HAMILTON COUNTY

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

June 30, 2005

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STAFF 65

HAMILTON COUNTY

OFFICIALS

Name	Title	Term Expires
Wesley Sweedler	Board of Supervisors	December 2008
David Young	Board of Supervisors	December 2006
Doug Bailey	Board of Supervisors	December 2008
Kim Schaa	County Auditor	December 2008
Deborah Leksell	County Treasurer	December 2006
Karen Kantak	County Recorder	December 2006
Denny Hagenson	County Sheriff	December 2008
Patrick Chambers	County Attorney	December 2006
Kevin Bahrenfuss	County Assessor	December 2009

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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, 2005, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2005, 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 October 12, 2005 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 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. 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 6 through 12 and 47 through 49 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.

Offices in 14 states and Washington, DC

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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, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
October 12, 2005

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, 2005 (FY05). We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Governmental funds revenue was approximately $13.4 million in FY05, compared to $13.2 million in FY04.
- Program expenses were approximately $15.2 million in FY05, compared to $14.6 million in FY04.
- Net assets decreased approximately $65,000 for FY05.

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* further explains and supports the financial statements with a comparison of the County's budget for the year.
- *Other Supplementary Information* provides detailed information about the nonmajor special revenue and the individual agency funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information 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.

Fund Financial Statements

The County has three kinds 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 Fund, 4) Capital Projects Fund, and 5) Permanent Fund. 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 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 financial statements required 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 Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for 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 FY05 totaled approximately $16.6 million. This compares to FY04 at approximately $16.7 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)

	June 30, 2005	June 30, 2004
Current and other assets	$ 12,146	$ 12,451
Capital assets	15,663	13,495
Total assets	27,809	25,946
Long-term debt outstanding	3,484	2,894
Other liabilities	7,653	6,315
Total liabilities	11,137	9,209
Net assets:		
Invested in capital assets, net of debt	12,803	11,518
Restricted	1,332	1,610
Unrestricted	2,537	3,609
Total net assets	$ 16,672	$ 16,737

FY05 net assets of Hamilton County's governmental activities decreased by $65,000 from FY04. 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, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements, is $2.5 million.

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

	Year Ended June 30, 2005	2004
Revenues:		
Program revenues:		
Charges for service	$ 2,578	$ 1,141
Operating grants and contributions	5,124	4,733
General revenues:		
Property taxes	5,146	5,742
Local option sales and service tax	1,291	1,152
Unrestricted investment earnings	151	116
Other general revenues	277	315
Total revenues	14,567	13,199
Program expenses:		
Public safety and legal services	1,828	1,390
Physical health and social services	1,978	2,081
Mental health	1,969	2,071
County environment and education	1,069	1,137
Roads and transportation	4,597	1,781
Government services to residents	390	382
Administrative services	2,155	895
Non-program	452	206
Interest on long-term debt	77	42
Loss on dispositions	117	-
Total expenses	14,632	9,985
Increase(decrease) in net assets	$ (65)	$ 3,214

Hamilton County increased County-wide levy rates by $.70627 per $1,000 of valuation. The rural assessed property taxable valuation decreased by $102 million for a total of $361,827,667 and countywide assessed property valuation decreased by $108 million for a total of $621,145,481. The valuation decrease was due to the de-valuation of ag land.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hamilton County completed the year, its governmental funds reported a combined fund balance of $4,489,587, compared to $6,086,469 combined fund balance for FY04. This is a decrease of approximately $1.6 million.

The General Fund, the operating fund for Hamilton County, ended FY05 with a fund balance totaling $1,578,391, whereas FY04 ended with a $1,651,035 balance, a decrease of $72,644. Property valuations decreased from $729,848,964 in FY04 to $621,145,481 in FY05. The levy rate increased from $5.87780 in FY04 to $6.58407 in FY05.

The MH-DD Services ended with a $197,551 fund balance for FY05, whereas FY04 ended with a $220,146 balance, a decrease of $22,595. The levy rate increased from 1.17866 in FY04 to 1.38493 in FY05. Hamilton County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. We moved into our new building on a lease-to-own basis in September 2004. This combined all Mental Health, Social Services, General Relief and Veteran Affairs Services into one building which were in five different locations in Webster City.

The Rural Service Fund ended with a $152,390 fund balance for FY05, whereas FY04 ended with a $219,420 balance, a decrease of $67,030. The levy rate increased from 9.39037 in FY04 to 10.09664 in FY05. Property tax revenue for the Rural Services Fund decreased from $1,597,068 in FY04 to $1,242,573 in FY05. The revenues and expenditures within the rural services fund remained virtually unchanged with the exception of the Secondary Roads transfer which was reduced due to the de-valuation of ag land.

The Secondary Roads Funds ended FY05 with a $1.6 million fund balance compared to the prior year balance of $3.1 million. Revenues increased $200,000 due to capital construction projects (bridge replacements) in FY05 from the previous year. The maximum transfer from Rural Basic decreased because of the ag land de-valuation. FY05 expenditures increased from $3.2 million in FY04 to $4.8 million in FY05. This increase was due to projects not complete in FY04 and carried forward into FY05. In FY05, the reserve for inventories decreased to $1.2 million from $1.5 million. In FY05, the Secondary Roads Department maintained 716 miles of aggregate-surfaced roads and 218 miles of paved roads during the construction projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, Hamilton County amended the budget in January of 2005, 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, General Relief and Mental Health. At this time, we also made adjustments to the revenues to include, but not limited to, the L.O.S.T., interest and grants received for Conservation and Public Health. Hamilton County also amended the budget in May 2005 for the purpose of preparing for the Ethanol Project and concluding the construction of the Law Enforcement Center. We also included increases for Medical Examiner, Communication, Law Library, increase costs for clients and court commitments, rural recycling and administrative costs due to employment resignations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY05, the County had approximately $23.5 million invested in capital assets, compared to $21.0 million for FY04. This is an increase of approximately $2.5 million mainly due to the capitalization of the Law Enforcement Center.

