



HAMILTON COUNTY  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2006

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HAMILTON COUNTY  
OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wesley Sweedler	Board of Supervisors	December 2008
David Young	Board of Supervisors	December 2010
Doug Bailey	Board of Supervisors	December 2008
Kim Schaa	County Auditor	December 2008
Deborah Leksell	County Treasurer	December 2010
Kim Anderson	County Recorder	December 2010
Denny Hagenson	County Sheriff	December 2008
Patrick Chambers	County Attorney	December 2010
Kevin Bahrenfuss	County Assessor	December 2009

## 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, 2006, 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton County as of June 30, 2006, 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 18, 2006 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 48 through 52 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. 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, 2005 (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 Henderson LLP*

Cedar Rapids, Iowa  
October 18, 2006

## 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, 2006 (FY06). We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- Governmental funds revenue was approximately \$14.6 million in FY06, compared to \$13.4 million in FY05.
- Program expenses were approximately \$15.7 million in FY06, compared to \$15.2 million in FY05.
- Net assets increased approximately \$4 million for FY06.

### 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 funds and the individual agency funds.

## REPORTING THE COUNTY AS A WHOLE

### *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 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, Local Option Sales Tax, and Secondary Roads, 3) Debt Service Fund, 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 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 required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Hamilton County's net assets for FY06 totaled approximately \$20.8 million. This compares to FY05 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, <u>2006</u>	June 30, <u>2005</u>
Current and other assets	\$ 11,950	\$ 12,146
Capital assets	<u>19,322</u>	<u>15,663</u>
Total assets	<u>31,272</u>	<u>27,809</u>
Long-term debt outstanding	3,017	3,484
Other liabilities	<u>7,468</u>	<u>7,653</u>
Total liabilities	<u>10,485</u>	<u>11,137</u>
Net assets:		
Invested in capital assets, net of debt	16,948	12,803
Restricted	1,311	1,332
Unrestricted	<u>2,529</u>	<u>2,537</u>
Total net assets	<u>\$ 20,787</u>	<u>\$ 16,672</u>

FY06 net assets of Hamilton County's governmental activities increased by \$4 million from FY05. This would be due to the construction of the Ethanol project. Hamilton County sold \$4.3 million in TIF revenue bonds for this project. 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)**

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for service	\$ 2,534	\$ 2,578
Operating grants and contributions	5,807	5,124
Capital grants, contributions and restricted interest	1,850	-
General revenues:		
Property taxes	5,330	5,146
Local option sales and service tax	1,335	1,291
Unrestricted investment earnings	226	151
Other general revenues	<u>450</u>	<u>277</u>
Total revenues	<u>17,532</u>	<u>14,567</u>
Program expenses:		
Public safety and legal services	1,842	1,828
Physical health and social services	2,061	1,978
Mental health	2,040	1,969
County environment and education	1,020	1,069
Roads and transportation	3,726	4,597
Government services to residents	497	390
Administrative services	1,872	2,155
Non-program	323	452
Interest on long-term debt	37	77
Loss on dispositions	<u>-</u>	<u>117</u>
Total expenses	<u>13,418</u>	<u>14,632</u>
Increase (decrease) in net assets	<u>\$ 4,114</u>	<u>\$ (65)</u>

Hamilton County increased County-wide levy rates by \$.35 per \$1,000 of valuation. The rural assessed property taxable valuation increased by \$1.7 million for a total of \$363,615,879 and countywide assessed property valuation increased by \$938,000 for a total of \$622,084,165.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Hamilton County completed the year, its governmental funds reported a combined fund balance of \$4,366,168, compared to \$4,489,586 combined fund balance for FY05. This is a decrease of \$123,418.

The General Fund, the operating fund for Hamilton County, ended FY06 with a fund balance totaling \$1,685,418, whereas FY05 ended with a \$1,578,391 balance, an increase of \$107,027. Property valuations increased from \$621,145,481 in FY05 to \$622,084,165 in FY06. The levy rate increased from \$6.58407 in FY05 to \$6.83407 in FY06.

The Mental Health Fund ended with a \$188,760 fund balance for FY06, whereas FY05 ended with a \$197,551 balance, a decrease of \$8,791. The levy rate decreased from 1.38493 in FY05 to 1.38284 in FY06. 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 \$143,612 fund balance for FY06 compared to the prior year balance of \$152,390, a decrease of \$8,778. The levy rate increased from 10.09664 in FY05 to 10.44664 in FY06. Property valuations increased from \$621,145,481 in FY05 to \$622,084,165 in FY06. In evaluating the budgeted expenses and revenues, we feel it is justifiable for a portion of the expense related to Sheriff's Deputies to be paid by the rural service fund. FY05 we moved expenses for two Sheriff's Deputies to the rural services fund and then in FY06 we moved expenses for another two. FY06 Secondary Roads transfer was reduced.

The Secondary Roads Fund ended FY06 with a \$1,462,799 fund balance compared to the prior year balance of \$1,610,271, a decrease of \$147,472. Revenues increased \$614,761 due to capital construction projects (bridge replacements) in FY06. The transfer from Rural Basic to Secondary Roads decreased from the FY05 transfer of \$937,582 to \$834,595 in FY06. FY06 expenditures increased from \$4,802,892 in FY05 to \$5,089,769 in FY06. This increase was due primarily to the ethanol plant projects in FY06. In FY06, the Secondary Roads Department maintained 718 miles of aggregate-surfaced roads and 218 miles of paved roads during the year and completed two of the five construction projects started during FY06.

The Local Option Sales Tax Fund ended FY06 with a balance of \$277,954 compared to prior year balance of \$318,599, a decrease of \$40,645. This fund is used to collect Local Option Tax for the purpose of paying for the Law Enforcement Center.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, Hamilton County amended the budget in March of 2006, for the primary purpose of additional expenses and revenues relating to the Law Enforcement Center and the new construction of the ethanol project. Other items also included in the amendment were additional expenses for the Medical Examiner, Law Library, Juvenile Court, General Relief, Chemical Dependency and Courthouse maintenance. At this time, we also made adjustments to the revenues to include, the LOSST, RISE & C-Step money, interest and TIF Bond Revenue.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of FY06, the County had approximately \$27.7 million invested in capital assets, compared to \$23.5 million for FY05. This is an increase of \$4.2 million from FY05.

