

HAMILTON COUNTY
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FINDINGS AND QUESTIONED COSTS

June 30, 2004

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HAMILTON COUNTY
OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wesley Sweedler	Board of Supervisors	December 2004
Roger Balsley	Board of Supervisors	December 2004
M. Dick Barkema	Board of Supervisors	December 2006
Kim Schaa	County Auditor	December 2004
Deborah Leksell	County Treasurer	December 2006
Karen Kantak	County Recorder	December 2006
Scott Anderson	County Sheriff	December 2004
Patrick Chambers	County Attorney	December 2006

Independent Auditor's Report

To the Officials of Hamilton County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Hamilton County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton County as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2004 on our consideration of Hamilton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 10 and 41 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Hamilton County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cedar Rapids, Iowa
November 12, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hamilton County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004 (FY04). We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- Governmental funds revenue was approximately \$13.2 million in FY04, down from \$13.5 million in FY03. This included a property tax revenue of approximately \$5.7 million in FY04, an increase compared to \$5.5 million in FY03.
- Program expenses were approximately \$9.9 million in FY04, compared to \$11.8 million in FY03.
- Net assets increased approximately \$3.2 million for FY04 to \$16.7 million.

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* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hamilton 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 Hamilton County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hamilton County acts solely as an agent or custodian for the benefit of those outside the government.
- *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- *Required Supplementary Information other than MD&A* provides detailed information about the non-major governmental and the individual fiduciary funds, as well as the required budgetary comparison information.
- *Other Supplementary Information* provides detailed information about the nonmajor special revenue and the individual agency funds.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administrative services, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

REPORTING THE COUNTY BY FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about individual, significant funds; not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

The County has two kind of funds:

- 1) Governmental funds account for most of the County's basic services. These fund statements focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) General Fund, 2) Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, 3) Debt Service Funds, 4) Capital Projects Fund, and 5) Permanent Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) 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 employee health insurance, emergency management services, and the County Assessor, to name a few.

The financial statements required for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Hamilton County's net assets for FY04 totaled approximately \$16.7 million. This compares to FY03 at approximately \$13.5 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	<u>June 30,</u> <u>2004</u>	<u>June 30,</u> <u>2003</u>
Current and other assets	\$ 12,449	\$ 12,411
Capital asset	<u>13,495</u>	<u>9,368</u>
Total assets	<u>25,944</u>	<u>21,779</u>
Long-term debt outstanding	2,842	1,058
Other liabilities	<u>6,367</u>	<u>7,200</u>
Total liabilities	<u>9,209</u>	<u>8,258</u>
Net assets:		
Invested in capital assets, net of debt	11,226	8,535
Restricted	1,645	1,725
Unrestricted	<u>3,864</u>	<u>3,262</u>
Total net assets	<u>\$ 16,735</u>	<u>\$ 13,521</u>

Net assets of Hamilton County's governmental activities increased by approximately \$3.2 million from FY03. The largest portion of the County's net assets is the Invested in Capital Assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutions provisions, or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements, is \$3.8 million.

**Changes in Net Assets of Governmental Activities
(Expressed in Thousands)**

	Year Ended June 30,	
	2004	2003
Revenues:		
Program services:		
Charges for service	\$ 1,141	\$ 1,207
Operating grants and contributions	4,733	4,898
General revenues:		
Property taxes	5,742	5,539
Local option sales and service tax	1,152	897
Unrestricted investment earnings	116	124
Other general revenues	315	796
Total revenues	13,199	13,461
Program expenses:		
Public safety and legal services	1,390	1,382
Physical health and social services	2,081	2,278
Mental health	2,071	2,112
County environment and education	1,137	1,092
Roads and transportation	1,781	3,610
Government services to residents	382	393
Administrative services	895	887
Non-program	206	83
Interest on long-term debt	42	13
Total expenses	9,985	11,850
Increase in net assets	\$ 3,214	\$ 1,611

Hamilton County increased property tax levy rates by \$.00015 per \$1,000 of valuation in the rural levy and \$.09236 per \$1,000 of valuation in the countywide levy. The rural assessed property taxable valuation increased by \$1.7 million for a total of \$464,280,578 and countywide assessed property valuation increased by \$4.1 million for a total of \$729,848,964.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hamilton County completed the year, its governmental funds reported a combined fund balance of \$6,086,469, compared to \$5,215,480 combined fund balance for FY03. This is an increase of approximately \$870,000.

