



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

June 30, 2007



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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, 2007, 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, 2007, 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 January 23, 2008 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 7 through 13 and 51 through 54 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 four years ended June 30, 2006 (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  
January 23, 2008

## 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, 2007 (FY07). We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- Governmental funds revenue was approximately \$14.4 million in FY07, compared to \$14.6 million in FY06.
- Program expenses were approximately \$17 million in FY07, compared to \$15.7 million in FY06.
- Net assets decreased approximately \$ 1.7 million for FY07.

### 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 (agency funds).
- *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- *Required Supplementary Information* further explains and supports the financial statements with a comparison of the County's budget for the year.
- *Other Supplementary Information* provides detailed information about the nonmajor governmental funds and the individual agency funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This is similar to the accounting used by most private-sector companies. All of the current year 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, governmental services to residents, administration, 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 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 current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The 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 - Employee Group Health Insurance Account Fund. 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 FY07 totaled approximately \$24.6 million. This compares to FY06 at approximately \$20.8 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

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

	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u>
Current and other assets	\$ 13,508	\$ 11,950
Capital assets	<u>24,591</u>	<u>19,322</u>
Total assets	<u>38,099</u>	<u>31,272</u>
Long-term debt outstanding	6,175	3,017
Other liabilities	<u>7,334</u>	<u>7,468</u>
Total liabilities	<u>13,509</u>	<u>10,485</u>
Net assets:		
Invested in capital assets, net of debt	19,060	16,948
Restricted	1,088	1,311
Unrestricted	<u>4,442</u>	<u>2,528</u>
Total net assets	<u>\$ 24,590</u>	<u>\$ 20,787</u>

FY07 net assets of Hamilton County's governmental activities decreased by \$1.7 million from FY06. When netted with an increase of \$5.5 million, due to the implementation of GASB 34 infrastructure, the County has an overall increase of \$3.8 million. The largest portion of the County's net assets is 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 \$4.4 million.

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

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for service	\$ 2,415	\$ 2,534
Operating grants and contributions	6,111	5,807
Capital grants, contributions and restricted interest	-	1,850
General revenues:		
Property taxes	5,657	5,330
Local option sales and service tax	569	1,335
Unrestricted investment earnings	369	226
Other general revenues	<u>350</u>	<u>450</u>
Total revenues	<u>15,471</u>	<u>17,532</u>
Program expenses:		
Public safety and legal services	2,082	1,842
Physical health and social services	2,142	2,061
Mental health	2,229	2,040
County environment and education	2,659	1,020
Roads and transportation	5,068	3,726
Government services to residents	357	497
Administration	2,187	1,872
Non-program	225	323
Interest on long-term debt	<u>240</u>	<u>37</u>
Total expenses	<u>17,189</u>	<u>13,418</u>
Increase (decrease) in net assets	<u>\$ (1,718)</u>	<u>\$ 4,114</u>

Hamilton County's county-wide levy rates remained constant at \$10.44664 per \$1,000 of valuation. The rural assessed property taxable valuation increased by \$26.4 million for a total of \$390,039,804 and countywide assessed property valuation increased by \$37.8 million for a total of \$659,889,919.

## INDIVIDUAL MAJOR FUND ANALYSIS

As Hamilton County completed the year, its governmental funds reported a combined fund balance of \$6,039,079, compared to \$4,366,168 combined fund balance for FY06. This is an increase of \$1,672,911.

The General Fund, the operating fund for Hamilton County, ended FY07 with a fund balance totaling \$1,755,433, whereas FY06 ended with a \$1,685,418 balance, an increase of \$70,015. Property valuations increased from \$622,084,165 in FY06 to \$659,889,919 in FY07, an increase of \$37,805,754. The levy rate remained the same at \$6.83407 for FY06 & FY07.