Capital Assets, Net of Depreciation
(Expressed in Thousands)

	2005	2004
Land	$ 3,864	$ 3,885
Construction in progress	1,152	-
Buildings and improvements	6,164	5,051
Machinery and equipment	1,792	2,305
Infrastructure	2,691	2,254
Total	$ 15,663	$ 13,495

Long-Term Debt

At June 30, 2005, Hamilton County had approximately $3,484,000 in capital notes and other debt outstanding compared to approximately $2,894,000 at June 30, 2004.

Outstanding Long-term Obligations
(Expressed in Thousands)

	2005	2004
Capital lease purchase agreements	$ 1,140	$ 8
Drainage warrants and improvement certificates	230	324
Capital notes payable	300	269
Revenue bonds	1,420	1,700
Compensated absences	394	593
Total	$ 3,484	$ 2,894

Debt increased due to the capital lease for the Mental Health building.

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.

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 2006 budget, tax rates, and fees that apply for the various County services. One of those factors is the economy.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2006. The new Law Enforcement Center and increased wage and benefits represent the largest portion of the increased expenses.

If estimates are realized, Hamilton County's budgetary General Fund balance is expected to decrease by the close of 2006.

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, 2005

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 4,544,754
Receivables:	
Property tax:	
Delinquent	4,454
Succeeding year	5,849,480
Interest and penalty on property tax	8,935
Accounts	18,927
Accrued interest	5,646
Drainage assessments	80,486
Due from other funds	43,273
Due from other governments	368,795
Inventories	1,221,722
Capital assets, net of accumulated depreciation	15,662,830
Total assets	27,809,302
LIABILITIES	
Accounts payable	932,744
Accrued interest payable	9,563
Salaries and benefits payable	57,932
Due to other governments	709,117
Deferred revenue:	
Succeeding year property tax	5,849,480
Other	94,219
Long-term liabilities:	
Portion due within one year:	
Capital lease purchase agreements	84,474
Capital notes	52,075
Revenue bond	827,380
Compensated absences	257,464
Portion due after one year:	
Capital lease purchase agreements	1,055,492
Capital notes	248,424
Revenue bond	591,950
Compensated absences	135,872
Drainage district warrants and certificates payable	230,458
Total liabilities	11,136,644

Exhibit A

	Governmental Activities
NET ASSETS	
Invested in capital assets, net of related debt	12,803,035
Restricted for:	
Secondary roads purposes	1,101,837
Drainage	230,458
Unrestricted	2,537,328
TOTAL NET ASSETS	$ 16,672,658

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, 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions, and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Public safety and legal services	$ 1,828,358	$ 111,497	$ 19,963	$ (1,696,898)
Physical health and social services	1,977,619	258,949	1,238,035	(480,635)
Mental health	1,969,362	25,628	1,159,625	(784,109)
County environment and education	1,069,060	600,845	13,656	(454,559)
Roads and transportation	4,596,854	124,703	2,581,705	(1,890,446)
Governmental services to residents	390,064	286,537	4,795	(98,732)
Administration	2,154,683	1,161,732	1,138	(991,813)
Non-program	451,383	7,638	105,295	(338,450)
Interest on long-term debt	77,350	-	-	(77,350)
Loss on dispositions	117,397	-	-	(117,397)
Total	$ 14,632,130	$ 2,577,529	$ 5,124,212	(6,930,389)
GENERAL REVENUES:				
Property tax levied for:				
General purposes				5,097,435
Penalty and interest on property tax				49,454
State tax credits				263,060
Local option sales tax				1,290,881
Unrestricted investment earnings				151,334
Miscellaneous				12,910
Total general revenues				6,865,074
Change in net assets				(65,315)
Net assets, beginning of year				16,737,973
Net assets, end of year				$ 16,672,658

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

HAMILTON COUNTY

Balance Sheet
Governmental Funds

June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
ASSETS				
Cash and pooled investments	$1,539,904	$ 359,061	$ 153,904	$1,157,617
Receivables:				
Property tax:				
Delinquent	3,112	789	553	-
Succeeding year	4,021,729	542,639	1,285,112	-
Interest and penalty on property tax	8,935	-	-	-
Accounts	17,619	-	-	1,308
Accrued interest	5,646	-	-	-
Drainage assessments	-	-	-	-
Due from other funds	42,110	-	-	-
Due from other governments	117,626	201	-	49,028
Inventories	-	-	-	1,221,722
Total assets	$5,756,681	$ 902,690	$1,439,569	$2,429,675
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 85,125	$ 48,459	$ 85	$ 798,167
Salaries and benefits payable	31,375	4,498	1,032	20,822
Due to other governments	27,865	108,558	398	415
Deferred revenue:				
Succeeding year property tax	4,021,729	542,639	1,285,112	-
Other	12,196	985	552	-
Total liabilities	4,178,290	705,139	1,287,179	819,404
Fund balances:				
Reserved for:				
Inventories	-	-	-	1,221,722
Drainage warrants/drainage improvement certificates	-	-	-	-
Unreserved, reported in:				
General fund	1,578,391	-	-	-
Special revenue fund	-	197,551	152,390	388,549
Total fund balances	1,578,391	197,551	152,390	1,610,271
Total liabilities and fund balances	$5,756,681	$ 902,690	$1,439,569	$2,429,675