The General Fund, the operating fund for Hamilton County, ended FY04 with a balance totaling \$1,651,035, whereas FY03 ended with a \$1,594,646 balance, an increase of \$56,389. Property valuations increased from \$725,712,718 in FY03 to \$729,848,964 in FY04. The levy rate increased from \$5.78559 in FY03 to \$5.87780 in FY04.

The MH-DD Services ended with a \$220,146 balance for FY04, whereas FY03 ended with \$261,722. The levy rate decreased from 1.18559 in FY03 to 1.17866 in FY04. Hamilton County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. We will be occupying a new building on a lease-to-own basis early FY05. This will combine all Mental Health, Social Services, General Relief and Veteran Affairs Services into one building which are currently in five different locations in Webster City.

The Rural Service Fund ended with a \$219,420 balance for FY04 compared to the prior year balance of \$225,564. The levy rate increased slightly from 9.29801 in FY03 to 9.39037 in FY04. Property tax revenue for the Rural Services Fund tax remained virtually the same at \$1.6 million in both FY03 and FY04. The other revenues and expenditures within the rural services fund also remained virtually unchanged.

The Secondary Roads Funds ended FY04 with a \$3.166 million balance compared to the prior year balance of \$2.32 million. Revenues remained virtually the same at \$2.4 million in both FY03 and FY04. FY04 total expenditures of \$3.25 million decreased compared to \$3.86 million in FY03. In FY04, the reserve for inventories increased \$289,658. The Secondary Roads Department maintained 716 miles of aggregate-surfaced roads and 191 miles of paved roads during the year and completed one construction project during FY03.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, Hamilton County amended the budget in May of 2004, for the primary purpose being the construction of the Law Enforcement Center. Other items also included in the amendment were additional expenses for the Medical Examiner, Chemical Dependency, Juvenile Court, additional contribution for the Community Housing Initiatives and other minor adjustments. At this time, we also made adjustments to the revenues to include, but not limited to, the Transfer of Jurisdiction Funds, Mental Health, and grants received for Conservation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY04, the County had approximately \$16.7 million invested in capital assets. This includes land, buildings and improvements, equipment and infrastructure constructed during FY04. This is a net increase of \$3.2 million compared to FY03.

Net Assets of Governmental Activities (Expressed in Thousands)

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 12,449	\$ 12,411
Capital assets	<u>13,495</u>	<u>9,368</u>
Total assets	<u>25,944</u>	<u>21,779</u>
Long-term obligations	2,842	1,058
Other liabilities	<u>6,367</u>	<u>7,200</u>
Total liabilities	<u>9,209</u>	<u>8,258</u>
Net assets:		
Invested in capital assets, net of related debt	11,226	8,535
Restricted	1,645	1,724
Unrestricted	<u>3,864</u>	<u>3,262</u>
Total net assets	<u>\$ 16,735</u>	<u>\$ 13,521</u>

Long-Term Debt

At June 30, 2004, Hamilton County had \$2,894,000 in capital notes and other debt outstanding compared to \$1,058,000 at June 30, 2003.

Outstanding Long-term Obligations (Expressed in Thousands)

	<u>2004</u>	<u>2003</u>
Capital lease purchase agreements	\$ 8	\$ 16
Drainage warrants and improvement certificates	324	318
Capital notes payable	1,969	250
Compensated absences	<u>593</u>	<u>474</u>
Total	<u>\$ 2,894</u>	<u>\$ 1,058</u>

Debt increased due to the Law Enforcement Center.

The Constitution of the State of Iowa limits the general obligation debt a county can issue and have outstanding to 5 percent of the assessed value of all taxable property within the county's corporate limits. The County's outstanding general obligation debt is well below this limit.

See more detailed information regarding the County's long-term liabilities presented in Note 7 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

Hamilton County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2004 budget, tax rates, and fees that apply for the various County services. One of those factors is the economy. Unemployment in Hamilton County now stands at 4.0% versus 2.6% a year ago. This compares with the State's unemployment rate of 3.4% and the national rate of 3.9% for the same period ending June 30, 2004.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2005. Increased wage adjustments and benefits represent the largest portion of the increased expenses. Hamilton County has added no major programs or initiatives to the 2005 budget.

