HANCOCK COUNTY

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

June 30, 2015

TABLE OF CONTENTS

HANCOCK COUNTY
Garner, Iowa

OFFICIALS

Name	Title	Term Expires
	(Before January 2015)	
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
	(After January 2015)	
Ron Sweers	Board of Supervisors	Jan 2019
Florence Thomas-Greiman	Board of Supervisors	Jan 2019
Jerry Tlach	Board of Supervisors	Jan 2017
Michelle Eisenman	County Auditor	Jan 2017
Deborah Engstler	County Treasurer	Jan 2019
Tracy Marshall	County Recorder	Jan 2019
Scott Dodd	County Sheriff	Jan 2017
David Solheim	County Attorney	Jan 2019
Marianne Welsch	County Assessor	Appointed

Renner & Birchem, PC
Certified Public Accountants
"Where people who care make the difference"

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

109 SECOND STREET N.E. • MASON CITY, IOWA 50401 (641) 423-7155
4 MAIN AVENUE SOUTH • BRITT, IOWA 50423 (641) 843-3729
226 WEST 4TH STREET • ST. ANSGAR, IOWA 50472 (641) 736-4324
(866) 259-3667

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, 2015, 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 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As disclosed in Note 12 to the financial statements, the County of Hancock adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB statement No. 27. Our opinions are not modified with respect to this matter

Other Matters

Required Supplementary Information

U.S generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Shares of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 11 and 42 through 49 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 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 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, 2014 (which are not presented herein) and expressed unmodified 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 December 12, 2015 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.

Renner & Birchem, P.C

December 12, 2015

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, 2015. We encourage readers to consider this information in conjunction with the county's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Hancock County governmental funds revenue increased 4.5%, or approximately $487,000 from 2014; operating grants, contributions and restricted interest increased approximately $426,000, charges for services decreased approximately $138,000 and capital grants, contributions, and restricted interest increased approximately $255,000.

- Program expenses of the County's governmental activities were 0.6%, or approximately $67,000 less in fiscal 2015 than in fiscal year 2014. Physical health and social services and roads and transportation decreased approximately $97,000 and $143,000 respectively.

- The County's net position increased 6.4%, or approximately $1,102,000 at June 30, 2015.

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 financial statements provide 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, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental 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 financial information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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, 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 statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The County's combined net position decreased approximately $1,037,000 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	
		2015	2014 (not restated)
Current and other assets	$	12,794	11,465
Capital assets		14,193	14,320
Total assets		26,987	25,785
Long term liabilities		2,313	879
Other liabilities		447	376
Total liabilities		2,760	1,255
Deferred inflows of resources		6,273	5,174
Net Position			
Net Invested in capital assets		14,193	14,320
Restricted		4,681	3,732
Unrestricted		<555>	1,304
Total net position	$	18,319	19,356

Net position of the County's governmental activities decreased by 5.4%. 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, decrease from $1,304,000 at June 30, 2014 to a deficit of approximately $555,000 at June 30, 2015.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by $2,138,392 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Changes in Net Position of Governmental Activities
(Expressed in Thousands)

		Year ended June 30	
		2015	2014 (not restated)
Revenues:			
Program revenues:			
Charges for service	$	714	853
Operating grants, contributions and restricted interest		3,421	2,995
Capital grants, contributions and restricted interest		598	343
General revenues:			
Property tax		5,025	5,148
Penalty and interest on property tax		40	58
State tax credits		308	175
Local option sales tax		542	410
Grants and contributions not restricted to specific purposes		62	270
Unrestricted investment earnings		185	237
Other general revenues		517	436
Total revenues:		11,412	10,925
Program expenses:			
Public safety and legal services		1,591	1,610
Physical health and social service		304	401
Mental health		538	504
County environment and education		543	524
Roads and transportation		5,164	5,307
Governmental services to residents		430	421
Administration		1,292	1,212
Non-program		448	398
Total expenses:		10,310	10,377
Change in net position		1,102	548
Net position beginning of year		17,217	18,808
Net position end of year	$	18,319	19,356

The results of governmental activities for the year resulted in Hancock County's net position increasing by approximately $1,102,000. Revenues for governmental activities increased by approximately $487,000 over the prior year.

The cost of all governmental activities this year was $10.3 million compared to $10.4 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 $5.6 million because some of the cost was paid by those directly benefited from the programs ($714,102) or by other governments and organizations that subsidized certain programs with grants and contributions ($4,019,040).