Capital Projects	Nonmajor	Total
$ -	$ 1,207,748	$ 4,418,234
-	-	4,454
-	-	5,849,480
-	-	8,935
-	-	18,927
-	-	5,646
-	80,486	80,486
-	1,163	43,273
-	201,940	368,795
-	-	1,221,722
$ -	$ 1,491,337	$ 12,019,952
$ -	$ 908	$ 932,744
-	205	57,932
-	458,755	595,991
-	-	5,849,480
-	80,486	94,219
-	540,354	7,530,366
-	-	1,221,722
-	337,416	337,416
-	-	1,578,391
-	613,567	1,352,057
-	950,983	4,489,586
$ -	$ 1,491,337	$ 12,019,952

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

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

June 30, 2005

Total governmental fund balances (page 18)	$ 4,489,586
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 $23,523,520 and the accumulated depreciation is $7,860,690.	15,662,830
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	(3,483,589)
Accrued interest payable	(9,563)
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.	13,394
Net assets of governmental activities (page 15)	$ 16,672,658

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, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	$3,067,311	$ 816,898	$1,213,083	$ -
Interest and penalty on property tax	49,598	-	-	-
Intergovernmental	1,469,572	1,202,279	55,592	2,581,705
Licenses and permits	5,300	-	-	2,455
Charges for services	1,095,532	-	-	611
Use of money and property	146,662	11,694	-	4,355
Fines, forfeitures and defaults	610	-	-	-
Miscellaneous	63,549	13,934	-	28,975
Total revenues	5,898,134	2,044,805	1,268,675	2,618,101
Expenditures:				
Current:				
Public safety and legal services	1,734,193	-	118,790	-
Physical health and social services	1,997,073	-	-	-
Mental health	-	2,067,400	-	-
County environment and education services	942,710	-	83,166	-
Roads and transportation	-	-	176,649	3,942,224
Governmental services to residents	390,064	-	-	-
Administrative services	887,493	-	19,518	-
Non-program	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	860,668
Total expenditures	5,951,533	2,067,400	398,123	4,802,892
Excess (deficiency) of revenues over (under) expenditures	(53,399)	(22,595)	870,552	(2,184,791)
Other financing sources (uses):				
Sale of capital assets	16,892	-	-	9,253
Operating transfers in	400,000	-	-	937,582
Operating transfers out	(436,137)	-	(937,582)	-
L.O.S.T. revenue bonds issued	-	-	-	-
Drainage warrant/drainage improvement certificate issued	-	-	-	-
Total other financing sources (uses)	(19,245)	-	(937,582)	946,835

Capital Projects	Nonmajor	Total
$ -	$1,290,880	$6,388,172
-	-	49,598
-	158,645	5,467,793
-	-	7,755
-	18,242	1,114,385
-	17,553	180,264
-	-	610
-	117,185	223,643
-	1,602,505	13,432,220
-	-	1,852,983
-	62,665	2,059,738
-	-	2,067,400
-	20,559	1,046,435
-	-	4,118,873
-	-	390,064
-	27,005	934,016
-	281,763	281,763
-	669,180	669,180
932,699	-	1,793,367
932,699	1,061,172	15,213,819
(932,699)	541,333	(1,781,599)
-	-	26,145
636,323	680,454	2,654,359
-	(1,280,640)	(2,654,359)
300,000	-	300,000
-	185,621	185,621
936,323	(414,565)	511,766

(continued)

HAMILTON COUNTY

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

Year Ended June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(72,644)	(22,595)	(67,030)	(1,237,956)
Fund balances, beginning of year	1,651,035	220,146	219,420	3,166,796
Increase in reserve for inventories	-	-	-	(318,569)
Fund balances, end of year	$1,578,391	$ 197,551	$ 152,390	$1,610,271

Capital Projects	Nonmajor	Total
3,624	126,768	(1,269,833)
(3,624)	824,215	6,077,988
-	-	(318,569)
$ -	$ 950,983	$4,489,586

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

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

Year Ended June 30, 2005

Net change in fund balances - total governmental funds (page 23)		$ (1,269,833)
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	$ 2,320,122	
Depreciation expense	(783,401)	1,536,721
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds the proceeds from the sale of capital assets increase financial resources. Thus, the change in fund balance differs by the cost of the capital asset sold.		(143,542)
Contracts in progress that are completed are capitalized on the governmental activities		(437,093)
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 repayments exceed current year debt issues as follows:		
Bonds issued	(300,000)	
Principal payments - bonds and leases	676,907	376,907
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	(185,621)	
Payments of certificates and warrants	278,856	93,235

(continued)

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

Year Ended June 30, 2005

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 funds as follows:		
Compensated absences	91,116	
Interest on long-term debt	(5,086)	86,030
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.		(318,569)
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the internal service fund is reported with governmental activities.		10,829
Change in net assets of governmental activities (page 16)		$ (65,315)

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

HAMILTON COUNTY **Exhibit G**

Statement of Net Assets

Proprietary Fund

June 30, 2005

	Internal Service-Hamilton County PSF
ASSETS	
Cash and cash equivalents	$ 126,520
LIABILITIES	
Due to other governments	113,126
NET ASSETS	
Unrestricted	$ 13,394