The Mental Health Fund ended with a \$94,290 fund balance for FY07, whereas FY06 ended with a \$188,760 balance, a decrease of \$94,470. The levy rate decreased from 1.38284 in FY06 to 1.30361 in FY07, a decrease of .07923. 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 \$267,612 fund balance for FY07 compared to the prior year balance of \$143,612, an increase of \$124,000. The levy rate remained the same at 10.44664 for both FY06 & FY07. Property valuations increased from \$363,615,879 in FY06 to \$390,039,804, an increase of \$26,423,925 in FY07. 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. In FY07, we have expenses for four (4) deputies budgeted from the Rural Fund. FY07 Secondary Roads transfer was increased by \$129,976 due to the valuation increase.

The Secondary Roads Fund ended FY07 with a \$2,373,217 fund balance compared to the prior year balance of \$1,462,799, an increase of \$910,418. State and Federal sourced revenues increased due to capital construction projects in FY07. The major construction projects completed in FY07 included three federally funded bridge projects and a one mile, TIF funded, hot mixed asphalt paving project. The transfer from Rural Basic to Secondary Roads increased from \$834,595 in FY06 to \$964,570 in FY07. FY07 expenditures decreased from \$5,089,769 in FY06 to \$4,319,865 in FY07. This reduction was due primarily to the completion of the ethanol plant projects in FY06. In FY07, the Secondary Roads Department maintained 718 miles of aggregate-surfaced roads and 218 miles of paved roads during the year.

The Local Option Sales Tax Fund ended FY07 with a balance of \$294,178 compared to prior year balance of \$277,954. This fund was used to collect Local Option Tax for the purpose of paying for the Law Enforcement Center until that debt was retired. It now holds only the County's share of LOSST used for County projects.

The Ethanol Fund ended FY07 with a balance of \$566,761 which is anticipated to be used to complete that project. This fund was established for the purpose of the County's Horizon Ethanol Urban Renewal project. The County sold \$4,300,000 in revenue bonds in FY07.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Hamilton County amended the budget two times in FY07 with the first being in August of 2006. The primary purpose was to include the expenses and revenues for the ethanol project. Our second amendment was held in May, 2007 for the purpose of adjusting expenses and revenue relating to the LOSST and Law Enforcement Center, Public Health, General Relief, Medical Examiner, Sheriff, District & Juvenile Court, Chemical Dependent, Townships, and Courthouse Utilities.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of FY07, the County had approximately \$24.5 million invested in capital assets, compared to \$19.3 million for FY06. This is an increase of \$5.2 million from FY06.

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

	<u>2007</u>	<u>2006</u>
Land	\$ 3,864	\$ 3,864
Construction in progress	-	1,475
Buildings and improvements	5,974	6,102
Machinery and equipment	1,766	2,156
Infrastructure	<u>12,987</u>	<u>5,725</u>
Total	<u>\$ 24,591</u>	<u>\$ 19,322</u>

### Long-Term Debt

At June 30, 2007, Hamilton County had approximately \$6,175,000 in capital notes and other debt outstanding compared to \$3,017,000 at June 30, 2006. This increase is due to the sale of the aforementioned TIF revenue bonds for the ethanol project.

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

	<u>2007</u>	<u>2006</u>
Capital lease purchase agreements	\$ 1,007	\$ 1,055
Drainage warrants and improvement certificates	262	292
Capital notes payable	224	1,217
Revenue bonds	4,300	102
Compensated absences	<u>382</u>	<u>351</u>
Total	<u>\$ 6,175</u>	<u>\$ 3,017</u>

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 2008 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 2008, while remaining at levels necessary to cash flow the beginning of the FY09 budget.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of 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.