If estimates are realized, Hamilton County's budgetary General Fund balance is expected to decrease by the close of 2005.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hamilton 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 Hamilton County Auditor's Office, 2300 Superior Street, Webster City, Iowa 50595.

FINANCIAL STATEMENTS

HAMILTON COUNTY

Statement of Net Assets

June 30, 2004

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,090,725
Receivables:	
Property tax:	
Delinquent	21,791
Succeeding year	5,246,055
Interest and penalty on property tax	27,710
Accounts	65,120
Accrued interest	3,227
Drainage assessments	95,419
Due from other funds	42,590
Due from other governments	316,401
Inventories	1,540,291
Capital assets, net of accumulated depreciation	<u>13,495,161</u>
Total assets	<u>25,944,490</u>
LIABILITIES	
Accounts payable	348,234
Accrued interest payable	4,477
Salaries and benefits payable	47,171
Due to other governments	591,096
Deferred revenue:	
Succeeding year property tax	5,246,055
Other	77,693
Long-term liabilities:	
Portion due within one year:	
Capital lease purchase agreements	8,374
Capital notes	440,678
Compensated absences	303,701
Portion due after one year:	
Capital notes	1,528,519
Compensated absences	289,391
Drainage district warrants and certificates payable	<u>323,693</u>
Total liabilities	<u>9,209,082</u>

Exhibit A

	Governmental <u>Activities</u>
NET ASSETS	
Invested in capital assets, net of related debt	11,517,590
Restricted for:	
Secondary roads purposes	1,286,600
Drainage	323,693
Unrestricted	<u>3,607,525</u>
 TOTAL NET ASSETS	 <u><u>\$ 16,735,408</u></u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

HAMILTON COUNTY

Exhibit B

Statement of Activities

For the Year Ended June 30, 2004

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	
Governmental activities:				
Public safety and legal services	\$ 1,389,681	\$ 75,180	\$ 24,296	\$ (1,290,205)
Physical health and social services	2,080,993	191,762	1,155,237	(733,994)
Mental health	2,071,573	3,683	1,097,743	(970,147)
County environment and education	1,137,204	522,074	14,648	(600,482)
Roads and transportation	1,780,598	36,325	2,404,925	660,652
Governmental services to residents	381,821	290,663	19,595	(71,563)
Administrative services	894,948	18,040	10,275	(866,633)
Non-program	205,886	3,412	5,901	(196,573)
Interest on long-term debt	<u>41,823</u>	<u>-</u>	<u>-</u>	<u>(41,823)</u>
Total	<u>\$ 9,984,527</u>	<u>\$ 1,141,139</u>	<u>\$ 4,732,620</u>	<u>(4,110,768)</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				5,692,434
Penalty and interest on property tax				49,058
State tax credits				291,006
Local option sales tax				1,151,727
Unrestricted investment earnings				116,255
Gain on dispositions				5,507
Miscellaneous				<u>18,595</u>
Total general revenues				<u>7,324,582</u>
Change in net assets				3,213,814
Net assets, beginning of year				<u>13,521,594</u>
Net assets, end of year				<u>\$ 16,735,408</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

HAMILTON COUNTY

Balance Sheet Governmental Funds

June 30, 2004

	<u>General</u>	<u>Special Revenue</u>		
		<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
ASSETS				
Cash and pooled investments	\$1,579,243	\$ 518,755	\$ 262,234	\$1,643,648
Receivables:				
Property tax:				
Delinquent	11,995	3,195	6,601	-
Succeeding year	3,161,367	842,115	1,242,573	-
Interest and penalty on property tax	27,710	-	-	-
Accounts	53,402	5,312	-	2,769
Accrued interest	3,227	-	-	-
Drainage assessments	-	-	-	-
Due from other funds	39,501	-	-	-
Due from other governments	86,650	13,591	-	18,854
Inventories	-	-	-	<u>1,540,291</u>
Total assets	<u>\$4,963,095</u>	<u>\$1,382,968</u>	<u>\$1,511,408</u>	<u>\$3,205,562</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 58,349	\$ 207,451	\$ 48,265	\$ 25,141
Salaries and benefits payable	29,938	3,156	167	13,437
Due to other governments	31,071	107,233	300	188
Deferred revenue:				
Succeeding year property tax	3,161,367	842,115	1,242,573	-
Other	<u>31,335</u>	<u>2,867</u>	<u>683</u>	<u>-</u>
Total liabilities	<u>3,312,060</u>	<u>1,162,822</u>	<u>1,291,988</u>	<u>38,766</u>
Fund balances:				
Reserved for:				
Inventories	-	-	-	1,540,291
Drainage warrants/drainage improvement certificates	-	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,651,035	-	-	-
Special revenue fund	-	220,146	219,420	1,626,505
Capital projects fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,651,035</u>	<u>220,146</u>	<u>219,420</u>	<u>3,166,796</u>
Total liabilities and fund balances	<u>\$4,963,095</u>	<u>\$1,382,968</u>	<u>\$1,511,408</u>	<u>\$3,205,562</u>