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of $6.6 million, which is $1.0 million more than last year's total of $5.6 million. The County funds received approximately $1,004,000 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 $218,000 to $1,885,946. General Fund revenues and expenditures remained consistent to the prior year.
- The Rural Services Fund increased by $461,000 from the prior year and reflects a balance $898,303.
- Secondary Roads Fund expenditures decreased by approximately $277,000 over the prior year. The County continues to aggressively upgrade and maintain the condition of the County roadway system. The Secondary Road Fund balance at year end increased by approximately $597,000 over the prior year.
- The Secondary Road Highway 111 Fund balance increased by $4,944 over the prior year and reflects a balance of $902,754.
- The Mokry Trust Fund balance increased by $3,264 from the prior year and reflects a balance of $595,849.

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 once. The amendment resulted in an increase in budgeted disbursements of $97,346.

The amendments made during the 2015 fiscal year should not have any impact on the 2016 fiscal year's budget.

CAPITAL ASSETS

At June 30, 2015 Hancock County had approximately $13.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net decrease (including additions and deletions and depreciation) of approximately $484,000 or 3.4% from last year.

Capital Assets of Governmental Activities at Year End
(Expressed in Thousands)

		2015	2014
Land	$	357	357
Buildings and improvements		4,380	4,545
Machinery and equipment		1,907	1,853
Infrastructure		7,549	7,565
Totals	$	13,836	14,320

The County had depreciation expense of $1,032,333 for the year ended June 30, 2015 and total accumulation depreciation as of June 30, 2015 of $28,057,658. The County's fiscal year 2015 capital budget included $562,800 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 2016 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).

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately $10.5 million, a decrease of 1.1% over the final fiscal year 2015 budget. Budget disbursements are expected to rise approximately $1,100,000. The County has added no major new programs or initiatives to the 2016 budget. If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2016.

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.

Hancock County
Garner, Iowa

Exhibit A

Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and pooled investments	$ 6,039,704
Receivables:	
Property tax:	
Delinquent	22,128
Succeeding year	5,281,022
Interest and penalty on property tax	4,123
Accounts	91,846
Accrued interest	2,641
Drainage assessments	434,887
Due from other governments	509,585
Inventories	323,303
Prepaid insurance	84,924
Capital assets (net of accumulated depreciation)	14,193,154
Total assets	**26,987,317**
Deferred Outflows of Resources	
Pension related deferred outflows	**363,960**
Liabilities	
Accounts payable	269,380
Salaries and benefits payable	177,545
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	42,491
Portion due or payable after one year:	
Drainage district warrants and certificates payable	547,279
Net pension liability	1,299,563
Net OPEB liability	423,238
Total liabilities	**2,759,496**
Deferred Inflows of Resources	
Unavailable property tax revenue	5,281,022
Pension related deferred inflows	991,690
	6,272,712
Net Position	
Invested in capital assets	14,193,154
Restricted for:	
Supplemental levy purposes	3,625
Mental health purposes	154,122
Rural services purposes	898,303
Secondary roads purposes	1,662,476
Other purposes	1,962,097
Unrestricted	(554,708)
Total net position	**$ 18,319,069**

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit B

Statement of Activities
Year ended June 30, 2015

		Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 1,590,795	64,437	152,665		(1,373,693)
Physical health and social services	304,408		81,748	16,097	(206,563)
Mental health	538,363				(538,363)
County environment and education	542,611	79,129	16,180		(447,302)
Roads & transportation	5,164,210	271,606	3,156,210	581,565	(1,154,829)
Governmental services to residents	429,715	213,527	10,000		(206,188)
Administration	1,292,142	7,569	4,575		(1,279,998)
Non-program	447,854	77,834			(370,020)
Total	**$ 10,310,098**	**714,102**	**3,421,378**	**597,662**	**(5,576,956)**
General Revenues:					
Property and other county tax levied for general purposes					5,025,287
Penalty and interest on property tax					40,283
State tax credits					307,688
Local option sales tax					542,181
Grants and contributions not restricted to specific purpose					61,592
Unrestricted investment earnings					184,593
Miscellaneous					516,925
Total general revenues					6,678,549
Change in net position					**1,101,593**
Net position beginning of year, as restated					**17,217,476**
Net position end of year					**$ 18,319,069**