## BASIC FINANCIAL STATEMENTS

**HAMILTON COUNTY**  
**Statement of Net Assets**

**June 30, 2007**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,981,398
Receivables:	
Property tax:	
Delinquent	6,418
Succeeding year	5,750,623
Interest and penalty on property tax	15,139
Accounts	81,063
Accrued interest	11,177
Drainage assessments	261,760
Due from other funds	32,418
Due from other governments	338,748
Inventories	948,036
Prepaid insurance	81,692
Capital assets, net of accumulated depreciation	<u>24,590,593</u>
Total assets	<u>38,099,065</u>
<b>LIABILITIES</b>	
Accounts payable	249,383
Accrued interest payable	24,681
Salaries and benefits payable	100,868
Due to other governments	925,481
Deferred revenue:	
Succeeding year property tax	5,750,623
Other	283,152
Long-term liabilities:	
Portion due within one year:	
Capital lease purchase agreements	90,771
Capital notes	46,198
TIF revenue bonds	141,353
Compensated absences	218,691
Portion due after one year:	
Capital lease purchase agreements	916,606
Capital notes	177,317
TIF revenue bonds	4,158,647
Compensated absences	163,428
Drainage district warrants and certificates payable	<u>261,760</u>
Total liabilities	<u>13,508,959</u>

Exhibit A

	<u>Governmental Activities</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	19,059,701
Restricted for:	
Secondary road purposes	826,635
Drainage	261,760
Unrestricted	<u>4,442,010</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 24,590,106</u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY

Exhibit B

Statement of Activities

Year Ended June 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 2,082,364	\$ 198,232	\$ 42,863	\$ -	\$ (1,841,269)
Physical health and social services	2,142,410	281,553	1,175,460	-	(685,397)
Mental health	2,228,763	26,756	1,326,511	-	(875,496)
County environment and education	2,658,928	521,625	53,719	-	(2,083,584)
Roads and transportation	5,067,866	84,318	3,410,423	-	(1,573,125)
Governmental services to residents	356,504	271,556	7,791	-	(77,157)
Administration	2,187,345	1,031,053	1,138	-	(1,155,154)
Non-program	225,090	-	93,574	-	(131,516)
Interest on long-term debt	239,715	-	-	-	(239,715)
<b>Total</b>	<b>\$ 17,188,985</b>	<b>\$ 2,415,093</b>	<b>\$ 6,111,479</b>	<b>\$ -</b>	<b>(8,662,413)</b>
<b>GENERAL REVENUES:</b>					
Property tax levied for:					
General purposes					5,656,882
Penalty and interest on property tax					43,197
State tax credits					258,632
Local option sales tax					568,750
Unrestricted investment earnings					368,623
Gain on dispositions					31,972
Miscellaneous					15,955
Total general revenues					6,944,011
Change in net assets					(1,718,402)
Net assets, beginning of year, as previously reported					20,786,590
Cumulative effect of change in accounting principle, GASB 34 infrastructure					5,521,918
Net assets, beginning of year, as restated					26,308,508
Net assets, end of year					\$ 24,590,106

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY

Balance Sheet  
Governmental Funds

June 30, 2007

	<u>Special Revenue</u>			
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,649,917	\$ 453,436	\$ 245,667	\$ 1,547,079
Receivables:				
Property tax:				
Delinquent	4,458	1,065	895	-
Succeeding year	3,533,401	843,642	1,373,580	-
Interest and penalty on property tax	15,139	-	-	-
Accounts	73,898	-	-	6,322
Accrued interest	11,177	-	-	-
Drainage assessments	-	-	-	-
Due from other funds	31,418	-	-	-
Due from other governments	182,427	56,758	22,938	7,078
Inventories	-	-	-	948,036
	<u>-</u>	<u>-</u>	<u>-</u>	<u>948,036</u>
<b>Total assets</b>	<b><u>\$ 5,501,835</u></b>	<b><u>\$ 1,354,901</u></b>	<b><u>\$ 1,643,080</u></b>	<b><u>\$ 2,508,515</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 102,678	\$ 30,377	\$ 285	\$ 105,808
Salaries and benefits payable	67,763	6,733	310	25,812
Due to other governments	23,112	378,810	398	3,678
Deferred revenue:				
Succeeding year property tax	3,533,401	843,642	1,373,580	-
Other	19,448	1,049	895	-
	<u>3,746,402</u>	<u>1,260,611</u>	<u>1,375,468</u>	<u>135,298</u>
<b>Total liabilities</b>	<b><u>3,746,402</u></b>	<b><u>1,260,611</u></b>	<b><u>1,375,468</u></b>	<b><u>135,298</u></b>
Fund balances:				
Reserved for:				
Inventories	-	-	-	948,036
Drainage warrants/drainage improvement certificates	-	-	-	-
Unreserved, reported in:				
General fund	1,755,433	-	-	-
Special revenue fund	-	94,290	267,612	1,425,181
Capital projects fund	-	-	-	-
	<u>1,755,433</u>	<u>94,290</u>	<u>267,612</u>	<u>2,373,217</u>
<b>Total fund balances</b>	<b><u>1,755,433</u></b>	<b><u>94,290</u></b>	<b><u>267,612</u></b>	<b><u>2,373,217</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 5,501,835</u></b>	<b><u>\$ 1,354,901</u></b>	<b><u>\$ 1,643,080</u></b>	<b><u>\$ 2,508,515</u></b>