Exhibit C

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 1,086,845	\$ 5,090,725
-	-	21,791
-	-	5,246,055
-	-	27,710
-	3,637	65,120
-	-	3,227
-	95,419	95,419
-	3,089	42,590
-	197,306	316,401
-	-	<u>1,540,291</u>
<u>\$ -</u>	<u>\$ 1,386,296</u>	<u>\$ 12,449,329</u>
\$ 3,624	\$ 5,404	\$ 348,234
-	473	47,171
-	452,304	591,096
-	-	5,246,055
-	<u>95,419</u>	<u>130,304</u>
<u>3,624</u>	<u>553,600</u>	<u>6,362,860</u>
-	-	1,540,291
-	338,474	338,474
-	(4,192)	(4,192)
-	-	1,651,035
-	498,414	2,564,485
<u>(3,624)</u>	<u>-</u>	<u>(3,624)</u>
<u>(3,624)</u>	<u>832,696</u>	<u>6,086,469</u>
<u>\$ -</u>	<u>\$ 1,386,296</u>	<u>\$ 12,449,329</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

HAMILTON COUNTY

Exhibit D

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

June 30, 2004

Total governmental fund balances \$ 6,086,469

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$21,033,618 and the accumulated depreciation is \$7,538,457.

13,495,161

Long-term liabilities, including bonds payable, capital leases, accrued interest payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Notes, leases and compensated absences payable
Accrued interest payable

(2,841,745)

(4,477)

Net assets of governmental activities

\$ 16,735,408

These financial statements should be read only in connection
with the accompanying notes to financial statements.

HAMILTON COUNTY

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

Year Ended June 30, 2004

		<u>Special Revenue</u>		
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:				
Property and other county tax	\$3,274,767	\$ 821,262	\$1,570,488	\$ -
Interest and penalty on property tax	49,078	-	-	-
Intergovernmental	1,422,659	1,143,780	61,427	2,404,925
Licences and permits	5,338	-	-	630
Charges for services	970,619	-	-	639
Use of money and property	109,564	-	-	4,312
Fines, forfeitures and defaults	146	-	-	274
Miscellaneous	<u>36,994</u>	<u>3,683</u>	<u>-</u>	<u>30,744</u>
Total revenues	<u>5,869,165</u>	<u>1,968,725</u>	<u>1,631,915</u>	<u>2,441,524</u>
Expenditures:				
Current:				
Public safety and legal services	1,417,397	-	-	-
Physical health and social services	2,009,793	-	-	-
Mental health	-	2,010,301	-	-
County environment and education services	996,943	-	104,043	-
Roads and transportation	-	-	228,557	3,199,573
Governmental services to residents	381,527	-	-	-
Administrative services	887,886	-	22,593	-
Non-program	-	-	-	-
Debt service	-	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,372</u>
Total expenditures	<u>5,693,546</u>	<u>2,010,301</u>	<u>355,193</u>	<u>3,252,945</u>
Excess (deficiency) of revenues over (under) expenditures	175,619	(41,576)	1,276,722	(811,421)
Other financing sources (uses):				
Sale of capital assets	5,500	-	-	7
Operating transfers in	200,000	-	-	1,367,866
Operating transfers out	(324,730)	-	(1,282,866)	-
L.O.S.T. revenue bonds issued	-	-	-	-
Drainage warrant/drainage improvement certificate issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(119,230)</u>	<u>-</u>	<u>(1,282,866)</u>	<u>1,367,873</u>