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2015

	General	Special Revenue: Rural Services	Secondary Roads	Secondary Roads Hwy 111	Mokry Poor Trust	Nonmajor Special Revenue	Total
Assets							
Cash and pooled investments	$ 1,947,733	870,275	1,057,883	902,754	595,849	596,909	5,971,403
Receivables:							
Property tax:							
Delinquent	12,418	7,924				1,786	22,128
Succeeding year	2,827,919	2,046,298				406,805	5,281,022
Interest and penalty on property tax	4,123						4,123
Accounts	41,474	31,479	15,252			3,641	91,846
Accrued interest	2,641						2,641
Drainage assessments						434,887	434,887
Due from other governments	15,282		494,303				509,585
Inventories			323,303				323,303
Prepaid insurance	35,199		45,517			4,208	84,924
Total assets	**$ 4,886,789**	**2,955,976**	**1,936,258**	**902,754**	**595,849**	**1,448,236**	**12,725,862**
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Accounts payable	$ 89,607	6,842	163,988			8,943	269,380
Salaries and benefits payable	79,467	3,491	85,901			8,686	177,545
Total liabilities	169,074	10,333	249,889			17,629	446,925
Deferred inflows of recourses:							
Unavailable resources:							
Succeeding year property tax	2,827,919	2,046,298				406,805	5,281,022
Other	3,850	1,042				371,448	376,340
Total deferred inflows of resources	2,831,769	2,047,340				778,253	5,657,362
Fund balances:							
Nonspendable:							
Inventories			323,303				323,303
Prepaid insurance	35,199		45,517			4,208	84,924
Trust						30,000	30,000
Restricted for:							
Supplemental levy purposes	3,625						3,625
Mental health purposes						153,981	153,981
Rural service purposes		898,303					898,303
Secondary roads purposes			1,317,549				1,317,549
Drainage						175,972	175,972
Other purposes				902,754	595,849	288,193	1,786,796
Committed for capital improvements	107,000						107,000
Unassigned	1,740,122						1,740,122
Total fund balances	1,885,946	898,303	1,686,369	902,754	595,849	652,354	6,621,575
Total liabilities, deferred inflows of resources and fund balances	**$ 4,886,789**	**2,955,976**	**1,936,258**	**902,754**	**595,849**	**1,448,236**	**12,725,862**

See notes to financial statements.

Exhibit D

Hancock County
Garner, Iowa

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

June 30, 2015

Total governmental fund balances (page 15)		$ 6,621,575
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 $42,250,812 and the accumulated depreciation is $28,057,658.		14,193,154
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		376,340
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.		68,301
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:		
Deferred outflows of resources	363,960	
Deferred inflows of resources	(991,690)	(627,730)
Long-term liabilities, including drainage warrants and certificates, OPEB, net pension liability and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(2,312,571)
Net position of governmental activities (page 13)		$ 18,319,069

See notes to financial statements.

Exhibit E

Hancock County
Garner, Iowa

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

Year ended June 30, 2015

	General	Special Revenue				Nonmajor Governmental	Total
		Rural Services	Secondary Roads	Secondary Roads Hwy 111	Mokry Poor Trust		
Revenues:							
Property and other county tax	$ 2,589,561	2,477,207				500,822	5,567,590
Interest and penalty on property tax	40,283						40,283
Intergovernmental	432,689	96,395	3,756,171			59,869	4,345,124
Licenses and permits	17,333		2,325				19,658
Charges for services	301,150					63,512	364,662
Use of money and property	175,134		40,872	4,944	3,264	5,148	229,362
Miscellaneous	25,946		271,606			37,394	334,946
Total revenues	3,582,096	2,573,602	4,070,974	4,944	3,264	666,745	10,901,625
Expenditures:							
Operating:							
Public safety and legal services	1,594,003	68,254					1,662,257
Physical health and social services	298,114						298,114
Mental health						538,878	538,878
County environment and education	18,009	222,285				279,101	519,395
Roads and transportation			4,936,102				4,936,102
Governmental services to residents	390,729	9,537				1,289	401,555
Administration	1,023,822	2,714					1,026,536
Non-program	645					447,209	447,854
Capital projects			347,410			16,130	363,540
Total expenditures	3,325,322	302,790	5,283,512			1,282,607	10,194,231
Excess(deficiency) of revenues over (under) expenditures	256,774	2,270,812	(1,212,538)	4,944	3,264	(615,862)	707,394
Other financing sources (uses):							
Operating transfers in	205,894		1,810,000			245,000	2,260,894
Operating transfers out	(245,000)	(1,810,000)				(205,894)	(2,260,894)
Drainage proceeds						297,117	297,117
Total other financing sources (uses)	(39,106)	(1,810,000)	1,810,000			336,223	297,117
Change in fund balances	217,668	460,812	597,462	4,944	3,264	(279,639)	1,004,511
Fund balances beginning of year	1,668,278	437,491	1,088,907	897,810	592,585	931,993	5,617,064
Fund balances end of year	$ 1,885,946	898,303	1,686,369	902,754	595,849	652,354	6,621,575

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit F

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

Year Ended 'June 30, 2015

Change in fund balances - Total governmental fund (page 17)		$ 1,004,511
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. Capital outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	905,775	
Depreciation expense	(1,032,333)	(126,558)
The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		280,549
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	462	
Other	187,558	188,020
Repayment of drainage warrants more than current year issues.		(53,474)
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	(8,656)	
Other postemployment benefits	(71,689)	
Pension expense	(69,451)	(149,796)
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.		(41,659)
Change in net position of governmental activities (page 14)		$ 1,101,593