Exhibit C

<u>Ethanol Plant</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 566,761	\$ 1,410,734	\$ 5,873,594
-	-	6,418
-	-	5,750,623
-	-	15,139
-	843	81,063
-	-	11,177
-	261,760	261,760
-	1,000	32,418
-	69,547	338,748
-	-	948,036
<u>\$ 566,761</u>	<u>\$ 1,743,884</u>	<u>\$ 13,318,976</u>
\$ -	\$ 10,235	\$ 249,383
-	250	100,868
-	489,873	895,871
-	-	5,750,623
-	261,760	283,152
<u>-</u>	<u>762,118</u>	<u>7,279,897</u>
-	-	948,036
-	350,049	350,049
-	-	1,755,433
566,761	337,539	2,691,383
-	294,178	294,178
<u>566,761</u>	<u>981,766</u>	<u>6,039,079</u>
<u>\$ 566,761</u>	<u>\$ 1,743,884</u>	<u>\$ 13,318,976</u>

The accompanying notes are an integral part of the financial statements.

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

June 30, 2007

Total governmental fund balances (page 19) \$ 6,039,079

***Amounts reported for governmental activities in the  
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$47,991,388 and the accumulated depreciation is \$23,400,795.

24,590,593

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

Notes, leases, bonds, warrants, and compensated absences	(6,174,771)
Accrued interest payable	(24,681)

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.

159,886

**Net assets of governmental activities (page 16) \$ 24,590,106**

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY

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

Year Ended June 30, 2007

	<u>Special Revenue</u>			
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:				
Property and other county tax	\$ 3,482,633	\$ 820,764	\$ 1,504,605	\$ -
Interest and penalty on property tax	43,245	-	-	-
Intergovernmental	1,506,933	1,365,245	55,570	3,410,423
Licenses and permits	6,400	-	-	1,580
Charges for services	1,034,895	-	-	1,451
Use of money and property	333,584	13,954	-	16,371
Miscellaneous	67,718	12,802	-	64,915
Total revenues	<u>6,475,408</u>	<u>2,212,765</u>	<u>1,560,175</u>	<u>3,494,740</u>
Expenditures:				
Current:				
Public safety and legal services	1,925,586	-	179,391	-
Physical health and social services	2,104,876	-	-	-
Mental health	-	2,307,235	-	-
County environment and education services	890,292	-	81,638	-
Roads and transportation	-	-	269,836	3,319,605
Governmental services to residents	356,504	-	-	-
Administration	996,154	-	20,740	-
Non-program	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	1,000,260
Total expenditures	<u>6,273,412</u>	<u>2,307,235</u>	<u>551,605</u>	<u>4,319,865</u>
Excess (deficiency) of revenues over (under) expenditures	201,996	(94,470)	1,008,570	(825,125)
Other financing sources (uses):				
Sale of capital assets	10,182	-	-	1,995
Operating transfers in	261,000	-	80,000	2,214,570
Operating transfers out	(403,163)	-	(964,570)	(297,529)
Revenue bonds issued	-	-	-	-
Drainage warrant/drainage improvement certificate issued	-	-	-	-
Total other financing sources (uses)	<u>(131,981)</u>	<u>-</u>	<u>(884,570)</u>	<u>1,919,036</u>