#### Capital Assets, Net of Depreciation (Expressed in Thousands)

	<u>2006</u>	<u>2005</u>
Land	\$ 3,864	\$ 3,864
Construction in progress	1,475	1,152
Buildings and improvements	6,102	6,164
Machinery and equipment	2,156	1,792
Infrastructure	<u>5,725</u>	<u>2,691</u>
Total	<u>\$ 19,322</u>	<u>\$ 15,663</u>

### Long-Term Debt

At June 30, 2006, Hamilton County had approximately \$3,017,000 in capital notes and other debt outstanding compared to \$3,484,000 at June 30, 2005.

#### Outstanding Long-term Obligations (Expressed in Thousands)

	<u>2006</u>	<u>2005</u>
Capital lease purchase agreements	\$ 1,055	\$ 1,140
Drainage warrants and improvement certificates	292	230
Capital notes payable	1,217	300
Revenue bonds	102	1,420
Compensated absences	<u>351</u>	<u>394</u>
Total	<u>\$ 3,017</u>	<u>\$ 3,484</u>

Debt decreased due to the completion of the Law Enforcement Center and payment on the associated bonds.

The Constitution of the State of Iowa limits the general obligation debt a county can issue and have outstanding to five percent of the assessed value of all taxable property within the county's corporate limits. Hamilton 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 2007 budget, tax rates, and fees that apply for the various County services. One of those factors is the economy. We also look very closely at the percentage of fund balance to expenditures.

Hamilton County sold \$4.3 million of TIF Revenue Bonds in August 2006 to finance the Broin Ethanol Project near Jewell, Iowa. The bonds financed an incentive package to Broin as well as part of \$2.2 million in road access improvements for Hamilton County. These bonds pay interest at a fixed rate of 5.75% for 5 years. The bonds will mature in 2025.

If estimates are realized, Hamilton County's budgetary General Fund balance is expected to decrease by the close of 2007.

## **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, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,289,208
Receivables:	
Property tax:	
Delinquent	5,493
Succeeding year	5,800,249
Interest and penalty on property tax	9,712
Accounts	67,772
Accrued interest	8,796
Drainage assessments	175,875
Due from other funds	30,283
Due from other governments	354,797
Inventories	1,131,529
Prepaid insurance	76,638
Capital assets, net of accumulated depreciation	<u>19,321,689</u>
Total assets	<u>31,272,041</u>
<b>LIABILITIES</b>	
Accounts payable	707,726
Accrued interest payable	4,841
Salaries and benefits payable	85,150
Due to other governments	681,411
Deferred revenue:	
Succeeding year property tax	5,800,249
Other	188,624
Long-term liabilities:	
Portion due within one year:	
Capital lease purchase agreements	87,566
Capital notes	1,002,565
Revenue bond	101,400
Compensated absences	223,156
Portion due after one year:	
Capital lease purchase agreements	967,926
Capital notes	214,624
Compensated absences	127,762
Drainage district warrants and certificates payable	<u>292,451</u>
Total liabilities	<u>10,485,451</u>

Exhibit A

	<u>Governmental Activities</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	16,947,608
Restricted for:	
Secondary road purposes	1,018,155
Drainage	292,451
Unrestricted	<u>2,528,376</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 20,786,590</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, 2006

FUNCTIONS/PROGRAMS	Expenses	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Net (Expense) Revenue and Changes In Net Assets
Governmental activities:					
Public safety and legal services	\$ 1,841,751	\$ 184,435	\$ 40,709	\$ -	\$ (1,616,607)
Physical health and social services	2,061,253	280,581	1,288,100	-	(492,572)
Mental health	2,039,933	27,436	1,236,782	-	(775,715)
County environment and education	1,019,710	628,276	51,859	-	(339,575)
Roads and transportation	3,725,632	63,963	3,168,899	1,850,355	1,357,585
Governmental services to residents	496,744	271,885	10,933	-	(213,926)
Administration	1,871,861	1,077,013	1,138	-	(793,710)
Non-program	323,801	1,049	9,053	-	(313,699)
Interest on long-term debt	37,583	-	-	-	(37,583)
<b>Total</b>	<b>\$ 13,418,268</b>	<b>\$ 2,534,638</b>	<b>\$ 5,807,473</b>	<b>\$ 1,850,355</b>	<b>(3,225,802)</b>
GENERAL REVENUES:					
Property tax levied for:					
General purposes					5,330,092
Penalty and interest on property tax					38,556
State tax credits					251,118
Local option sales tax					1,334,719
Unrestricted investment earnings					225,855
Gain on dispositions					26,587
Miscellaneous					132,807
<b>Total general revenues</b>					<b>7,339,734</b>
<b>Change in net assets</b>					<b>4,113,932</b>
<b>Net assets, beginning of year</b>					<b>16,672,658</b>
<b>Net assets, end of year</b>					<b>\$ 20,786,590</b>

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

# HAMILTON COUNTY

## Balance Sheet Governmental Funds

June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,551,196	\$ 376,244	\$ 201,955	\$ 907,270
Receivables:				
Property tax:				
Delinquent	3,932	927	634	-
Succeeding year	3,576,671	843,073	1,380,505	-
Interest and penalty on property tax	9,712	-	-	-
Accounts	59,340	536	-	7,896
Accrued interest	8,796	-	-	-
Drainage assessments	-	-	-	-
Due from other funds	28,146	-	-	1,076
Due from other governments	163,616	2,668	-	422
Inventories	-	-	-	1,131,529
	<u>\$ 5,401,409</u>	<u>\$ 1,223,448</u>	<u>\$ 1,583,094</u>	<u>\$ 2,048,193</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 62,332	\$ 29,893	\$ 55,307	\$ 558,900
Salaries and benefits payable	50,880	6,053	2,809	25,165
Due to other governments	14,129	154,978	782	1,329
Deferred revenue:				
Succeeding year property tax	3,576,671	843,073	1,380,505	-
Other	11,979	691	79	-
	<u>3,715,991</u>	<u>1,034,688</u>	<u>1,439,482</u>	<u>585,394</u>
<b>Fund balances:</b>				
Reserved for:				
Inventories	-	-	-	1,131,529
Drainage warrants/drainage improvement certificates	-	-	-	-
Unreserved, reported in:				
General fund	1,685,418	-	-	-
Special revenue fund	-	188,760	143,612	331,270
Capital projects fund	-	-	-	-
	<u>1,685,418</u>	<u>188,760</u>	<u>143,612</u>	<u>1,462,799</u>
<b>Total fund balances</b>	<u>1,685,418</u>	<u>188,760</u>	<u>143,612</u>	<u>1,462,799</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5,401,409</u>	<u>\$ 1,223,448</u>	<u>\$ 1,583,094</u>	<u>\$ 2,048,193</u>