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit G

Statement of Net Position

Proprietary Fund

June 30, 2015

	Medical Benefits
Assets	
Cash and cash equivalents	$ 156,395
Total assets	156,395
Current Liabilities	
Accounts payable	88,094
Net Position	
Unrestricted	$ 68,301

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, 2015

		Medical Benefits
Operating revenues:		
Reimbursements		$ 1,060,063
Operating expenses:		
Administrative fees	140	
Insurance premiums	1,102,154	1,102,294
Operating income (loss)		(42,231)
Non-operating revenues:		
Interest		572
Net income (loss)		(41,659)
Net position beginning of year		109,960
Net position end of year		$ 68,301

See notes to financial statements.

Exhibit I

Hancock County
Garner, Iowa

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2015

	Medical Benefits
Cash flows from operating activities:	
Cash received from reimbursements	$ 1,060,063
Cash payments to suppliers for services	1,102,682
Net cash used by operating activities	(42,619)
Cash flows from investing activities:	
Interest on investments	572
Net decrease in cash and cash equivalents	(42,047)
Cash and cash equivalents beginning of year	198,442
Cash and cash equivalents end of year	$ 156,395
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	$ (42,231)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	(388)
Net cash used by operating activities	$ (42,619)

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit J

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2015

Assets	
Cash and pooled investments:	
County Treasurer	$ 777,096
Other County officials	41,553
Property tax receivable:	
Delinquent	78,142
Succeeding year	16,108,600
Accounts receivable	29,399
Prepaid insurance	1,195
Total assets	$ 17,035,985
Liabilities	
Accounts payable	$ 19,532
Salaries and benefits payable	10,369
Due to other governments	16,969,086
Trust payable	33,741
Compensated absences	3,257
Total liabilities	17,035,985
Net position	$ -

See notes to financial statements.

HANCOCK COUNTY
Garner, Iowa

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 the 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 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 boards 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 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net Investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in a restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 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 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 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 year 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 non-operating 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 tax 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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 represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 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, 2015, balances of interfund amounts receivable or payable have been recorded in the 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, gutters, 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 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.

Asset Class	Amount
Infrastructure	$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital Assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives.

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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 represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

Compensated Absences - County employees accumulate 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 fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. 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 constrains 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, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2015 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.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

3. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Public Health Fund	$ 205,894
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	1,810,000
Conservation	General	245,000
		$2,260,894

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, 2015 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	356,891			356,891
Capital assets being depreciated:				
Buildings	7,931,961			7,931,961
Machinery and equipment	9,200,173	556,597	(108,888)	9,647,882
Infrastructure	23,964,900	349,178		24,314,078
Total capital assets being depreciated	41,097,034	905,775	(108,888)	41,893,921
Less accumulated depreciation for:				
Buildings	3,387,090	164,660		3,551,750
Machinery and equipment	7,347,278	502,266	(108,888)	7,740,656
Infrastructure, road network	16,399,845	365,407		16,765,252
Total accumulated depreciation	27,134,213	1,032,333	(108,888)	28,057,658
Total capital assets being depreciated, net	13,962,821	(126,558)		13,836,263
Governmental activities capital assets, net	14,319,712	(126,558)		14,193,154

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 73,892
Physical health and social services	8,644
County environment and education	31,321
Roads and transportation	768,228
Governmental services to residents	32,676
Administrative services	117,572
Total depreciation expense - Governmental activities	$ 1,032,333

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 at June 30, 2015 is as follows:

Fund	Description	Amount
Agency:		
Schools	Collections	$ 10,148,227
Community Colleges		475,094
Corporations		4,166,142
Auto License & Use Tax		3,493,438
Townships		272,321
County Hospital		1,183,033
All other		731,674
Total for agency funds		$20,469,929

6. **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Drainage Warrants	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	$493,805	33,835	2,427,358	351,549	3,306,547
Increases	350,591	8,656		71,689	430,936
Decreases	(297,117)		(1,127,795)		(1,424,912)
Balance end of year	$547,279	42,491	1,299,563	423,238	2,312,571
Due within one year		42,491			42,491

7. **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.)

Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protection occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.90 percent.