Exhibit E

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$1,151,727	\$6,818,244
-	-	49,078
-	59,164	5,091,955
-	-	5,968
-	29,440	1,000,698
-	22,927	136,803
-	-	420
-	18,247	89,668
<u>-</u>	<u>1,281,505</u>	<u>13,192,834</u>
-	-	1,417,397
-	63,355	2,073,148
-	-	2,010,301
-	12,261	1,113,247
-	-	3,428,130
-	-	381,527
-	5,410	915,889
-	454,183	454,183
-	48,458	48,458
<u>2,687,058</u>	<u>-</u>	<u>2,740,430</u>
<u>2,687,058</u>	<u>583,667</u>	<u>14,582,710</u>
(2,687,058)	697,838	(1,389,876)
-	-	5,507
1,095,119	54,941	2,717,926
-	(1,110,330)	(2,717,926)
1,700,000	-	1,700,000
<u>-</u>	<u>277,169</u>	<u>277,169</u>
<u>2,795,119</u>	<u>(778,220)</u>	<u>1,982,676</u>

(continued)

HAMILTON COUNTY

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

Year Ended June 30, 2004

	<u>General</u>	<u>Special Revenue</u>		
		<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	56,389	(41,576)	(6,144)	556,452
Fund balances beginning of year	1,594,646	261,722	225,564	2,320,686
Increase in reserve for inventories	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,658</u>
Fund balances, end of year	<u>\$1,651,035</u>	<u>\$ 220,146</u>	<u>\$ 219,420</u>	<u>\$3,166,796</u>

Exhibit E

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
108,061	(80,382)	592,800
(111,685)	913,078	5,204,011
<u>-</u>	<u>-</u>	<u>289,658</u>
<u>\$ (3,624)</u>	<u>\$ 832,696</u>	<u>\$6,086,469</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

HAMILTON COUNTY

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, 2004

Net change in fund balances - total governmental funds (page 21) \$ 592,800

*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	\$9,614,727	
Depreciation expense	<u>(447,832)</u>	9,166,895

Contracts in progress that are completed are capitalized on the governmental activities (5,039,853)

Local Option Sales Tax revenue bond proceeds provide current financial resources to governmental funds, but issuing the bonds increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Current year debt issues were below debt repayments as follows:

Bonds issued	(1,700,000)	
Principal payments - bonds and leases	<u>14,977</u>	(1,685,023)

Drainage certificates and warrants issued provide current financial resources to governmental funds, but issuing the certificates increases long-term liabilities in the statement of net assets. Repayment of warrants and certificates are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Current year warrant activity is as follows:

Drainage certificates and warrants issued	(277,169)	
Payments of certificates and warrants	<u>297,648</u>	20,479

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 the governmental fund as follows:

Compensated absences	(135,619)	
Interest on long-term debt	<u>4,477</u>	(131,142)

(continued)

HAMILTON COUNTY

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, 2004

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted.

289,658

Change in net assets of governmental activities (page 14)

\$ 3,213,814

These financial statements should be read only in connection with the accompanying notes to financial statements.

HAMILTON COUNTY

Exhibit G

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2004

ASSETS

Cash and pooled investments:	
County treasurer	\$1,168,244
Other county officials	14,858
Receivables:	
Accounts receivable	26,929
Property tax:	
Delinquent	44,549
Succeeding year	14,066,219
Due from other governments	<u>5,883</u>
Total assets	<u>15,326,682</u>

LIABILITIES

Accounts payable	241,975
Salaries and benefits payable	3,045
Due to other governments	974,652
Deferred revenue:	
Succeeding year property tax	14,066,219
Other	39,434
Compensated absences	<u>1,357</u>
Total liabilities	<u>15,326,682</u>

NET ASSETS \$ -

This financial statement should be read only in connection with the accompanying notes to financial statements.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Hamilton 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 accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hamilton 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 Hamilton County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three hundred eleven 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 Hamilton 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 Hamilton County Auditor's office.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2004

(1) **Summary of Significant Accounting Policies** (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Public Safety Commission and 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 an Agency Fund of the County.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are 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.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

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

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

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 and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using 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.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2004

(1) **Summary of Significant Accounting Policies** (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

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 investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2004

(1) **Summary of Significant Accounting Policies** (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property Tax Receivable - Property tax in governmental fund types are 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 current fiscal year with a 1 1/2% per month penalty for delinquent payment; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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. Drainage assessments receivable represent assessments which are due and payable but have not been collected.