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

HAMILTON COUNTY

Exhibit H

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

Proprietary Fund

June 30, 2005

	Internal Service-Hamilton County PSF
OPERATING REVENUE	
Intra-county reimbursements	$1,134,595
OPERATING EXPENSES	
Medical claims	1,104,323
Administrative fees	19,179
Miscellaneous	264
Total operating expenses	1,123,766
Net Income	10,829
NET ASSETS, BEGINNING OF YEAR	2,565
NET ASSETS, END OF YEAR	$ 13,394

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

HAMILTON COUNTY **Exhibit I**

Statement of Cash Flows

Proprietary Fund

Year Ended June 30, 2005

	Internal Service-Hamilton County PSF
Cash flows from operating activities:	
Cash received from operating fund reimbursements	$1,134,595
Cash paid to suppliers for services	(1,010,640)
Net cash provided by operating activities	123,955
Cash and cash equivalents, beginning of year	2,565
Cash and cash equivalents, end of year	$ 126,520
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 10,829
Increase in accounts payable	113,126
Net cash provided by operating activites	$ 123,955

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

HAMILTON COUNTY **Exhibit J**

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2005

ASSETS	
Cash and pooled investments:	
County Treasurer	$ 669,890
Other county officials	53,980
Receivables:	
Accounts receivable	28,004
Property tax:	
Delinquent	14,795
Succeeding year	13,902,890
Due from other funds	468
Due from other governments	2,681
Total assets	14,672,708
LIABILITIES	
Accounts payable	822
Salaries and benefits payable	1,529
Due to other funds	43,741
Due to other governments	708,200
Deferred revenue:	
Succeeding year property tax	13,902,890
Other	14,169
Compensated absences	1,357
Total liabilities	14,672,708
NET ASSETS	$ -

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

(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.

(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 County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are 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 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.

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

B. Basis of Presentation (continued)

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary 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.

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 fund 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.

(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 proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating 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.

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

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.

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, have a maturity date no longer than three months.

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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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.

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

D. Assets, Liabilities and Fund Equity (continued)

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, 2005, 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 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.

(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, 2005. 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.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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 at June 30, 2005 are as follows:

Drainage warrants	$ 176,926

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of $959,402 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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) in 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.

Credit risk. The investments in Iowa Public Agency Investment Trust and Drainage warrants are unrated.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust & Agency - County Recorder	$ 30,393
General	Trust & Agency - Auto License & Use Tax	11,717
Special Revenue:		
County Recorder's Records Management	Trust & Agency - County Recorder	1,163
Agency:		
Recorder's Electronic File	Trust & Agency - County Recorder	468
Total		$ 43,741

(3) **Due From and Due to Other Funds** (continued)

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

(4) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service:	Special Revenue:	
Jail Debt Service	Local Option Sales Tax	$ 644,317
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	937,582
RSVP	General	6,000
Conservation Land Acquisition	General	1,082
Capital Projects	Special Revenue: Local Option Sales Tax	636,323
Debt Service	General	29,055
Trust & Agency:		
County Assessor	Trust & Agency:	
	Assessor's FICA & IPERS	20,047
	Special Appraiser	64,876
		$2,339,282

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, 2005 was as follows:

Governmental activities:	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Capital assets not being depreciated:				
Land	$ 3,885,009	$ -	$ 21,313	$ 3,863,696
Construction in progress	-	1,589,415	437,093	1,152,322
Total capital assets not being depreciated	3,885,009	1,589,415	458,406	5,016,018

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

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Capital assets being depreciated:				
Buildings and building improvements	7,405,359	42,327	11,318	7,436,368
Buildings under capital lease	-	1,211,583	-	1,211,583
County equipment	1,326,168	88,870	459,851	955,187
Secondary roads equipment	6,032,848	139,682	92,441	6,080,089
Secondary roads office equipment	130,393	22,733	19,785	133,341
Infrastructure	2,253,841	437,093	-	2,690,934
Total capital assets being depreciated	17,148,609	1,942,288	583,395	18,507,502
Less accumulated depreciation for:				
Buildings and building improvements	2,353,891	139,070	9,169	2,483,792
County equipment	627,778	351,113	339,773	639,118
Secondary roads equipment	4,449,507	283,308	92,441	4,640,374
Secondary roads office equipment	107,281	9,910	19,785	97,406
Total accumulated depreciation	7,538,457	783,401	461,168	7,860,690
Total capital assets being depreciated, net	9,610,152	1,158,887	122,227	10,646,812
Governmental activities capital assets, net	$13,495,161	$ 2,748,302	$ 580,633	$15,662,830

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	$ 20,709
Physical health and social services	1,791
Mental health	17,673
County environment and education	49,082
Roads and transportation	293,218
Unallocated	400,928
Total depreciation expense - governmental activities	$ 783,401

(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:

Fund	Description	Amount
General	Services	$ 27,865
Special Revenue:		
Secondary Roads	Services	415
Mental Health	Services	108,558
Rural Services	Services	398
Permanent:		
Conservation Legacy Endowment	Services	458,755
Total for governmental funds		$ 595,991
Agency:		
Recorder		$ 11,080
Sheriff		15,594
Townships		2,390
Corporations		40,278
District Schools		90,199
Area Schools		4,908
County Assessor		62,843
County Agricultural Extension		1,558
County Hospital		7,152
Auto Registration and Use Tax		286,865
E911 Surcharge		59,490
Special Appraisers		80,807
All Others		45,036
Total for agency funds		$ 708,200