The County's contributions to IPERS for the year ended June 30, 2015 were $280,549.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of $1,299,563 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was .0327684, which was a decrease of .009508 from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of $69,451. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,284	$ 25,145
Changes of assumptions	62,065	20,789
Net difference between projected and actual earnings on pension plan investments		775,338
Changes in proportion and differences between County contributions and proportionate share of contributions	6,082	170,418
County contributions subsequent to the measurement date	280,549	
Total	$ 363,980	$ 991,690

$280,549 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	$ (224,896)
2017	(224,896)
2018	(224,896)
2019	(224,896)
2020	(8,695)
	$ (908,279)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Rates of Salary increases (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of investment expense, including Inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	$ 3,061,469	1,299,563	(186,007)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the County reported payables to the defined benefit pension plan of $35,228 for legally required employer contributions and $25,347 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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 2 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	$ 84,398
Interest on net OPEB obligation	8,789
Adjustment to annual required contribution	(20,333)
Annual OPEB cost	72,854
Contributions made-implicit	(1,165)
Increase in net OPEB obligation	71,689
Net OPEB obligation beginning of year	351,549
Net OPEB obligation end of year	$ 423,238

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, 2015.

For the year ended June 30, 2015, the County contributed $7,404 to the medical plan. Plan members eligible for benefits contributed $16,362.

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
June 30, 2014	65,200	6.6%	351,549
June 30, 2015	72,855	6.6%	423,238

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was $572,779, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $572,779. The covered payroll (annual payroll of active employees covered by the plan) was approximately $3,164,419 and the ratio of the UAAL to covered payroll was 18.1%. As of June 30, 2015, 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 $602 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 Wellmark Blue Cross and Blue Shield 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 Employee Benefit Systems who in turn submit the premium payments to Wellmark Blue Cross and Blue Shield from the County Medical Benefits Fund. The County records the plan assets and related liabilities of the Hancock County Medical Benefits Fund as an Internal Service Fund.

11. Hancock County Financial Information Included in the Mental Health Region

County Social Services (CSS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Allamakee County, Black Hawk County, Butler County, Cerro Gordo County, Chickasaw County, Clayton County, Emmet County, Fayette County, Floyd County, Grundy County, Howard County, Humboldt County, Kossuth County, Mitchell County, Pocahontas County, Tama County, Webster County, Winnebago County, Winneshiek County, Worth County, Wright County and Hancock County. The financial activity of Hancock County's Special Revenue, Mental Health Fund is included in the County Social Services (CSS) Mental Health Region for the year ended June 30, 2015 as follows:

Revenues:		
Property and other county tax		$ 500,238
Intergovernmental revenues:		
State tax credits		32,377
Miscellaneous reimbursement		11,312
Total revenues		543,927
Expenditures:		
Services to persons with:		
Intellectual disability		21
General administration:		
Direct administration	12,491	
Distribution to regional fiscal agent	526,366	538,857
Total expenditures		538,878
Excess of revenues over expenditures		5,049
Fund balance beginning of year		148,932
Fund balance end of year		$ 153,981

12. **Accounting Changes/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities
Net position June 30, 2014, as previously reported	$ 19,355,868
Net pension liability at June 30, 2014	(2,427,358)
Deferred outllows of resources related to prior year contributions made after the June 30, 2013 measurement date	288,966
Net position July 1, 2014, as restated	$ 17,217,476

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, 2015

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
Receipts:						
Property and other county tax	$ 5,519,247		5,519,247	5,545,816	5,545,816	(26,569)
Interest and penalty on property tax	36,564		36,564	32,000	32,000	4,564
Intergovernmental	4,052,649		4,052,649	3,735,463	3,746,385	306,264
Licenses and permits	18,842		18,842	18,000	18,000	842
Charges for services	373,105		373,105	334,593	334,593	38,512
Use of money and property	231,642		231,642	210,125	210,125	21,517
Miscellaneous	353,534	16,010	337,524	181,075	181,075	156,449
Total receipts	10,585,583	16,010	10,569,573	10,057,072	10,067,994	501,579
Disbursements:						
Public safety and legal services	1,620,594		1,620,594	1,609,634	1,685,356	64,762
Physical health and social services	294,311		294,311	400,588	403,288	108,977
Mental health	541,347		541,347	554,416	554,416	13,069
County environment and education services	535,339		535,339	547,303	561,227	25,888
Roads and transportation	4,836,002		4,836,002	5,181,300	5,181,300	345,298
Governmental services to residents	399,527		399,527	442,228	444,328	44,801
Administration	1,019,742		1,019,742	1,159,674	1,159,674	139,932
Non-program	448,016	447,209	807	11,200	11,300	10,493
Capital projects	370,808		370,808	560,000	562,800	191,992
Total disbursements	10,065,686	447,209	9,618,477	10,466,343	10,563,689	945,212
Excess (deficiency) of receipts over (under) disbursements	519,897	(431,199)	951,096	(409,271)	(495,695)	1,446,791
Other financing sources, net	297,117	297,117				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	817,014	(134,082)	951,096	(409,271)	(495,695)	1,446,791
Balance beginning of year	5,217,968	310,054	4,907,914	4,442,734	4,442,734	465,180
Balance end of year	$ 6,034,982	175,972	5,859,010	4,033,463	3,947,039	1,911,971