Due From and Due To Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2004

(1) **Summary of Significant Accounting Policies** (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

Buildings	40-50 years
Building improvements	20-50 years
Infrastructure	30-50 years
Equipment	2-20 years
Vehicles	3-10 years

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.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2004

(1) **Summary of Significant Accounting Policies** (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences - County employees 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 and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

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

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2004

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The 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's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the County or its agent in the County's name.

The County's investments at June 30, 2004 are as follows:

Drainage warrants	\$ 199,049
-------------------	------------

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$834,089 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Trust & Agency - County Recorder	\$ 27,785
General	Trust & Agency - Auto License & Use Tax	11,717
Special Revenue:		
County Recorder's Records Management	Trust & Agency - County Recorder	158
Special Revenue:		
Recorder's Electronic File	Trust & Agency - County Recorder	<u>2,030</u>
Total		<u>\$ 42,590</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimburseable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2004

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 85,000
	Special Revenue:	
	Rural Services	1,282,866
RSVP	General	6,000
Conservation Land		
Acquisition	General	4,675
Capital Projects	Special Revenue:	
	Local Option Sales Tax	1,095,119
Debt Service	General	29,055
	Special Revenue:	
	Local Option Sales Tax	15,211
Trust & Agency:		
County Assessor	Trust & Agency:	
	Assessor's FICA & IPERS	19,758
	Special Appraiser	<u>7,997</u>
		<u>\$2,545,681</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,885,009	\$ -	\$ -	\$ 3,885,009
Construction in progress	<u>760,136</u>	<u>4,279,717</u>	<u>5,039,853</u>	<u>-</u>
Total capital assets not being depreciated	<u>4,645,145</u>	<u>4,279,717</u>	<u>5,039,853</u>	<u>3,885,009</u>

HAMILTON COUNTY
Notes to Financial Statements

June 30, 2004

(5) **Capital Assets** (continued)

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets being depreciated:				
Buildings and building improvements	3,958,165	3,447,194	-	7,405,359
County equipment	1,342,557	64,608	80,997	1,326,168
Secondary roads equipment	5,818,242	215,840	1,234	6,032,848
Secondary roads office equipment	120,079	14,709	4,395	130,393
Infrastructure	<u>661,182</u>	<u>1,592,659</u>	<u>-</u>	<u>2,253,841</u>
Total capital assets being depreciated	<u>11,900,225</u>	<u>5,335,010</u>	<u>86,626</u>	<u>17,148,609</u>
Less accumulated depreciation for:				
Buildings and building improvements	2,304,540	49,351	-	2,353,891
County equipment	595,705	113,070	80,997	627,778
Secondary roads equipment	4,173,187	277,554	1,234	4,449,507
Secondary roads office equipment	<u>103,819</u>	<u>7,857</u>	<u>4,395</u>	<u>107,281</u>
Total accumulated depreciation	<u>7,177,251</u>	<u>447,832</u>	<u>86,626</u>	<u>7,538,457</u>
Total capital assets being depreciated, net	<u>4,722,974</u>	<u>4,887,178</u>	<u>-</u>	<u>9,610,152</u>
Governmental activities capital assets, net	<u>\$ 9,368,119</u>	<u>\$ 9,166,895</u>	<u>\$ 5,039,853</u>	<u>\$13,495,161</u>

The County is phasing in reporting of infrastructure in accordance with provisions of GASB 34.

Depreciation expense was charged to the governmental functions of the County as follows:

Governmental activities:	
Public safety and legal services	\$ 13,550
Physical health and social services	6,975
Mental health	20,005
County environment and education	66,175
Roads and transportation	285,411
Governmental services to residents	294

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2004

(5) **Capital Assets** (continued)

Administrative services	6,071
Unallocated	<u>49,351</u>
Total depreciation expense - governmental activities	<u>\$ 447,832</u>