Exhibit C

Local Option		
<u>Sales Tax</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 99,728	\$ 1,074,414	\$ 4,210,807
-	-	5,493
-	-	5,800,249
-	-	9,712
-	-	67,772
-	-	8,796
-	175,875	175,875
-	1,061	30,283
178,226	9,865	354,797
<u>-</u>	<u>-</u>	<u>1,131,529</u>
<u>\$ 277,954</u>	<u>\$ 1,261,215</u>	<u>\$ 11,795,313</u>
\$ -	\$ 1,294	\$ 707,726
-	243	85,150
-	476,178	647,396
-	-	5,800,249
<u>-</u>	<u>175,875</u>	<u>188,624</u>
<u>-</u>	<u>653,590</u>	<u>7,429,145</u>
-	-	1,131,529
-	327,817	327,817
-	-	1,685,418
277,954	280,152	1,221,748
<u>-</u>	<u>(344)</u>	<u>(344)</u>
<u>277,954</u>	<u>607,625</u>	<u>4,366,168</u>
<u>\$ 277,954</u>	<u>\$ 1,261,215</u>	<u>\$ 11,795,313</u>

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, 2006

Total governmental fund balances (page 18) \$ 4,366,168

*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 \$27,712,479 and the accumulated depreciation is \$8,390,790. 19,321,689

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

Notes, leases, bonds, warrants, and compensated absences (3,017,450)  
Accrued interest payable (4,841)

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. 121,024

**Net assets of governmental activities (page 15) \$ 20,786,590**

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, 2006

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Local Option Sales Tax
<b>Revenues:</b>					
Property and other county tax	\$ 3,245,985	\$ 823,253	\$ 1,260,715	\$ -	\$ 1,316,239
Interest and penalty on property tax	38,692	-	-	-	-
Intergovernmental	1,716,016	1,276,934	52,683	3,168,899	-
Licenses and permits	6,275	-	-	3,360	-
Charges for services	1,158,796	-	-	1,340	-
Use of money and property	211,062	14,343	-	5,513	4,067
Fines, forfeitures and defaults	1,011	-	-	-	-
Miscellaneous	56,490	13,093	-	53,750	-
<b>Total revenues</b>	<b>6,434,327</b>	<b>2,127,623</b>	<b>1,313,398</b>	<b>3,232,862</b>	<b>1,320,306</b>
<b>Expenditures:</b>					
Current:					
Public safety and legal services	1,814,781	-	177,995	-	-
Physical health and social services	1,975,283	-	-	-	-
Mental health	-	2,136,414	-	-	-
County environment and education services	886,428	-	83,724	-	-
Roads and transportation	-	-	284,719	3,386,533	-
Governmental services to residents	496,744	-	-	-	-
Administrative services	983,979	-	21,143	-	-
Non-program	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	1,703,236	-
<b>Total expenditures</b>	<b>6,157,215</b>	<b>2,136,414</b>	<b>567,581</b>	<b>5,089,769</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>277,112</b>	<b>(8,791)</b>	<b>745,817</b>	<b>(1,856,907)</b>	<b>1,320,306</b>
<b>Other financing sources (uses):</b>					
Sale of capital assets	-	-	-	15,032	-
Operating transfers in	331,400	-	80,000	1,784,595	-
Operating transfers out	(501,485)	-	(834,595)	-	(1,360,951)
Revenue bonds issued	-	-	-	-	-
Drainage warrant/drainage improvement certificate issued	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(170,085)</b>	<b>-</b>	<b>(754,595)</b>	<b>1,799,627</b>	<b>(1,360,951)</b>

	<u>Nonmajor</u>	<u>Total</u>
\$	18,480	\$ 6,664,672
	-	38,692
	63,367	6,277,899
	-	9,635
	4,152	1,164,288
	32,819	267,804
	-	1,011
	<u>61,004</u>	<u>184,337</u>
	 <u>179,822</u>	 <u>14,608,338</u>
	 13,143	 2,005,919
	62,218	2,037,501
	-	2,136,414
	64,429	1,034,581
	-	3,671,252
	-	496,744
	20,278	1,025,400
	223,777	223,777
	1,377,342	1,377,342
	<u>13,008</u>	<u>1,716,244</u>
	 <u>1,774,195</u>	 <u>15,725,174</u>
	 (1,594,373)	 (1,116,836)
	 11,555	 26,587
	1,451,641	3,647,636
	(950,605)	(3,647,636)
	950,000	950,000
	<u>107,023</u>	<u>107,023</u>
	 <u>1,569,614</u>	 <u>1,083,610</u>

(continued)

HAMILTON COUNTY

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

Year Ended June 30, 2006

	Special Revenue				
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Local Option Sales Tax</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	107,027	(8,791)	(8,778)	(57,280)	(40,645)
Fund balances, beginning of year	1,578,391	197,551	152,390	1,610,271	318,599
Decrease in reserve for inventories	-	-	-	(90,192)	-
Fund balances, end of year	<u>\$ 1,685,418</u>	<u>\$ 188,760</u>	<u>\$ 143,612</u>	<u>\$ 1,462,799</u>	<u>\$ 277,954</u>

<u>Nonmajor</u>	<u>Total</u>
(24,759)	(33,226)
632,384	4,489,586
<u>-</u>	<u>(90,192)</u>
<u>\$ 607,625</u>	<u>\$ 4,366,168</u>

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

## HAMILTON COUNTY

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

Year Ended June 30, 2006

Net change in fund balances - total governmental funds (page 23) \$ (33,226)

*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	\$ 7,268,681	
Depreciation expense	<u>(576,155)</u>	6,692,526

Contracts in progress that are completed are capitalized on the governmental activities (3,033,667)

Revenue bond anticipation note 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	(950,000)	
Principal payments - bonds and leases	<u>1,435,714</u>	485,714

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	(241,903)	
Payments of certificates and warrants	<u>179,910</u>	(61,993)

(continued)

HAMILTON COUNTY

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

Year Ended June 30, 2006

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	42,418	
Interest on long-term debt	<u>4,722</u>	47,140

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. (90,192)

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. 107,630

**Change in net assets of governmental activities (page 16) \$ 4,113,932**

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

## HAMILTON COUNTY

## Statement of Net Assets

## Proprietary Fund

June 30, 2006

	<u>Internal Service - Hamilton County PSF</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 78,401
Prepaid insurance	<u>76,638</u>
Total assets	<u>155,039</u>
<b>LIABILITIES</b>	
Due to other governments	<u>34,015</u>
<b>NET ASSETS</b>	
Unrestricted	<u>\$ 121,024</u>