<u>Ethanol Plant</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 417,585	\$ 6,225,587
-	-	43,245
-	153,216	6,491,387
-	-	7,980
-	3,817	1,040,163
-	51,440	415,349
-	58,149	203,584
-	<u>684,207</u>	<u>14,427,295</u>
-	7,967	2,112,944
-	64,040	2,168,916
-	-	2,307,235
2,572,155	54,957	3,599,042
-	-	3,589,441
-	-	356,504
-	202,996	1,219,890
-	251,714	251,714
208,613	130,786	339,399
-	93,218	1,093,478
<u>2,780,768</u>	<u>805,678</u>	<u>17,038,563</u>
(2,780,768)	(121,471)	(2,611,268)
-	31,119	43,296
297,529	201,732	3,054,831
(1,250,000)	(139,569)	(3,054,831)
4,300,000	-	4,300,000
-	124,376	124,376
<u>3,347,529</u>	<u>217,658</u>	<u>4,467,672</u>

(continued)

HAMILTON COUNTY

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

Year Ended June 30, 2007

	<u>Special Revenue</u>			
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	70,015	(94,470)	124,000	1,093,911
Fund balances, beginning of year	1,685,418	188,760	143,612	1,462,799
Decrease in reserve for inventories	<u>-</u>	<u>-</u>	<u>-</u>	<u>(183,493)</u>
Fund balances, end of year	<u>\$ 1,755,433</u>	<u>\$ 94,290</u>	<u>\$ 267,612</u>	<u>\$ 2,373,217</u>

<u>Ethanol Plant</u>	<u>Nonmajor</u>	<u>Total</u>
566,761	96,187	1,856,404
-	885,579	4,366,168
-	-	(183,493)
<u>\$ 566,761</u>	<u>\$ 981,766</u>	<u>\$ 6,039,079</u>

The accompanying notes are an integral part of the 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, 2007

Net change in fund balances - total governmental funds (page 24) \$ 1,856,404

*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	\$ 4,282,256	
Depreciation expense	<u>(1,837,228)</u>	2,445,028

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds the proceeds from the sale of capital assets increase financial resources. Thus, the change in fund balance differs by the cost of the capital asset sold. (11,324)

Contracts in progress that are completed are capitalized on the governmental activities (2,737,848)

Tax Increment revenue bond proceeds provide current financial resources to governmental funds, but issuing the bonds increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt issues exceeded current year debt repayments as follows:

Bonds issued	(4,300,000)	
Principal payments - bonds and leases	<u>1,194,319</u>	(3,105,681)

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	(124,376)	
Payments of certificates and warrants	<u>155,067</u>	30,691

Exhibit F

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	(31,201)	
Interest on long-term debt	<u>(19,840)</u>	(51,041)
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.		(183,493)
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.		<u>38,862</u>
<b>Change in net assets of governmental activities (page 17)</b>		<u><b>\$ (1,718,402)</b></u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY

Exhibit G

Statement of Net Assets

Proprietary Fund

June 30, 2007

	<u>Internal Service - Hamilton County PSF</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 107,804
Prepaid insurance	<u>81,692</u>
Total assets	189,496
<b>LIABILITIES</b>	
Due to other governments	<u>29,610</u>
<b>NET ASSETS</b>	
Unrestricted	<u>\$ 159,886</u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Fund

June 30, 2007

	<u>Internal Service - Hamilton County PSF</u>
<b>OPERATING REVENUE</b>	
Intra-county reimbursements	\$ 1,011,316
<b>OPERATING EXPENSES</b>	
Medical claims	955,352
Administrative fees	<u>17,102</u>
Total operating expenses	<u>972,454</u>
Net income	38,862
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>121,024</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 159,886</u>

The accompanying notes are an integral part of the financial statements.