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Capital Lease Purchase Agreements	Local Option Sales Tax Revenue Bond	Capital Notes	Drainage Warrants	Drainage District Improvement Certificates	Compen-sated Absences	Total
Balance, beginning of year	$ 8,374	$1,700,000	$ 269,197	$ 95,419	$ 228,274	$ 593,092	$2,894,356
Increase	1,211,583	300,000	74,481	139,239	90,684	103,945	1,919,932
Decreases	79,991	580,670	43,179	154,172	168,986	303,701	1,330,699
Balance, end of year	$1,139,966	$1,419,330	$ 300,499	$ 80,486	$ 149,972	$ 393,336	$3,483,589
Due within one year	$ 84,474	$ 827,380	$ 52,075	$ -	$ -	$ 257,464	$1,221,393

Capital Lease Purchase Agreements

The County has entered into a capital lease purchase agreement to lease a building with a historical cost of $1,211,583. The following is a schedule of the future minimum lease payments, including interest at 3.6% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2005:

Year Ending June 30,	
2006	$ 124,128
2007	124,128
2008	124,128
2009	124,128
2010	124,128
Thereafter	765,456
Total minimum lease payments	1,386,096
Less amount representing interest	(246,130)
Present value of net minimum lease payments	$1,139,966

Payments under capital lease purchase agreements for the year ended June 30, 2005 totaled $112,384.

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

Bonds Payable

A summary of the County's June 30, 2005, general obligation bond indebtedness is as follows:

General Obligation Refunding Note

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	4.80%	$ 52,075	$ 4,425	$ 56,500
2007	4.80%	44,575	11,925	56,500
2008	4.80%	46,715	9,785	56,500
2009	4.80%	48,958	7,542	56,500
2010	4.80%	51,307	5,193	56,500
2011	4.80%	56,869	2,730	59,599
		$ 300,499	$ 41,600	$ 342,099

During the year ended June 30, 2005, the County issued $74,481 in general obligation notes to be paid for with agency funds.

Local Option Sales Tax Revenue Bond

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	3.60%	$ 827,380	$ 36,620	$ 864,000
2007	3.60%	591,950	8,272	600,222
		$1,419,330	$ 44,892	$1,464,222

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.

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

Drainage Warrants/Drainage Improvement Certificates Payable (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, 2005 are 5.10% and 7.66%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were $297,209, $282,207, and $271,457, respectively, equal to the required contributions for each year.

(9) **Employee Health Insurance Plan**

The Internal Service, Hamilton County PSF Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumed liability for claims up to the individual stop loss limitation of $20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

(9) **Employee Health Insurance Plan** (continued)

Monthly payments of service fees and plan contributions to the Hamilton County PSF Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payment of service fees and claims processed are paid to Wellmark from the Hamilton County PSF Fund. The County's contribution for the year ended June 30, 2005 was $1,134,595.

Amounts payable from the Hamilton County PSF Fund at June 30, 2005 total $113,126, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was $13,394 at June 30, 2005 and is reported as a designation of the Internal Service, Hamilton County PSF Fund retained earnings. A liability has been established based on the requirements of Governmental Auditing Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims, beginning of year	$ -
Incurred claims (including claims incurred but not reported at June 30, 2005):	
Current year events	1,104,323
Total incurred claims	1,104,323
Payments:	
Current year events	991,197
Total payments	991,197
Unpaid claims, end of year	$ 113,126

(10) **Construction Commitment**

The County has entered into a contract totaling $215,400 for roadway resurfacing. As of June 30, 2005, costs of $184,410 had been incurred against the contracts. The balance of $30,990 remaining at June 30, 2005 will be paid as work on the project progresses.

(11) **Risk Management**

The County carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $5,000,000 and $100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) **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.

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 Fund Required Supplementary Information

Year Ended June 30, 2005

	Governmental Fund Types Actual	Less Funds Not Required to Be Budgeted	Net
RECEIPTS:			
Property and other county tax	$ 6,390,369	$ -	$ 6,390,369
Interest and penalty on property tax	56,650	-	56,650
Intergovernmental	5,470,284	5,154	5,465,130
Licenses and permits	7,205	-	7,205
Charges for services	1,097,415	-	1,097,415
Use of money and property	180,589	4,741	175,848
Miscellaneous	414,337	185,621	228,716
Total receipts	13,616,849	195,516	13,421,333
DISBURSEMENTS:			
Public safety and legal services	1,844,378	-	1,844,378
Physical health and social services	2,049,625	-	2,049,625
Mental health	2,223,508	-	2,223,508
County environment and education services	1,045,177	-	1,045,177
Roads and transportation	3,619,348	-	3,619,348
Governmental services to residents	389,746	-	389,746
Administrative services	922,728	-	922,728
Non-program	282,236	196,574	85,662
Debt service	673,371	-	673,371
Capital projects	1,563,777	-	1,563,777
Total disbursements	14,613,894	196,574	14,417,320
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(997,045)	(1,058)	(995,987)
OTHER FINANCING SOURCES, NET	326,144	-	326,144
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS	(670,901)	(1,058)	(669,843)
BALANCES, BEGINNING OF YEAR	4,772,197	337,332	4,434,865
BALANCES, END OF YEAR	$ 4,101,296	$ 336,274	$ 3,765,022