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

HAMILTON COUNTY

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Fund

June 30, 2006

	<u>Internal Service - Hamilton County PSF</u>
<b>OPERATING REVENUE</b>	
Intra-county reimbursements	\$ 1,046,920
<b>OPERATING EXPENSES</b>	
Medical claims	918,135
Administrative fees	<u>21,155</u>
Total operating expenses	939,290
Net income	107,630
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>13,394</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 121,024</u>

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

HAMILTON COUNTY  
Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2006

Exhibit I

	<u>Internal Service- Hamilton County PSF</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,046,920
Cash paid to suppliers for services	<u>1,095,039</u>
Net cash used in operating activities	(48,119)
Cash and cash equivalents, beginning of year	<u>126,520</u>
Cash and cash equivalents, end of year	<u>\$ 78,401</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 107,630
Decrease in accounts payable	(79,111)
Increase in prepaid insurance	<u>(76,638)</u>
Net cash used in operating activities	<u>\$ (48,119)</u>

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

HAMILTON COUNTY  
Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2006

**ASSETS**

Cash and pooled investments:	
County treasurer	\$ 668,035
Other county officials	53,339
Receivables:	
Accounts receivable	4,012
Property tax:	
Delinquent	19,136
Succeeding year	15,364,637
Due from other funds	382
Due from other governments	<u>3,334</u>
Total assets	<u>16,112,875</u>

**LIABILITIES**

Accounts payable	1,917
Salaries and benefits payable	1,332
Due to other funds	30,665
Due to other governments	697,165
Deferred revenue:	
Succeeding year property tax	15,364,637
Other	15,802
Compensated absences	<u>1,357</u>
Total liabilities	<u>16,112,875</u>

**NET ASSETS** \$ -

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

# HAMILTON COUNTY

## Notes to Financial Statements

June 30, 2006

### (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, 2006

#### (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.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter 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.

The Local Option Sales Tax Fund is used to collect local option tax for the purpose of paying for the Law Enforcement Center.

## HAMILTON COUNTY

### Notes to Financial Statements

June 30, 2006

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

##### B. Basis of Presentation (continued)

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.

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.

## HAMILTON COUNTY

### Notes to Financial Statements

June 30, 2006

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

##### C. Measurement Focus and Basis of Accounting (continued)

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.

##### 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.

# HAMILTON COUNTY

## Notes to Financial Statements

June 30, 2006

### (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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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, 2006, 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.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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, 2006

### (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, 2006. 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.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

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, 2006 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, 2006 are as follows:

Drainage warrants	\$ 243,164
-------------------	------------

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$883,763 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.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2006

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Trust & Agency - County Recorder	\$ 28,146
Special Revenue:		
Secondary Roads	Trust & Agency - Auto License & Use Tax	1,076
Special Revenue:		
County Recorder's Records Management	Trust & Agency - County Recorder	1,061
Agency:		
Recorder's Electronic File	Trust & Agency - County Recorder	<u>382</u>
Total		<u>\$ 30,665</u>

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, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service:	Special Revenue:	
Jail Debt Service	Local Option Sales Tax	\$1,348,287
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	834,595
RSVP	General	6,000
Conservation Land Acquisition	General	32,207
Prisoner Room and Board	General	22,823
Rural Services	General	80,000
Recorder's Records Management	Special Revenue:	
Capital Projects	Recorder's Electronic State Fee	605
	Special Revenue:	
	Local Option Sales Tax	12,664

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2006

(4) Interfund Transfers (continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	29,055
Trust & Agency: County Assessor	Trust & Agency: Assessor's FICA & IPERS Special Appraiser	20,358 83,286
Special Revenue: Secondary Roads	Capital Projects: Ethanol Plant	950,000
General Supplemental (General)	General	<u>331,400</u>
		<u>\$3,751,280</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, 2006 was as follows:

	<u>Balance, Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,863,696	\$ -	\$ -	\$ 3,863,696
Construction in progress	<u>1,152,322</u>	<u>3,356,255</u>	<u>3,033,667</u>	<u>1,474,910</u>
Total capital assets not being depreciated	<u>5,016,018</u>	<u>3,356,255</u>	<u>3,033,667</u>	<u>5,338,606</u>

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2006

(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	7,436,368	83,223	-	7,519,591
Buildings under capital lease	1,211,583	-	-	1,211,583
County equipment	955,187	492,014	26,700	1,420,501
Secondary roads equipment	6,080,089	295,176	13,787	6,361,478
Secondary roads office equipment	133,341	8,346	5,568	136,119
Infrastructure	<u>2,690,934</u>	<u>3,033,667</u>	<u>-</u>	<u>5,724,601</u>
Total capital assets being depreciated	<u>18,507,502</u>	<u>3,912,426</u>	<u>46,055</u>	<u>22,373,873</u>
Less accumulated depreciation for:				
Buildings and building improvements	2,483,792	144,991	-	2,628,783
County equipment	639,118	367,287	26,700	979,705
Secondary roads equipment	4,640,374	53,345	13,787	4,679,932
Secondary roads office equipment	<u>97,406</u>	<u>10,532</u>	<u>5,568</u>	<u>102,370</u>
Total accumulated depreciation	<u>7,860,690</u>	<u>576,155</u>	<u>46,055</u>	<u>8,390,790</u>
Total capital assets being depreciated, net	<u>10,646,812</u>	<u>3,336,271</u>	<u>-</u>	<u>13,983,083</u>
Governmental activities capital assets, net	<u>\$15,662,830</u>	<u>\$ 6,692,526</u>	<u>\$ 3,033,667</u>	<u>\$19,321,689</u>

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

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2006

(5) Capital Assets (continued)

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

Governmental activities:		
Public safety and legal services		\$ 248,670
Physical health and social services		1,792
Mental health		18,237
County environment and education		44,388
Roads and transportation		63,877
Administrative services		54,137
Unallocated		<u>145,054</u>
Total depreciation expense - governmental activities		<u>\$ 576,155</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	\$ 14,129
Special Revenue:		
Secondary Roads	Services	1,329
Mental Health	Services	154,978
Rural Services	Services	782
Permanent:		
Conservation Legacy Endowment	Services	<u>476,178</u>
Total for governmental funds		<u>\$ 647,396</u>
Agency:		
Recorder		\$ 11,730
Sheriff		16,032
Townships		2,525
Corporations		62,604
District Schools		107,434
Area Schools		6,723
County Assessor		75,018
County Agricultural Extension		2,063

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2006

(6) Due to Other Governments (continued)