(6) **Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 31,071
Special Revenue:		
Secondary Roads	Services	188
Mental Health	Services	107,233
Rural Services	Services	300
Permanent:		
Conservation Legacy Endowment	Services	<u>452,304</u>
Total for governmental funds		<u>\$ 591,096</u>
Agency:		
Recorder		\$ 3,970
Sheriff		14,667
Townships		2,862
Corporations		46,984
District Schools		92,241
Area Schools		4,591
County Assessor		44,052
County Agricultural Extension		1,313
County Hospital		7,164
Auto Registration and Use Tax		287,400
E911 Surcharge		115,761
Special Appraisers		67,258
Empowerment		211,031
All Others		<u>75,358</u>
Total for agency funds		<u>\$ 974,652</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2004

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>Capital Lease Purchase Agreements</u>	<u>Local Option Sales Tax Revenue Bond</u>	<u>Capital Notes</u>	<u>Drainage Warrants</u>	<u>Drainage District Improvement Certificates</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance, beginning of year	\$ 16,215	\$ -	\$ 250,475	\$ 79,009	\$ 238,409	\$ 473,920	\$1,058,028
Increase	-	1,700,000	323,519	217,363	151,996	391,260	2,784,138
Decreases	<u>7,841</u>	<u>-</u>	<u>304,797</u>	<u>200,953</u>	<u>162,131</u>	<u>272,088</u>	<u>947,810</u>
Balance, end of year	<u>\$ 8,374</u>	<u>\$1,700,000</u>	<u>\$ 269,197</u>	<u>\$ 95,419</u>	<u>\$ 228,274</u>	<u>\$ 593,092</u>	<u>\$2,894,356</u>
Due within one year	<u>\$ 8,374</u>	<u>\$ 428,596</u>	<u>\$ 12,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,701</u>	<u>\$ 752,753</u>

Capital Lease Purchase Agreements

The County has entered into a capital lease purchase agreement to lease a fairway mower with a historical cost of \$39,375. The following is a schedule of the future minimum lease payments, including interest at 6.8% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2004:

<u>Year Ending June 30,</u>	
2005	\$ 8,944
Less amount representing interest	<u>570</u>
Present value of net minimum lease payments	<u>\$ 8,374</u>

Payments under capital lease purchase agreements for the year ended June 30, 2004 totaled \$8,944.

Bonds Payable

A summary of the County's June 30, 2004, general obligation bonded indebtedness is as follows:

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2004

(7) **Changes in Long-Term Liabilities** (continued)

General Obligation Refunding Note

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	5.62%	\$ 12,084	\$ 4,416	\$ 16,500
2006	5.62%	44,158	12,342	56,500
2007	5.62%	46,278	10,222	56,500
2008	5.62%	48,499	8,001	56,500
2009	5.62%	50,827	5,673	56,500
2010	5.62%	53,267	3,233	56,500
2011	5.62%	<u>14,084</u>	<u>676</u>	<u>14,760</u>
		<u>\$ 269,197</u>	<u>\$ 44,563</u>	<u>\$ 313,760</u>

During the year ended June 30, 2004, the County issued \$323,519 in general obligation notes to be paid for with agency funds.

Local Option Sales Tax Revenue Bond

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	3.40%	\$ 428,596	\$ 51,404	\$ 480,000
2006	3.40%	687,419	32,581	720,000
2007	3.40%	<u>583,985</u>	<u>9,051</u>	<u>593,036</u>
		<u>\$1,700,000</u>	<u>\$ 93,036</u>	<u>\$1,793,036</u>

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2004

(7) Changes in Long-Term Liabilities (continued)

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

(8) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 7.48% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 8.05% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$282,207, \$271,457, and \$269,500, respectively, equal to the required contributions for each year.

(9) Construction Commitment

The County has entered into a contract totaling \$436,519 for roadway resurfacing. As of June 30, 2004, no costs had been incurred against the contracts. The balance of \$436,519 remaining at June 30, 2004 will be paid as work on the project progresses.