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 10,585,583	316,042	10,901,625
Expenditures	10,065,686	128,545	10,194,231
Net	519,897	187,497	707,394
Other financing sources, net	297,117		297,117
Beginning fund balances	5,217,968	399,096	5,617,064
Ending fund balances	$ 6,034,982	586,593	6,621,575

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2015

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, the Internal Service Fund 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 ten 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, the Special Revenue Funds, the Debt Service Fund, and the 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, one budget amendment increased budgeted disbursements by $97,346. The budget amendment is reflected in the final budgeted amounts.

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

Hancock County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last Fiscal Year*

Required Supplementary Information

	2015
County's collective proportion of the net pension liability (asset)	0.0327684%
County's collective proportionate share of the net pension liability (asset)	$ 1,299,563
County's covered-employee payroll	$ 3,245,182
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.05%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

NOTE: GASB No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is completed, the County will present information for those years for which information is available.

Hancock County
Schedule of County Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$ 299,015	289,414	296,891	291,580	279,656	255,549	206,856	183,799	171,553	157,658
Contributions in relation to the statutorily required contribution	(299,015)	(289,414)	(296,891)	(291,580)	(279,656)	(255,549)	(206,856)	(183,799)	(171,553)	(157,658)
Contribution deficiency (excess)										
City's covered-employee payroll	$ 3,245,182	3,137,899	3,292,650	3,430,752	3,731,391	3,681,345	3,212,113	3,008,140	2,940,479	2,701,854
Contributions as a percentage of covered-employee payroll	9.21%	9.22%	9.02%	8.50%	7.49%	6.94%	6.44%	6.11%	5.83%	5.84%

See accompanying independent auditor's report.

Hancock County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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
2014	July 1, 2012	-	572,779	572,779	0.0	3,005,204	19.1
2015	July 1, 2012	-	572,779	572,779	0.0	3,164,419	18.1

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

Schedule 1

Hancock County
Garner, Iowa

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Mental Health	Communi-cations Revolving	Drainage Districts	Conservation Reserve	Conservation	Resource Enhancement & Protection	County Recorders Records Management	Funnemark Trust	Total
Assets									
Cash and pooled investments	$ 149,832	76,955	112,392	34,451	97,900	58,359	30,001	37,019	596,909
Receivables:									
Property tax:									
Delinquent	1,786								1,786
Succeeding year	406,805								406,805
Accounts	2,525				889		227		3,641
Drainage assessments			434,887						434,887
Prepaid insurance					4,208				4,208
Total Assets	560,948	76,955	547,279	34,451	102,997	58,359	30,228	37,019	1,448,236
Liabilities, Deferred Inflows of Resources and Fund Equity									
Liabilities:									
Accounts payable	21				8,922				8,943
Salaries and benefits payable					8,686				8,686
Total liabilities	21				17,608				17,629
Deferred inflows of resources:									
Unavailable revenues:									
Succeeding years property tax	406,805								406,805
Other	141		371,307						371,448
Total deferred inflows of resources	406,946		371,307						778,253
Fund balances:									
Nonspendable:									
Prepaid insurance					4,208				4,208
Trust								30,000	30,000
Restricted for:									
Mental health purposes	153,981								153,981
Drainage			175,972						175,972
Other purposes		76,955		34,451	81,181	58,359	30,228	7,019	288,193
Total fund equity	153,981	76,955	175,972	34,451	85,389	58,359	30,228	37,019	652,354
Total Liabilities, Deferred Inflows of Resources and Fund Equity	$ 560,948	76,955	547,279	34,451	102,997	58,359	30,228	37,019	1,448,236

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2015

	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	$ 500,238					584				500,822
Intergovernmental	43,689						16,180			59,869
Charges for services						61,163		2,349		63,512
Uses of money and property						4,468	312	165	203	5,148
Miscellaneous			4,377	16,010	14,161	2,846				37,394
Total revenues	543,927		4,377	16,010	14,161	69,061	16,492	2,514	203	666,745
Expenditures:										
Operating:										
Mental health	$ 538,878									538,878
County environment and education					567	278,534				279,101
Governmental services to residents								1,289		1,289
Capital projects							16,130			16,130
Non-Program				447,209						447,209
Total expenditures	538,878			447,209	567	278,534	16,130	1,289		1,282,607
Excess (deficiency) of revenues over (under) expenditures	5,049		4,377	(431,199)	13,594	(209,473)	362	1,225	203	(615,862)
Other financing sources (uses):										
Drainage proceeds				297,117						297,117
Transfers in						245,000				245,000
Transfers out			(205,894)							(205,894)
Total other financing sources (uses):			(205,894)	297,117		245,000				336,223
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	5,049		(201,517)	(134,082)	13,594	35,527	362	1,225	203	(279,639)
Fund balances beginning of year	148,932	76,955	201,517	310,054	20,857	49,862	57,997	29,003	36,816	931,993
Fund balances end of year	$ 153,981	76,955		175,972	34,451	85,389	58,359	30,228	37,019	652,354

See accompanying independent auditor's report.