**HAMILTON COUNTY**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2007**

Exhibit I

	<u>Internal Service- Hamilton County PSF</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,011,316
Cash paid to suppliers for services	<u>(981,913)</u>
Net cash provided by operating activities	29,403
Cash and cash equivalents, beginning of year	<u>78,401</u>
Cash and cash equivalents, end of year	<u>\$ 107,804</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 38,862
Decrease in due to other governments	(4,405)
Increase in prepaid insurance	<u>(5,054)</u>
Net cash provided by operating activities	<u>\$ 29,403</u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY

Exhibit J

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2007

**ASSETS**

Cash and pooled investments:		
County treasurer	\$	809,345
Other county officials		72,547
Receivables:		
Accounts receivable		3,611
Property tax:		
Delinquent		20,708
Succeeding year		15,396,467
Due from other funds		433
Due from other governments		<u>2,575</u>
Total assets		<u>16,305,686</u>

**LIABILITIES**

Accounts payable		1,958
Salaries and benefits payable		1,900
Due to other funds		32,851
Due to other governments		850,834
Deferred revenue:		
Succeeding year property tax		15,396,467
Other		20,319
Compensated absences		<u>1,357</u>
Total liabilities		<u>16,305,686</u>

**NET ASSETS** \$           -

The accompanying notes are an integral part of the financial statements.

# HAMILTON COUNTY

## Notes to Financial Statements

June 30, 2007

### (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, 2007

(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, 2007

#### (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 Ethanol Plant Fund is used for tax increment financing collections.

## HAMILTON COUNTY

### Notes to Financial Statements

June 30, 2007

(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, 2007

(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 financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the 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, 2007

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

##### D. Assets, Liabilities and Fund Equity (continued)

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 1/2% per month penalty for delinquent payment; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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, 2007, 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, 2007

(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, 2007

#### (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, 2007. 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.

Net Assets - The net assets of the Internal Service - Hamilton County PSF Fund is designated for anticipated future medical claims of the County.

## HAMILTON COUNTY

### Notes to Financial Statements

June 30, 2007

(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, 2007 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, 2007 are as follows:

Drainage warrants, at fair value	<u>\$ 303,729</u>
----------------------------------	-------------------

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,717,820 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 the Iowa Public Agency Investment Trust and Drainage warrants are unrated.

**HAMILTON COUNTY**

**Notes to Financial Statements**

**June 30, 2007**

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

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Trust & Agency - County Recorder	\$ 31,418
Special Revenue:		
County Recorder's Records Management	Trust & Agency - County Recorder	1,000
Agency:		
Recorder's Electronic File	Trust & Agency - County Recorder	<u>433</u>
Total		<u>\$ 32,851</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, 2007 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	\$ 101,730
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	964,570
RSVP	General	6,000
Conservation Land Acquisition	General	26,800
Prisoner Room and Board	General	11,307
Rural Services	General	80,000
Ethanol Plant	Special Revenue:	
Capital Projects:	Secondary Roads	297,529
	Special Revenue:	
	Local Option Sales Tax	26,839

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2007

(4) Interfund Transfers (continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	29,056
Trust & Agency: County Assessor	Trust & Agency: Assessor's FICA & IPERS	13,372
Special Revenue: Secondary Roads	Special Revenue Ethanol Plant	1,250,000
General Supplemental (General)	General	250,000
Permanent: Conservation Legacy Endowment	General	<u>11,000</u>
		<u>\$3,068,203</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, 2007 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>1,474,910</u>	<u>1,262,938</u>	<u>2,737,848</u>	<u>-</u>
Total capital assets not being depreciated	<u>5,338,606</u>	<u>1,262,938</u>	<u>2,737,848</u>	<u>3,863,696</u>