(10) 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 the past three fiscal years.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2004

(11) Jointly Governed Organizations

Hamilton County participates in the Hamilton County Solid Waste Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Being a member of this Commission, Hamilton County will be obligated for its share of the closure and postclosure core costs associated with the cost to place a final cover on the Commission's landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. During 1997, the Commission completed a financial assurance plan which estimated probable closure costs to be \$61,068 and estimated annual probable postclosure costs to be \$32,617. The Commission formally adopted a closure-postclosure plan to provide funds for closure and postclosure costs.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Required Supplementary Information

Year Ended June 30, 2004

	Governmental Fund Types <u>Actual</u>	Less Funds Not Required to <u>Be Budgeted</u>	<u>Net</u>
RECEIPTS:			
Property and other county tax	\$ 6,758,768	\$ -	\$ 6,758,768
Interest and penalty on property tax	42,061	-	42,061
Intergovernmental	5,084,698	1,698	5,083,000
Licenses and permits	5,968	-	5,968
Charges for services	1,010,716	-	1,010,716
Use of money and property	135,896	5,392	130,504
Miscellaneous	<u>369,770</u>	<u>277,169</u>	<u>92,601</u>
Total receipts	<u>13,407,877</u>	<u>284,259</u>	<u>13,123,618</u>
DISBURSEMENTS:			
Public safety and legal services	1,450,549	-	1,450,549
Physical health and social services	2,083,839	-	2,083,839
Mental health	1,872,821	-	1,872,821
County environment and education services	1,118,737	-	1,118,737
Roads and transportation	3,685,336	-	3,685,336
Governmental services to residents	386,022	-	386,022
Administrative services	929,890	-	929,890
Non-program	454,793	297,648	157,145
Debt service	44,266	-	44,266
Capital projects	<u>2,850,347</u>	<u>-</u>	<u>2,850,347</u>
Total disbursements	<u>14,876,600</u>	<u>297,648</u>	<u>14,578,952</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,468,723)	(13,389)	(1,455,334)
OTHER FINANCING SOURCES, NET	<u>1,713,852</u>	<u>-</u>	<u>1,713,852</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS	245,129	(13,389)	258,518
BALANCES, BEGINNING OF YEAR	<u>4,527,068</u>	<u>350,721</u>	<u>4,176,347</u>
BALANCES, END OF YEAR	<u>\$ 4,772,197</u>	<u>\$ 337,332</u>	<u>\$ 4,434,865</u>

<u>Budgeted Amounts</u>		Final to Actual
<u>Original</u>	<u>Final</u>	<u>Variance-Positive/ (Negative)</u>
\$ 6,571,960	\$ 6,733,289	\$ 25,479
30,400	30,400	11,661
5,361,923	5,607,397	(524,397)
9,475	9,475	(3,507)
1,041,734	966,788	43,928
172,199	175,383	(44,879)
<u>140,496</u>	<u>129,004</u>	<u>(36,403)</u>
<u>13,328,187</u>	<u>13,651,736</u>	<u>(528,118)</u>
1,712,503	1,703,468	252,919
2,230,239	2,266,444	182,605
1,862,917	1,872,917	96
1,311,900	1,237,901	119,164
3,899,700	3,847,900	162,564
414,045	410,645	24,623
1,087,044	1,081,044	151,154
-	157,145	-
929,056	49,056	4,790
<u>2,693,730</u>	<u>3,086,853</u>	<u>236,506</u>
<u>16,141,134</u>	<u>15,713,373</u>	<u>1,134,421</u>
(2,812,947)	(2,061,637)	606,303
<u>2,500,000</u>	<u>1,850,000</u>	<u>(136,148)</u>
(312,947)	(211,637)	470,155
<u>3,348,689</u>	<u>4,052,898</u>	<u>123,449</u>
<u>\$ 3,035,742</u>	<u>\$ 3,841,261</u>	<u>\$ 593,604</u>

See accompanying independent auditor's report.

HAMILTON COUNTY
Budgetary Comparison Schedule -
Budget to GAAP Reconciliation
Required Supplementary Information

Year Ended June 30, 2004

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjust- ments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 13,407,877	\$ (215,043)	\$ 13,192,834
Expenditures	<u>14,876,600</u>	<u>(293,890)</u>	<u>14,582,710</u>
Net	(1,468,723)	78,847	(1,389,876)
Other financing sources, net	1,713,852	268,824	1,982,676
Beginning fund balances	4,527,068	676,943	5,204,011
Increase in reserve for inventories	<u>-</u>	<u>289,658</u>	<u>289,658</u>
Ending fund balance	<u>\$ 4,772,197</u>	<u>\$1,314,272</u>	<u>\$ 6,086,469</u>

See accompanying independent auditor's report.

HAMILTON COUNTY

Notes to Required Supplementary Information- Budgetary Reporting

Year Ended June 30, 2004

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$805,519. This 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.

OTHER SUPPLEMENTARY INFORMATION