Schedule 3

Hancock County
Garner, Iowa

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

	County Hospital	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	County Offices		Emergency Management Services	EMA Storm Safe	County Assessor
					Recorder	Sheriff			
Assets									
Cash and pooled investments:									
County treasurer	$ 10,751	290,028	2,811	164,225			20,320	2,631	110,457
Other County officials					17,982	23,571			
Receivables:									
Property tax:									
Delinquent	5,313		12						1,251
Succeeding year	1,209,971		2,844						284,989
Accounts		14,748		4,124			9,944		356
Prepaid insurance							260		935
Total Assets	1,226,035	304,776	5,667	168,349	17,982	23,571	30,524	2,631	397,988
Liabilities									
Salaries payable							2,601		7,768
Accounts payable				18,788			199		545
Due to other governments	1,226,035	304,776	5,667	149,561	7,812		26,115	2,631	388,027
Trusts payable					10,170	23,571			
Compensated absences							1,609		1,648
Total Liabilities	$ 1,226,035	304,776	5,667	168,349	17,982	23,571	30,524	2,631	397,988

Hancock County
Garner, Iowa

Schedule 3
(continued)

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

	Schools	Community Colleges	Corporations	Townships	City Special Assessments	Advance Tax	Ag Extension Education	Parital Tax Payment	Recorder Electronic Transaction Fee	Total
Assets										
Cash and pooled investments:										
County treasurer	92,104	4,906	34,223	2,553	6,309	33,871	1,609	115	183	777,096
Other County officials										41,553
Receivables:										
Property tax:										
Delinquent	47,604	2,746	18,996	1,425			795			78,142
Succeeding year	9,651,354	616,715	3,885,657	276,091			180,979			16,108,600
Accounts									227	29,399
Prepaid insurance										1,195
Total Assets	9,791,062	624,367	3,938,876	280,069	6,309	33,871	183,383	115	410	17,035,985
Liabilities										
Salaries payable										10,369
Accounts payable										19,532
Due to other governments	9,791,062	624,367	3,938,876	280,069	6,309	33,871	183,383	115	410	16,969,086
Trusts payable										33,741
Compensated absences										3,257
Total Liabilities	9,791,062	624,367	3,938,876	280,069	6,309	33,871	183,383	115	410	17,035,985

See accompanying independent auditor's report.

Schedule 4

Hancock County
Garner, Iowa

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2015

					County Offices					
	County Hospital	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	Auditor	Recorder	Sheriff	Emergency Management Services	EMA Storm Safe	County Assessor
Assets and Liabilities										
Balance beginning of year	$ 1,192,296	300,565	4,127	127,714		23,581	22,441	35,425	2,550	436,377
Additions:										
Property and other county tax	1,142,806		2,687							270,830
E-911 surcharge				139,885						
State tax credits	73,966		174							17,529
Office fees and collections					17,696	209,177	142,211			
Auto licenses, use tax and postage		3,627,915								
Assessments								76,404		
Trusts							135,398			
Miscellaneous								500	81	1,422
Total additions	1,216,772	3,627,915	2,861	139,885	17,696	209,177	277,609	76,904	81	289,781
Deductions:										
Agency remittances:										
To other funds		130,266			17,696	87,133	142,289			
To other governments	1,183,033	3,493,438	1,321	99,250				81,805		328,170
Trusts paid out						127,643	134,190			
Total deductions	1,183,033	3,623,704	1,321	99,250	17,696	214,776	276,479	81,805		328,170
Balance end of year	$ 1,226,035	304,776	5,667	168,349		17,982	23,571	30,524	2,631	397,988

Hancock County
Garner, Iowa

Schedule 4
(continued)