Budgeted Amounts		Final to Actual Variance-Positive/
Original	Final	(Negative)
$ 6,120,976	$ 6,384,351	$ 6,018
30,400	30,400	26,250
5,645,586	5,573,882	(108,752)
9,475	9,975	(2,770)
1,329,578	1,033,001	64,414
142,281	152,851	22,997
175,449	252,896	(24,180)
13,453,745	13,437,356	(16,023)
1,903,983	1,879,995	35,617
2,370,557	2,085,254	35,629
2,009,452	2,373,269	149,761
1,118,064	1,120,564	75,387
3,367,100	3,652,350	33,002
403,127	404,046	14,300
1,108,869	1,139,642	216,914
-	85,662	-
1,029,056	679,963	6,592
1,351,900	1,736,054	172,277
14,662,108	15,156,799	739,479
(1,208,363)	(1,719,443)	723,456
500,000	300,000	26,144
(708,363)	(1,419,443)	749,600
4,038,609	4,302,833	132,032
$ 3,330,246	$ 2,883,390	$ 881,632

See accompanying independent auditor's report.

HAMILTON COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation Required Supplementary Information

Year Ended June 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 13,616,849	$ (184,629)	$ 13,432,220
Expenditures	14,613,894	599,925	15,213,819
Net	(997,045)	(784,554)	(1,781,599)
Other financing sources, net	326,144	185,622	511,766
Beginning fund balances	4,772,197	1,305,791	6,077,988
Increase in reserve for inventories	-	(318,569)	(318,569)
Ending fund balance	$ 4,101,296	$ 388,290	$ 4,489,586

See accompanying independent auditor's report.

HAMILTON COUNTY

Notes to Required Supplementary Information-
Budgetary Reporting

Year Ended June 30, 2005

This 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 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, two budget amendments increased budgeted disbursements by $494,691. The budget amendments are reflected in the final budgeted amounts.

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

OTHER SUPPLEMENTARY INFORMATION

HAMILTON COUNTY

Combining Balance Sheet

Nonmajor Funds

June 30, 2005

ASSETS	Special Recorder's Records Management	Special Drug Forfeiture	Special Supplemental Environmental Projects	Special Local Option Sales Tax	Special Hotel/ Motel Tax	Special Recorder Electronic Fee
Cash and pooled investments	$ 5,497	$ 14,950	$ 265	$ 122,348	$ 9,647	$ 15,980
Receivables:						
Drainage assessments	-	-	-	-	-	-
Due from other funds	1,163	-	-	-	-	-
Due from other governments	-	-	-	196,251	5,240	-
TOTAL ASSETS	$ 6,660	$ 14,950	$ 265	$ 318,599	$ 14,887	$ 15,980
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	$ -	$ -	$ -	$ -	$ 150	$ -
Salaries and benefits payable	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	-	-	-	150	-
Fund equity:						
Fund balances:						
Reserved for:						
Drainage warrants/ drainage improvement certificates	-	-	-	-	-	-
Unreserved	6,660	14,950	265	318,599	14,737	15,980
Total fund equity	6,660	14,950	265	318,599	14,737	15,980
TOTAL LIABILITIES AND FUND EQUITY	$ 6,660	$ 14,950	$ 265	$ 318,599	$ 14,887	$ 15,980

Schedule 1

Revenue					Debt Service		Permanent	
REAP	RSVP	Drainage	Friends of Conservation Trust	Conservation Capital Projects Trust	Debt Service	Jail Debt Service	Conservation Legacy Endowment	Total
$ 59,781	$ 12,089	$337,416	$ 21,256	$149,764	$ -	$ -	$458,755	$ 1,207,748
-	-	80,486	-	-	-	-	-	80,486
-	-	-	-	-	-	-	-	1,163
-	449	-	-	-	-	-	-	201,940
$ 59,781	$ 12,538	$417,902	$ 21,256	$149,764	$ -	$ -	$458,755	$ 1,491,337
$ 458	$ 145	$ -	$ 155	$ -	$ -	$ -	$ -	$ 908
-	205	-	-	-	-	-	-	205
-	-	-	-	-	-	-	458,755	458,755
-	-	80,486	-	-	-	-	-	80,486
458	350	80,486	155	-	-	-	458,755	540,354
-	-	337,416	-	-	-	-	-	337,416
59,323	12,188	-	21,101	149,764	-	-	-	613,567
59,323	12,188	337,416	21,101	149,764	-	-	-	950,983
$ 59,781	$ 12,538	$417,902	$ 21,256	$149,764	$ -	$ -	$458,755	$ 1,491,337

HAMILTON COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Funds

Year Ended June 30, 2005

	Special					
	Recorder's Records Management	Drug Forfeiture	Supplemental Environmental Projects	Local Option Sales Tax	Hotel/ Motel Tax	Recorder Electronic Fee
Revenues:						
Property tax and other county tax	$ -	$ -	$ -	$ 1,270,156	$ 20,724	$ -
Intergovernmental	-	454	-	-	-	-
Charges for services	4,046	-	-	-	-	14,196
Use of money and property	144	-	4	2,029	127	365
Miscellaneous	-	-	-	88,308	-	-
Total revenues	4,190	454	4	1,360,493	20,851	14,561
Expenditures:						
Physical health and social services	-	-	-	-	-	-
County environment and education	-	-	-	-	12,850	-
Administrative services	5,677	-	-	-	-	21,301
Non program	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	5,677	-	-	-	12,850	21,301
Excess (deficiency) of revenues over (under) expenditures	(1,487)	454	4	1,360,493	8,001	(6,740)
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	(1,280,640)	-	-
Drainage warrant/drainage improvement certificate proceeds	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(1,280,640)	-	-
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(1,487)	454	4	79,853	8,001	(6,740)
Fund balances, beginning of year	8,147	14,496	261	238,746	6,736	22,720
Fund balances, end of year	$ 6,660	$ 14,950	$ 265	$ 318,599	$ 14,737	$ 15,980