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2007

(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	\$7,519,591	\$ 16,732	\$ -	\$ 7,536,323
Buildings under capital lease	1,211,583	-	-	1,211,583
County equipment	1,420,501	168,919	251,283	1,338,137
County equipment under capital lease	-	51,130	-	51,130
Secondary roads equipment	6,361,478	61,544	-	6,423,022
Secondary roads office equipment	136,119	34,275	21	170,373
Infrastructure	<u>5,724,601</u>	<u>21,672,52</u>	<u>-</u>	<u>27,397,124</u>
Total capital assets being depreciated	<u>22,373,873</u>	<u>22,005,123</u>	<u>251,304</u>	<u>44,127,692</u>
Less accumulated depreciation for:				
Buildings and building improvements	2,628,783	145,175	-	2,773,958
County equipment	979,705	139,869	239,959	879,615
Secondary roads equipment	4,679,932	539,763	-	5,219,695
Secondary roads office equipment	120,370	14,747	21	117,096
Infrastructure	<u>-</u>	<u>14,410,431</u>	<u>-</u>	<u>14,410,431</u>
Total accumulated depreciation	<u>8,390,790</u>	<u>15,249,985</u>	<u>239,980</u>	<u>23,400,795</u>
Total capital assets being depreciated, net	<u>13,983,083</u>	<u>6,755,138</u>	<u>11,324</u>	<u>20,276,897</u>
Governmental activities capital assets, net	<u>\$19,321,689</u>	<u>\$8,018,076</u>	<u>\$2,749,172</u>	<u>\$24,590,593</u>

The County has phased in reporting of infrastructure in accordance with provisions of GASB 34.

**HAMILTON COUNTY**

**Notes to Financial Statements**

**June 30, 2007**

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

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

Governmental activities:		
Public safety and legal services	\$	59,692
Physical health and social services		2,978
Mental health		17,743
County environment and education		41,742
Roads and transportation		1,552,184
Administration		17,714
Unallocated		<u>145,175</u>
Total depreciation expense - governmental activities		<u>\$ 1,837,228</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	\$ 23,112
Special Revenue:		
Secondary Roads	Services	3,678
Mental Health	Services	378,810
Rural Services	Services	398
Permanent:		
Conservation Legacy Endowment	Services	<u>489,873</u>
Total for governmental funds		<u>\$ 895,871</u>
Agency:		
Recorder		\$ 13,613
Sheriff		29,694
Townships		2,547
Corporations		73,483
District Schools		117,926
Area Schools		6,002
County Assessor		97,038
County Agricultural Extension		2,238

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2007

(6) Due to Other Governments (continued)

County Hospital	6,832
Auto Registration and Use Tax	306,876
E911 Surcharge	24,103
Special Appraisers	120,880
All Others	<u>49,602</u>
Total for agency funds	<u>\$ 850,834</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	<u>Capital Lease Purchase Agreements</u>	<u>Local Option Sales Tax Revenue Bond</u>	<u>Tax Increment Revenue Bond</u>	<u>Capital Notes</u>	<u>Drainage Warrants and District Improvement Certificates</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance, beginning of year	\$1,055,492	\$ 101,400	\$ -	\$1,217,189	\$ 292,451	\$ 350,918	\$3,017,450
Increases	51,130	-	4,300,000	-	124,376	254,357	4,729,863
Decreases	<u>99,245</u>	<u>101,400</u>	<u>-</u>	<u>993,674</u>	<u>155,067</u>	<u>223,156</u>	<u>1,572,542</u>
Balance, end of year	<u>\$1,007,377</u>	<u>\$ -</u>	<u>\$4,300,000</u>	<u>\$ 223,515</u>	<u>\$ 261,760</u>	<u>\$ 382,119</u>	<u>\$6,174,771</u>
Due within one year	<u>\$ 90,771</u>	<u>\$ -</u>	<u>\$ 141,353</u>	<u>\$ 46,198</u>	<u>\$ -</u>	<u>\$ 218,691</u>	<u>\$ 497,013</u>