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
County Hospital		7,395
Auto Registration and Use Tax		288,047
E911 Surcharge		24,173
Special Appraisers		55,476
All Others		<u>37,945</u>
Total for agency funds		<u>\$ 697,165</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 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	\$1,139,966	\$1,419,330	\$ 300,499	\$ 80,486	\$ 149,972	\$ 393,336	\$3,483,589
Increase	-	-	950,000	176,215	65,688	215,046	1,406,949
Decreases	<u>84,474</u>	<u>1,317,930</u>	<u>33,310</u>	<u>80,826</u>	<u>99,084</u>	<u>257,464</u>	<u>1,873,088</u>
Balance, end of year	<u>\$1,055,492</u>	<u>\$ 101,400</u>	<u>\$1,217,189</u>	<u>\$ 175,875</u>	<u>\$ 116,576</u>	<u>\$ 350,918</u>	<u>\$3,017,450</u>
Due within one year	<u>\$ 87,566</u>	<u>\$ 101,400</u>	<u>\$1,002,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,156</u>	<u>\$1,414,687</u>

**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, 2006:

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2006

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

Year Ending <u>June 30,</u>	
2007	\$ 124,128
2008	124,128
2009	124,128
2010	124,128
2011	124,128
Thereafter	<u>641,328</u>
Total minimum lease payments	1,261,968
Less amount representing interest	<u>(206,476)</u>
Present value of net minimum lease payments	<u>\$1,055,492</u>

Payments under capital lease purchase agreements for the year ended June 30, 2006 totaled \$124,128.

**Bonds Payable**

A summary of the County's June 30, 2006, general obligation bond indebtedness is as follows:

**General Obligation Refunding Note**

Year Ending <u>June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.80%	\$ 52,565	\$ 3,935	\$ 56,500
2008	4.80%	46,198	10,302	56,500
2009	4.80%	48,415	8,085	56,500
2010	4.80%	50,740	5,760	56,500
2011	4.80%	<u>69,271</u>	<u>3,325</u>	<u>72,596</u>
		<u>\$ 267,189</u>	<u>\$ 31,407</u>	<u>\$ 298,596</u>

During the year ended June 30, 2006, the County issued \$950,000 in an urban renewal Tax Increment Revenue Bond Anticipation Note to be paid off in fiscal year 2007.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2006

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

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>
2007	4.10%	<u>\$ 101,400</u>	<u>\$ 330</u>	<u>\$ 101,730</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.

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.

# HAMILTON COUNTY

## Notes to Financial Statements

June 30, 2006

### (8) Pension and Retirement Benefits (continued)

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$306,047, \$297,209, and \$282,207, 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.

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, 2006 was \$1,046,920.

Amounts payable from the Hamilton County PSF Fund at June 30, 2006 total \$34,015, 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 \$121,024 at June 30, 2006 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	\$ 113,126
Incurred claims (including claims incurred but not reported at June 30, 2006):	
Current year events	<u>918,135</u>
Total incurred claims	<u>1,031,261</u>

**HAMILTON COUNTY**  
**Notes to Financial Statements**

**June 30, 2006**

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

Payments:

Current year events	<u>997,246</u>
Total payments	<u>997,246</u>
Unpaid claims, end of year	<u>\$ 34,015</u>

**(10) Construction Commitment**

The County has entered into contracts totaling \$1,789,192 for roadway resurfacing and a bridge. As of June 30, 2006, costs of \$1,474,910 had been incurred against the contracts. The balance of \$314,282 remaining at June 30, 2006 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 2005, the Commission completed a financial assurance annual report which estimated probable closure costs to be \$152,950 and estimated probable postclosure costs to be \$881,730, which is fully funded. The Commission formally adopted a closure-postclosure plan to provide funds for closure and postclosure costs.

**(13) Deficit Balance**

The Capital Projects, Jail Fund had a deficit balance of \$344 at June 30, 2006. The deficit balance was a result of a modified accrual entry at June 30, 2006. Balance before entry was zero.

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, 2006

	Governmental Fund Types	Less Funds Not Required to	
	Actual	Be Budgeted	Net
<b>RECEIPTS:</b>			
Property and other county tax	\$ 6,681,868	\$ -	\$ 6,681,868
Interest and penalty on property tax	38,114	-	38,114
Intergovernmental	6,290,265	679	6,289,586
Licenses and permits	10,165	-	10,165
Charges for services	1,125,803	-	1,125,803
Use of money and property	264,054	4,400	259,654
Miscellaneous	286,607	107,024	179,583
	<u>14,696,876</u>	<u>112,103</u>	<u>14,584,773</u>
Total receipts			
<b>DISBURSEMENTS:</b>			
Public safety and legal services	2,032,025	-	2,032,025
Physical health and social services	2,035,275	-	2,035,275
Mental health	2,107,222	-	2,107,222
County environment and education services	1,031,015	-	1,031,015
Roads and transportation	3,843,910	-	3,843,910
Governmental services to residents	501,646	-	501,646
Administrative services	1,015,322	-	1,015,322
Non-program	206,116	121,701	84,415
Debt service	1,377,342	-	1,377,342
Capital projects	1,722,230	-	1,722,230
	<u>15,872,103</u>	<u>121,701</u>	<u>15,750,402</u>
Total disbursements			
<b>DEFICIENCY OF RECEIPTS UNDER DISBURSEMENTS</b>	(1,175,227)	(9,598)	(1,165,629)
<b>OTHER FINANCING SOURCES, NET</b>	<u>967,797</u>	<u>-</u>	<u>967,797</u>
<b>EXCESS(DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS</b>	(207,430)	(9,598)	(197,832)
<b>BALANCES BEGINNING OF YEAR</b>	<u>4,101,296</u>	<u>336,274</u>	<u>3,765,022</u>
<b>BALANCES END OF YEAR</b>	<u>\$ 3,893,866</u>	<u>\$ 326,676</u>	<u>\$ 3,567,190</u>

Budgeted Amounts		Final to Actual Variance-Positive/ (Negative)
Original	Final	
\$ 6,561,641	\$ 6,664,981	\$ 16,887
30,400	30,400	7,714
6,273,611	7,223,234	(933,648)
8,975	8,975	1,190
1,077,351	1,077,351	48,452
145,771	188,071	71,583
240,336	240,336	(60,753)
<u>14,338,085</u>	<u>15,433,348</u>	<u>(848,575)</u>
2,137,520	2,164,009	131,984
2,039,503	2,108,609	73,334
2,135,679	2,135,679	28,457
1,163,653	2,863,653	1,832,638
3,960,650	3,960,650	116,740
596,258	596,258	94,612
1,130,494	1,153,296	137,974
-	84,415	-
1,263,416	1,369,056	(8,286)
<u>1,128,323</u>	<u>1,955,908</u>	<u>233,678</u>
<u>15,555,496</u>	<u>18,391,533</u>	<u>2,641,131</u>
(1,217,411)	(2,958,185)	1,792,556
-	3,700,000	(2,732,203)
(1,217,411)	741,815	(939,647)
<u>3,043,371</u>	<u>3,622,065</u>	<u>142,957</u>
<u>\$ 1,825,960</u>	<u>\$ 4,363,880</u>	<u>\$ (796,690)</u>

See accompanying independent auditor's report.