Schedule 2

Revenue					Debt Service		Permanent	
REAP	RSVP	Drainage	Friends of Conservation Trust	Conservation Capital Projects Trust	Debt Service	Jail Debt Service	Conservation Legacy Endowment	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,290,880
10,686	39,808	5,154	-	102,543	-	-	-	158,645
-	-	-	-	-	-	-	-	18,242
815	177	4,741	336	2,364	-	-	6,451	17,553
-	18,268	-	2,969	7,640	-	-	-	117,185
11,501	58,253	9,895	3,305	112,547	-	-	6,451	1,602,505
-	62,665	-	-	-	-	-	-	62,665
4,197	-	-	3,512	-	-	-	-	20,559
-	27	-	-	-	-	-	-	27,005
-	-	196,574	-	85,189	-	-	-	281,763
-	-	-	-	-	29,055	640,125	-	669,180
4,197	62,692	196,574	3,512	85,189	29,055	640,125	-	1,061,172
7,304	(4,439)	(186,679)	(207)	27,358	(29,055)	(640,125)	6,451	541,333
-	6,000	-	-	1,082	29,055	644,317	-	680,454
-	-	-	-	-	-	-	-	(1,280,640)
-	-	185,621	-	-	-	-	-	185,621
-	6,000	185,621	-	1,082	29,055	644,317	-	(414,565)
7,304	1,561	(1,058)	(207)	28,440	-	4,192	6,451	126,768
52,019	10,627	338,474	21,308	121,324	-	(4,192)	(6,451)	824,215
$ 59,323	$ 12,188	$337,416	$ 21,101	$149,764	$ -	$ -	$ -	$ 950,983

HAMILTON COUNTY

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2005

ASSETS	County Offices	Township	Corporation	District Schools	Area Schools	County Assessor
Cash and pooled investments:						
County Treasurer	$ -	$ 2,222	$ 40,075	$ 89,988	$ 4,895	$ 64,372
Other county officials	53,980	-	-	-	-	-
Receivables:						
Accounts receivable	4,718	-	-	-	-	-
Property tax:						
Delinquent	-	168	5,734	7,298	495	154
Succeeding year	-	232,145	3,632,825	8,415,335	447,334	164,526
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
TOTAL ASSETS	$ 58,698	$ 234,535	$ 3,678,634	$ 8,512,621	$ 452,724	$ 229,052
LIABILITIES						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ 4
Salaries and benefits payable	-	-	-	-	-	1,529
Due to other funds	32,024	-	-	-	-	-
Due to other governments	26,674	2,390	40,278	90,199	4,908	62,843
Deferred revenue:						
Succeeding year property tax	-	232,145	3,632,825	8,415,335	447,334	164,526
Other	-	-	5,531	7,087	482	150
Compensated absences	-	-	-	-	-	-
TOTAL LIABILITIES	$ 58,698	$ 234,535	$ 3,678,634	$ 8,512,621	$ 452,724	$ 229,052

Schedule 3

County Agricultural Extension	County Hospital	Auto Registration and Use Tax	E911 Surcharge	Special Appraisers	Empower-ment	Other	Total
$ 1,554	$ 7,137	$ 298,582	$ 37,022	$ 80,801	$ -	$ 43,242	$ 669,890
-	-	-	-	-	-	-	53,980
-	-	-	23,286	-	-	-	28,004
151	545	-	-	229	-	21	14,795
161,625	581,349	-	-	244,394	-	23,357	13,902,890
-	-	-	-	-	-	468	468
-	-	-	-	-	1,357	1,324	2,681
$ 163,330	$ 589,031	$ 298,582	$ 60,308	$ 325,424	$ 1,357	$ 68,412	$14,672,708
$ -	$ -	$ -	$ 818	$ -	$ -	$ -	$ 822
-	-	-	-	-	-	-	1,529
-	-	11,717	-	-	-	-	43,741
1,558	7,152	286,865	59,490	80,807	-	45,036	708,200
161,625	581,349	-	-	244,394	-	23,357	13,902,890
147	530	-	-	223	-	19	14,169
-	-	-	-	-	1,357	-	1,357
$ 163,330	$ 589,031	$ 298,582	$ 60,308	$ 325,424	$ 1,357	$ 68,412	$14,672,708

HAMILTON COUNTY

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2005

ASSETS AND LIABILITIES	County Offices	Township	Corporation	District Schools	Area Schools	County Assessor
Balances, beginning of year	$ 18,637	$ 218,193	$ 3,618,162	$ 8,679,175	$ 478,303	$ 215,242
Additions:						
Property and other county tax	-	234,273	4,183,087	8,134,765	420,787	159,201
E911 surcharge	-	-	-	-	-	-
State tax credits	-	10,121	213,022	433,983	23,292	8,316
State grants and allocations	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-
Drivers license fees	-	-	-	-	-	-
Office fees and collections	346,090	-	-	-	-	680
Electronic transaction fee	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	156,505	-	-	-	-	-
Miscellaneous	-	-	-	-	-	85,656
Total additions	502,595	244,394	4,396,109	8,568,748	444,079	253,853
Deductions:						
Agency Remittances:						
To other funds	185,618	-	-	-	-	-
To other governments	120,750	228,052	4,335,637	8,735,302	469,658	240,043
Trusts paid out	156,166	-	-	-	-	-
Total deductions	462,534	228,052	4,335,637	8,735,302	469,658	240,043
Balances, end of year	$ 58,698	$ 234,535	$ 3,678,634	$ 8,512,621	$ 452,724	$ 229,052