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2015

	Schools	Community Colleges	Corporation	Townships	City Special Assessments	Advance Tax	Agricultural Extension Education	Partial Tax Payments	Recorder Electronic Transaction Fee	Total
Assets and Liabilities										
Balance beginning of year	9,870,463	544,264	3,999,379	273,688	4,918	19,196	178,469	115	437	17,036,005
Additions:										
Property and other county tax	9,440,253	521,448	3,727,708	264,690			171,055			15,541,477
E-911 surcharge										139,885
State tax credits	628,573	33,749	377,931	14,012	45,307		11,071			1,202,312
Office fees and collections									2,347	371,431
Auto licenses, use tax and postage										3,627,915
Assessments										76,404
Trusts										135,398
Miscellaneous						14,675			1	16,679
Total additions	10,068,826	555,197	4,105,639	278,702	45,307	14,675	182,126		2,348	21,111,501
Deductions:										
Agency remittances:										
To other funds										377,384
To other governments	10,148,227	475,094	4,166,142	272,321	43,916		177,212			20,469,929
Trusts paid out									2,375	264,208
Total deductions	10,148,227	475,094	4,166,142	272,321	43,916		177,212		2,375	21,111,521
Balance end of year	9,791,062	624,367	3,938,876	280,069	6,309	33,871	183,383	115	410	17,035,985

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types
For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2,011	2010	2009	2008	2007	2006
Revenues:										
Property and other county tax	$ 5,567,590	5,356,954	4,903,734	4,439,081	4,195,541	4,154,689	3,932,859	3,962,390	3,839,962	3,741,332
Interest and penalty on property tax	40,283	36,820	41,397	33,827	38,081	43,061	32,951	39,036	28,197	31,087
Intergovernmental	4,345,124	4,006,232	4,012,171	4,769,112	5,329,531	5,519,798	5,906,982	5,701,445	6,672,034	5,465,711
Licenses and permits	19,658	21,146	18,543	21,084	16,374	14,185	8,450	25,143	4,970	3,525
Charges for service	364,662	350,190	449,516	431,525	462,115	436,017	466,361	493,421	490,931	465,932
Use of money and property	229,362	236,592	242,061	195,651	189,631	288,099	338,872	538,173	560,430	370,550
Miscellaneous	334,946	338,648	291,419	365,249	268,081	311,157	633,382	276,442	350,211	396,428
Total	$ 10,901,625	10,346,582	9,958,841	10,255,529	10,499,354	10,767,006	11,319,857	11,036,050	11,946,735	10,474,565
Expenditures:										
Current:										
Public safety and legal services	$ 1,662,257	1,592,134	1,453,483	1,448,307	1,373,179	1,342,131	1,410,380	1,275,578	1,224,289	1,173,102
Physical health and social services	298,114	389,361	785,469	951,061	1,366,563	1,882,320	1,967,479	2,365,677	2,583,799	2,040,593
Mental health	538,878	504,389	599,196	1,379,581	1,514,115	1,448,811	1,391,175	1,564,440	1,487,274	1,373,780
County environment and education services	519,395	516,826	494,786	466,185	574,489	550,973	655,648	510,251	586,271	508,975
Roads and transportation	4,936,102	4,980,331	4,625,394	5,247,207	4,456,997	4,791,533	4,290,147	4,231,769	3,706,164	3,739,113
Governmental services to residents	401,555	391,576	339,728	320,701	313,345	327,706	348,263	318,733	293,242	415,247
Administrative services	1,026,536	891,806	866,368	903,791	885,226	923,698	1,029,855	923,876	889,268	933,683
Non-program	447,854	398,229	379,014	565,434	630,786	461,774	400,873	244,663	139,548	367,547
Capital projects	363,540	589,772	430,792	636,718	768,016	492,029	392,388	1,102,830	423,639	1,069,725
Total	$ 10,194,231	10,254,424	9,974,230	11,918,985	11,882,716	12,220,975	11,886,208	12,537,817	11,333,494	11,621,765

See accompanying independent auditor's report.

Renner & Birchem, PC
Certified Public Accountants
"Where people who care make the difference"

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

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

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

Independent Auditor's Report 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, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Hancock County's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 certain 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 a 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 deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2015 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 on 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 results 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.

Renner & Birchem, P.C.

December 12, 2015

Renner & Birchem, P.C.
Britt, Iowa

HANCOCK COUNTY

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies

I-A-15 **Segregation of Duties**-During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control viewpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

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

Conclusion-Response accepted.

Instances of Non-Compliance

No matters were reported.

HANCOCK COUNTY

Schedule of Findings

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 **Certified Budget**-Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted which is in compliance with chapter 384.20 of the Code of Iowa

II-A-15 **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-15 **Travel Expense**-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-15 **Business Transactions**-No business transactions between the County and County officials or employees were noted.

II-E-15 **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-15 **Board Minutes**-No transactions were found that we believe should have been approved in the board minutes but were not.

II-G-15 **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-15 **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-15 **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, 2015 did not exceed the amount budgeted.