HAMILTON COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information

Year Ended June 30, 2006

	Governmental Fund Types		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,696,876	\$ (88,538)	\$ 14,608,338
Expenditures	15,872,103	(146,929)	15,725,174
Net	(1,175,227)	58,391	(1,116,836)
Other financing sources, net	967,797	115,813	1,083,610
Beginning fund balances	4,101,296	388,290	4,489,586
Increase in reserve for inventories	-	(90,192)	(90,192)
Ending fund balance	\$ 3,893,866	\$ 472,302	\$ 4,366,168

See accompanying independent auditor's report.

## HAMILTON COUNTY

### Notes to Required Supplementary Information- Budgetary Reporting

Year Ended June 30, 2006

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, one budget amendment increased budgeted disbursements by \$2,836,037. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the debt service function.

**OTHER SUPPLEMENTARY INFORMATION**

HAMILTON COUNTY  
Combining Balance Sheet  
Nonmajor Funds  
June 30, 2006

ASSETS	Special Revenue						
	Recorder's Records Management	Drug Forfeiture	Supplemental Environmental Projects	Prisoner Room & Board	Hotel/ Motel Tax	Recorder Electronic Fee	REAP
Cash and pooled investments	\$ 6,145	\$ 14,950	\$ 275	\$ 9,680	\$ 17,311	\$ -	\$ 55,926
Receivables:							
Drainage assessments	-	-	-	-	-	-	-
Due from other funds	1,051	-	-	-	-	-	-
Due from other governments	-	-	-	-	4,380	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,206</b>	<b>\$ 14,950</b>	<b>\$ 275</b>	<b>\$ 9,680</b>	<b>\$ 21,691</b>	<b>\$ -</b>	<b>\$ 55,926</b>
<b>LIABILITIES AND FUND EQUITY</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ -	\$ 214
Salaries and benefits payable	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>214</b>
Fund equity:							
Fund balances:							
Reserved for:							
Drainage warrants/drainage improvement certificates	-	-	-	-	-	-	-
Unreserved	7,206	14,950	275	9,680	21,591	-	55,712
<b>Total fund equity</b>	<b>7,206</b>	<b>14,950</b>	<b>275</b>	<b>9,680</b>	<b>21,591</b>	<b>-</b>	<b>55,712</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 7,206</b>	<b>\$ 14,950</b>	<b>\$ 275</b>	<b>\$ 9,680</b>	<b>\$ 21,691</b>	<b>\$ -</b>	<b>\$ 55,926</b>

RSVP	Drainage	Friends of Conservation Trust	Conservation Capital Projects Trust	Capital Projects		Debt Service		Permanent Conservation Legacy Endowment	Total
				Jail	Ethanol Plant	Debt Service	Jail Debt Service		
\$ 19,759	\$ 327,817	\$ 26,890	\$ 119,483	\$ -	\$ -	\$ -	\$ -	\$ 476,178	\$ 1,074,414
-	175,875	-	-	-	-	-	-	-	175,875
-	-	-	-	-	-	-	-	-	1,061
<u>685</u>	<u>-</u>	<u>-</u>	<u>4,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,865</u>
<u>\$ 20,444</u>	<u>\$ 503,692</u>	<u>\$ 26,890</u>	<u>\$ 124,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,178</u>	<u>\$ 1,261,215</u>
\$ 247	\$ -	\$ 151	\$ 238	\$ 344	\$ -	\$ -	\$ -	\$ -	\$ 1,294
243	-	-	-	-	-	-	-	-	243
-	-	-	-	-	-	-	-	476,178	476,178
<u>-</u>	<u>175,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,875</u>
<u>490</u>	<u>175,875</u>	<u>151</u>	<u>238</u>	<u>344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>476,178</u>	<u>653,590</u>
-	327,817	-	-	-	-	-	-	-	327,817
<u>19,954</u>	<u>-</u>	<u>26,739</u>	<u>124,045</u>	<u>(344)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,808</u>
<u>19,954</u>	<u>327,817</u>	<u>26,739</u>	<u>124,045</u>	<u>(344)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>607,625</u>
<u>\$ 20,444</u>	<u>\$ 503,692</u>	<u>\$ 26,890</u>	<u>\$ 124,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,178</u>	<u>\$ 1,261,215</u>

HAMILTON COUNTY

Combining Schedule of Revenues, Expenditures and Changes In Fund Balances

Nonmajor Funds

Year Ended June 30, 2006

	Special Revenue						
	Recorder's Records Management	Drug Forfeiture	Supplemental Environmental Projects	Prisoner Room & Board	Hotel/ Motel Tax	Recorder Electronic Fee	REAP
<b>Revenues:</b>							
Property tax and other county tax	\$ -	\$ -	\$ -	\$ -	\$ 18,480	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	9,385
Charges for services	4,152	-	-	-	-	-	-
Use of money and property	286	-	10	-	466	208	2,217
Miscellaneous	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>4,438</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>18,946</b>	<b>208</b>	<b>11,602</b>
<b>Expenditures:</b>							
Public safety and legal services	-	-	-	13,143	-	-	-
Physical health and social services	-	-	-	-	-	-	-
County environment and education	-	-	-	-	12,092	-	15,213
Administrative services	4,497	-	-	-	-	15,583	-
Non program	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>4,497</b>	<b>-</b>	<b>-</b>	<b>13,143</b>	<b>12,092</b>	<b>15,583</b>	<b>15,213</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(59)</b>	<b>-</b>	<b>10</b>	<b>(13,143)</b>	<b>6,854</b>	<b>(15,375)</b>	<b>(3,611)</b>
<b>Other financing sources (uses):</b>							
Sale of capital assets	-	-	-	-	-	-	-
Operating transfers in	605	-	-	22,823	-	-	-
Operating transfers out	-	-	-	-	-	(605)	-
Revenue bonds issued	-	-	-	-	-	-	-
Drainage warrant/drainage improvement certificate proceeds	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>605</b>	<b>-</b>	<b>-</b>	<b>22,823</b>	<b>-</b>	<b>(605)</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other financing sources (uses) over expenditures</b>	<b>546</b>	<b>-</b>	<b>10</b>	<b>9,680</b>	<b>6,854</b>	<b>(15,980)</b>	<b>(3,611)</b>
<b>Fund balances, beginning of year</b>	<b>6,660</b>	<b>14,950</b>	<b>265</b>	<b>-</b>	<b>14,737</b>	<b>15,980</b>	<b>59,323</b>
<b>Fund balances, end of year</b>	<b>\$ 7,206</b>	<b>\$ 14,950</b>	<b>\$ 275</b>	<b>\$ 9,680</b>	<b>\$ 21,591</b>	<b>\$ -</b>	<b>\$ 55,712</b>