Schedule 4

County Agricultural Extension	County Hospital	Auto Registration and Use Tax	E911 Surcharge	Special Appraisers	Empower-ment	Other	Total
$ 148,652	$ 683,928	$ 287,400	$ 115,761	$ 552,922	$ 212,388	$ 97,384	$15,326,147
156,877	559,388	-	-	236,403	-	22,206	14,106,987
-	-	-	135,471	-	-	-	135,471
7,438	34,163	-	1,332	12,474	-	1,117	745,258
-	-	-	-	-	379,536	20,136	399,672
-	-	-	-	-	-	463,382	463,382
-	-	76,079	-	-	-	-	76,079
-	-	-	-	-	-	-	346,770
-	-	-	-	-	-	4,054	4,054
-	-	3,810,642	-	-	-	-	3,810,642
-	-	-	-	-	-	5,426	5,426
-	-	-	-	-	-	-	156,505
-	-	-	2,196	-	6,646	207,187	301,685
164,315	593,551	3,886,721	138,999	248,877	386,182	723,508	20,551,931
-	-	143,989	-	64,876	-	20,047	414,530
149,637	688,448	3,731,550	194,452	411,499	597,213	732,433	20,634,674
-	-	-	-	-	-	-	156,166
149,637	688,448	3,875,539	194,452	476,375	597,213	752,480	21,205,370
$ 163,330	$ 589,031	$ 298,582	$ 60,308	$ 325,424	$ 1,357	$ 68,412	$14,672,708

HAMILTON COUNTY

Schedule 5

Schedule of Revenues by Source and Expenditures by Function

All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Property tax and other county tax	$ 6,388,172	$ 6,818,244	$ 6,435,724	$ 5,338,259
Interest and penalty on property tax	49,598	49,078	42,327	38,610
Intergovernmental	5,467,793	5,091,955	5,595,022	6,235,416
Licenses and permits	7,755	5,968	7,768	6,195
Charges for services	1,114,385	1,000,698	970,898	1,006,505
Use of money and property	180,264	136,803	138,571	186,922
Fines, forfeitures and defaults	610	420	-	-
Miscellaneous	223,643	89,668	377,469	362,980
Total	$ 13,432,220	$13,192,834	$13,567,779	$ 13,174,887
Expenditures:				
Current:				
Public safety and legal services	$ 1,852,983	$ 1,417,397	$ 1,358,155	$ 1,208,559
Physical health and social services	2,059,738	2,073,148	2,362,016	2,383,320
Mental health	2,067,400	2,010,301	2,104,328	1,942,408
County environment and education services	1,046,435	1,113,247	1,057,562	1,015,686
Roads and transportation	4,118,873	3,428,130	3,966,392	3,807,451
Governmental services to residents	390,064	381,527	324,265	369,337
Administrative services	934,016	915,889	1,006,392	973,771
Non-program	281,763	454,183	593,931	402,701
Debt service	669,180	48,458	29,055	29,055
Capital projects	1,793,367	2,740,430	913,290	554,943
Total	$ 15,213,819	$14,582,710	$13,715,386	$ 12,687,231

See accompanying independent auditor's report.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Officials
Hamilton County
Webster City, Iowa

We have audited the financial statements of Hamilton County, Iowa, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hamilton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hamilton County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamilton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 noncompliance that are required to be reported under *Government Auditing Standards*.

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Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hamilton County and other parties to whom Hamilton County may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hamilton 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
October 12, 2005

HAMILTON COUNTY

Schedule of Findings

Year Ended June 30, 2005

Part I: Findings Related to Financial Statements:

Instances of Non-compliance:

No matters were noted.

Part II: Findings Related to Statutory Reporting:

II-A-05 Official Depositories - A resolution naming the official depositories has been approved by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.

II-C-05 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purposes as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-E-05 Business Transactions - We noted the following business transactions between the County and its officials or employees and related individuals:

1. Purchase of supplies by custodian from son-in-law's business totaling $20,702.34.

2. Rent of space by County Attorney from his sister totaling $4,200.00.

All expenditures were approved by the Board of Supervisors and appear to be in the normal course of business. We recommend the County carefully review any such transactions to determine the public purpose is being met.

II-F-05 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

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

II-H-05 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

II-I-05 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-J-05 Capital Lease Purchase Agreements - During the year ended June 30, 2005, the County had a capital lease purchase agreement for the purchase of a building for the mental health department.

II-K-05 Solid Waste Fees Retainage - During the year ended June 30, 2005, the County used or retained the solid waste fees in accordance with Chapter 455E.11(2),(11),(13) and (15) of the Code of Iowa.

II-L-05 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 during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

HAMILTON COUNTY

Audit Staff

Year Ended June 30, 2005

This audit was performed by:

William E. Murray, CPA, Partner

Justin P. Zimmerman, CPA, Associate

Andrew J. Johnson, Senior Associate

Tonya N. Determan, Associate