903,791	885,226	923,698	1,029,855	923,876	889,268	933,683	857,766	818,195	780,356
Non-program	379,014	565,434	630,786	461,774	400,873	244,663	139,548	367,547	323,713	210,263	849
Capital projects	430,792	636,718	768,016	492,029	392,388	1,102,830	423,639	1,069,725	225,081	204,308	682,308
Total	\$ 9,974,230	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.



**Renner &
Birchem, PC**

Certified Public Accountants

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hancock County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hancock County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hancock County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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 Hancock County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 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-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 which 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, 2013 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

Hancock County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Hancock County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion of them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

January 24, 2014



Renner & Birchem, P.C.
Britt, Iowa

HANCOCK COUNTY

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies

I-A-13 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-13 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, 2013

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

I-C-13 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, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget-Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted which is in compliance with chapter 384.20 of the Code of Iowa

II-B-13 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-13 Travel Expense-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-13 Business Transactions-No business transactions between the County and County officials or employees were noted.

II-E-13 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-13 Board Minutes-No transactions were found that we believe should have been approved in the board minutes but were not.

II-G-13 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-13 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-13 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, 2013 did not exceed the amount budgeted.

HANCOCK COUNTY

Schedule of Findings

Year ended June 30, 2013

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

However, it was noted that the County Extension Board minutes were not all signed.

Recommendation-The proper personnel should sign minutes prior to posting them in the minute book.

Response-The proper personnel will sign minutes prior to posting them in the minute book.

Conclusion-Response accepted.

II-J-13 Authorized Signatures-One financial institution indicated that a former employee was still listed as an authorized signer. Also, a financial institution indicated that the former secretary and former auditor were still listed as an authorized signer on the sheriff's account.

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

Response-We have notified the bank.

Conclusion-Response accepted.