RSVP	Drainage	Friends of Conservation Trust	Conservation Capital Projects Trust	Capital Projects		Debt Service		Permanont Conservation Legacy Endowment	Total
				Jall	Ethanol Plant	Dobt Service	Jall Dobt Service		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,480
44,928	679	-	8,375	-	-	-	-	-	63,367
-	-	-	-	-	-	-	-	-	4,152
773	4,400	1,289	5,747	-	-	-	-	17,423	32,819
18,481	-	41,473	1,050	-	-	-	-	-	61,004
<u>64,182</u>	<u>5,079</u>	<u>42,762</u>	<u>15,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,423</u>	<u>179,822</u>
-	-	-	-	-	-	-	-	-	13,143
62,218	-	-	-	-	-	-	-	-	62,218
-	-	37,124	-	-	-	-	-	-	64,429
198	-	-	-	-	-	-	-	-	20,278
-	121,701	-	84,653	-	-	-	-	17,423	223,777
-	-	-	-	-	-	29,055	1,348,287	-	1,377,342
-	-	-	-	13,008	-	-	-	-	13,008
<u>62,416</u>	<u>121,701</u>	<u>37,124</u>	<u>84,653</u>	<u>13,008</u>	<u>-</u>	<u>29,055</u>	<u>1,348,287</u>	<u>17,423</u>	<u>1,774,195</u>
1,766	(116,622)	5,638	(69,481)	(13,008)	-	(29,055)	(1,348,287)	-	(1,594,373)
-	-	-	11,555	-	-	-	-	-	11,555
6,000	-	-	32,207	12,664	-	29,055	1,348,287	-	1,451,641
-	-	-	-	-	(950,000)	-	-	-	(950,605)
-	-	-	-	-	950,000	-	-	-	950,000
-	107,023	-	-	-	-	-	-	-	107,023
<u>6,000</u>	<u>107,023</u>	<u>-</u>	<u>43,762</u>	<u>12,664</u>	<u>-</u>	<u>29,055</u>	<u>1,348,287</u>	<u>-</u>	<u>1,569,614</u>
7,766	(9,599)	5,638	(25,719)	(344)	-	-	-	-	(24,759)
<u>12,188</u>	<u>337,416</u>	<u>21,101</u>	<u>149,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>632,384</u>
\$ 19,954	\$ 327,817	\$ 26,739	\$ 124,045	\$ (344)	\$ -	\$ -	\$ -	\$ -	\$ 607,625

Hamilton County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds  
 Year Ended June 30, 2006

ASSETS	County Offices	Township	Corporation	District Schools	Area Schools	County Assessor
Cash and pooled investments:						
County treasurer	\$ -	\$ 2,425	\$ 62,177	\$ 105,082	\$ 6,566	\$ 78,207
Other county officials	53,339	-	-	-	-	-
Receivables:						
Accounts receivable	4,012	-	-	-	-	-
Property tax:						
Delinquent	-	121	7,814	9,510	520	192
Succeeding year	-	246,253	4,777,514	8,826,997	448,145	174,615
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 57,351</u></b>	<b><u>\$ 248,799</u></b>	<b><u>\$ 4,847,505</u></b>	<b><u>\$ 8,941,589</u></b>	<b><u>\$ 455,231</u></b>	<b><u>\$ 253,014</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,906
Salaries and benefits payable	-	-	-	-	-	1,332
Due to other funds	29,589	-	-	-	-	-
Due to other governments	27,762	2,525	62,604	107,434	6,723	75,018
Deferred revenue:						
Succeeding year property tax	-	246,253	4,777,514	8,826,997	448,145	174,615
Other	-	21	7,387	7,158	363	143
Compensated absences	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>\$ 57,351</u></b>	<b><u>\$ 248,799</u></b>	<b><u>\$ 4,847,505</u></b>	<b><u>\$ 8,941,589</u></b>	<b><u>\$ 455,231</u></b>	<b><u>\$ 253,014</u></b>

County Agricultural Extension	County Hospital	Auto Registration and Use Tax	E911 Surcharge	Special Appraisers	Empower- ment	Other	Total
\$ 2,016	\$ 7,252	\$ 288,047	\$ 25,249	\$ 55,424	\$ -	\$ 35,590	\$ 668,035
-	-	-	-	-	-	-	53,339
-	-	-	-	-	-	-	4,012
184	562	-	-	206	-	27	19,136
167,585	511,533	-	-	187,912	-	24,083	15,364,637
-	-	-	-	-	-	382	382
-	-	-	-	-	1,357	1,977	3,334
<u>\$ 169,785</u>	<u>\$ 519,347</u>	<u>\$ 288,047</u>	<u>\$ 25,249</u>	<u>\$ 243,542</u>	<u>\$ 1,357</u>	<u>\$ 62,059</u>	<u>\$ 16,112,875</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11	\$ 1,917
-	-	-	-	-	-	-	1,332
-	-	-	1,076	-	-	-	30,665
2,063	7,395	288,047	24,173	55,476	-	37,945	697,165
167,585	511,533	-	-	187,912	-	24,083	15,364,637
137	419	-	-	154	-	20	15,802
-	-	-	-	-	1,357	-	1,357
<u>\$ 169,785</u>	<u>\$ 519,347</u>	<u>\$ 288,047</u>	<u>\$ 25,249</u>	<u>\$ 243,542</u>	<u>\$ 1,357</u>	<u>\$ 62,059</u>	<u>\$ 16,112,875</u>

Hamilton County

Combining Schedule of Changes In Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2006

	<u>County Offices</u>	<u>Township</u>	<u>Corporation</u>	<u>District Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
<b>ASSETS AND LIABILITIES</b>						
Balances, beginning of year	\$ 58,698	\$ 234,535	\$ 3,678,634	\$ 8,512,621	\$ 452,724	\$ 229,052
Additions:						
Property and other county tax	-	248,310	5,417,630	8,625,035	516,006	170,826
E911 surcharge	-	-	-	-	-	-
State tax credits	-	10,001	211,060	401,535	25,130	7,840
Federal grants	-	-	-	-	-	-
Drivers license fees	-	-	-	-	-	-
Office fees and collections	356,210	-	-	-	-	891
Electronic transaction fee	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	264,737	-	-	-	-	-
Miscellaneous	-	-	-	-	-	103,703
Total additions	<u>620,947</u>	<u>258,311</u>	<u>5,628,690</u>	<u>9,026,570</u>	<u>541,136</u>	<u>283,260</u>
Deductions:						
Agency remittances:						
To other funds	195,378	-	-	-	-	-
To other governments	162,618	244,047	4,459,819	8,597,602	538,629	259,298
Trusts paid out	264,298	-	-	-	-	-
Total deductions	<u>622,294</u>	<u>244,047</u>	<u>4,459,819</u>	<u>8,597,602</u>	<u>538,629</u>	<u>259,298</u>
Balances, end of year	<u>\$ 57,351</u>	<u>\$ 248,799</u>	<u>\$ 4,847,505</u>	<u>\$ 8,941,589</u>	<u>\$ 455,231</u>	<u>\$ 253,014</u>

Schedule 4

<u>County Agricultural Extension</u>	<u>County Hospital</u>	<u>Auto Registration and Use Tax</u>	<u>E911 Surcharge</u>	<u>Special Appraisers</u>	<u>Empower- ment</u>	<u>Other</u>	<u>Total</u>
\$ 163,330	\$ 589,031	\$ 298,582	\$ 60,308	\$ 325,424	\$ 1,357	\$ 68,412	\$ 14,672,708
163,859	498,027	-	-	182,204	-	23,539	15,845,436
-	-	-	76,491	-	-	-	76,491
7,702	27,702	-	36,847	11,645	-	1,113	740,575
-	-	-	-	-	-	114,564	114,564
-	-	40,343	-	-	-	-	40,343
-	-	-	-	-	-	-	357,101
-	-	-	-	-	-	4,152	4,152
-	-	3,806,677	-	-	-	-	3,806,677
-	-	-	-	-	-	3,847	3,847
-	-	-	-	-	-	-	264,737
-	-	-	7,835	-	54,112	143,377	309,027
<u>171,561</u>	<u>525,729</u>	<u>3,847,020</u>	<u>121,173</u>	<u>193,849</u>	<u>54,112</u>	<u>290,592</u>	<u>21,562,950</u>
-	-	114,842	-	83,286	-	20,357	413,863
165,106	595,413	3,742,713	156,232	192,445	54,112	276,588	19,444,622
-	-	-	-	-	-	-	264,298
<u>165,106</u>	<u>595,413</u>	<u>3,857,555</u>	<u>156,232</u>	<u>275,731</u>	<u>54,112</u>	<u>296,945</u>	<u>20,122,783</u>
\$ <u>169,785</u>	\$ <u>519,347</u>	\$ <u>288,047</u>	\$ <u>25,249</u>	\$ <u>243,542</u>	\$ <u>1,357</u>	\$ <u>62,059</u>	\$ <u>16,112,875</u>

## Schedule of Revenues by Source and Expenditures by Function

## All Governmental Fund Types

## For the Last Four Years

## Modified Accrual Basis

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:				
Property and other county tax	\$ 6,664,672	\$ 6,388,172	\$ 6,818,244	\$ 6,435,724
Interest and penalty on property tax	38,692	49,598	49,078	42,327
Intergovernmental	6,277,899	5,467,793	5,091,955	5,595,022
Licenses and permits	9,635	7,755	5,968	7,768
Charges for services	1,164,288	1,114,385	1,000,698	970,898
Use of money and property	267,804	180,264	136,803	138,571
Fines, forfeitures and defaults	1,011	610	420	-
Miscellaneous	184,337	223,643	89,668	377,469
<b>Total</b>	<b><u>\$ 14,608,338</u></b>	<b><u>\$ 13,432,220</u></b>	<b><u>\$ 13,192,834</u></b>	<b><u>\$ 13,567,779</u></b>
Expenditures:				
Current:				
Public safety and legal services	\$ 2,005,919	\$ 1,852,983	\$ 1,417,397	\$ 1,358,155
Physical health and social services	2,037,501	2,059,738	2,073,148	2,362,016
Mental health	2,136,414	2,067,400	2,010,301	2,104,328
County environment and education	1,034,581	1,046,435	1,113,247	1,057,562
Roads and transportation	3,671,252	4,118,873	3,428,130	3,966,392
Governmental services to residents	496,744	390,064	381,527	324,265
Administrative services	1,025,400	934,016	915,889	1,006,392
Non-program	223,777	281,763	454,183	593,931
Debt service	1,377,342	669,180	48,458	29,055
Capital projects	1,716,244	1,793,367	2,740,430	913,290
<b>Total</b>	<b><u>\$ 15,725,174</u></b>	<b><u>\$ 15,213,819</u></b>	<b><u>\$ 14,582,710</u></b>	<b><u>\$ 13,715,386</u></b>

See accompanying independent auditor's report.



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

To the Officials  
Hamilton County  
Webster City, Iowa

We have audited the financial statements of Hamilton County, Iowa, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 18, 2006. 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 grant agreements, 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*.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 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 Henderson LLP*

Cedar Rapids, Iowa  
October 18, 2006

HAMILTON COUNTY  
Schedule of Findings  
Year Ended June 30, 2006

Part I: Findings Related to Financial Statements:

Instances of Non-compliance:

No matters were noted.

Part II: Findings Related to Statutory Reporting:

II-A-06 Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the debt service.

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

Response - We will amend the budget when required.

Conclusion - Response accepted.

II-B-06 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-C-06 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-06 Business Transactions - We noted the following business transactions between the County and its officials or employees and related individuals:

1. 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-E-06 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.

HAMILTON COUNTY

Schedule of Findings

Year Ended June 30, 2006

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

II-F-06 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-06 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-H-06 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-06 Solid Waste Fees Retainage - During the year ended June 30, 2006, 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-J-06 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, 2006 for the County Extension Office did not exceed the amount budgeted.

II-K-06 Financial Condition - The Capital Projects, Jail Construction Fund had a deficit balance at June 30, 2006 of \$344.

Recommendation - The County should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The deficit was due to a modified accrual entry at June 30, 2006. Cash basis fund balance is zero. The deficit was subsequently eliminated.

Conclusion - Response accepted.

**HAMILTON COUNTY**

**Audit Staff**

**Year Ended June 30, 2006**

This audit was performed by:

William E. Murray, CPA, Partner

Justin P. Zimmerman, CPA, Senior Associate

Andrew J. Johnson, CPA, Senior Associate

Tonya N. Determan, Associate