**Capital Lease Purchase Agreements**

The County has entered into capital lease purchase agreements to lease a building and a mower with historical costs of \$1,211,583 and \$51,130, respectively. Accumulated depreciation on the building and equipment as of June 30, 2007 is \$68,513 and \$1,331, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 3.6% to 6.25% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2007:

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2007

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

<u>Year Ending June 30,</u>	<u>Building</u>	<u>Mower</u>	<u>Total</u>
2008	\$ 124,128	\$ -	\$ 124,128
2009	124,128	11,679	135,807
2010	124,128	11,679	135,807
2011	124,128	11,679	135,807
2012	124,128	11,679	135,807
Thereafter	<u>517,200</u>	<u>-</u>	<u>517,200</u>
Total minimum lease payments	1,137,840	46,716	1,184,556
Less amount representing interest	<u>(169,914)</u>	<u>(7,265)</u>	<u>(177,179)</u>
Present value of net minimum lease payments	<u>\$ 967,926</u>	<u>\$ 39,451</u>	<u>\$1,007,377</u>

Payments under capital lease purchase agreements for the year ended June 30, 2007 totaled \$99,245.

**Bonds Payable**

A summary of the County's June 30, 2007, general obligation bond indebtedness is as follows:

**General Obligation Refunding Note**

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	4.80%	\$ 46,198	\$ 10,302	\$ 56,500
2009	4.80%	47,957	8,543	56,500
2010	4.80%	50,259	6,241	56,500
2011	4.80%	52,672	3,828	56,500
2012	4.80%	<u>26,429</u>	<u>1,961</u>	<u>28,390</u>
		<u>\$ 223,515</u>	<u>\$ 30,875</u>	<u>\$ 254,390</u>

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2007

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

Urban Renewal Tax Increment Revenue Bond

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	5.75%	\$ 141,353	\$ 245,247	\$ 386,600
2009	5.75%	149,598	237,002	386,600
2010	5.75%	158,323	228,277	386,600
2011	5.75%	167,558	219,042	386,600
2012	5.75%	177,331	209,269	386,600
2013	5.75%	187,674	198,926	386,600
2014	5.75%	198,620	187,980	386,600
2015	5.75%	210,205	176,395	386,600
2016	5.75%	222,466	164,134	386,600
2017	5.75%	235,441	151,159	386,600
2018	5.75%	249,174	137,426	386,600
2019	5.75%	263,707	122,893	386,600
2020	5.75%	279,088	107,512	386,600
2021	5.75%	295,367	91,233	386,600
2022	5.75%	312,594	74,006	386,600
2023	5.75%	330,827	55,773	386,600
2024	5.75%	350,123	36,477	386,600
2025	5.75%	<u>370,551</u>	<u>16,054</u>	<u>386,605</u>
		<u>\$4,300,000</u>	<u>\$2,658,805</u>	<u>\$6,958,805</u>

During the year ended June 30, 2007, the County issued \$4,300,000 in an urban renewal Tax Increment Revenue Bond to be paid off in fiscal year 2025. The bonds stated rate is 5.75% but will change every 5 years to the U.S. Treasury rate plus .75%.

**Drainage Warrants/Drainage Improvement Certificates Payable**

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

## HAMILTON COUNTY

### Notes to Financial Statements

June 30, 2007

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

**Drainage Warrants/Drainage Improvement Certificates Payable** (continued)

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

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

(8) **Pension and Retirement Benefits**

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

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, 2007, 2006 and 2005 were \$322,530, \$306,047, and \$297,209, 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.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2007

(9) Employee Health Insurance Plan (continued)

Monthly payments of service fees and plan contributions to the Hamilton County PSF Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payment of service fees and claims processed are paid to Wellmark from the Hamilton County PSF Fund. The County's contribution for the year ended June 30, 2007 was \$1,011,316.

Amounts payable from the Hamilton County PSF Fund at June 30, 2007 total \$29,610, 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 \$159,886 at June 30, 2007 and is reported as a designation of the Internal Service, Hamilton County PSF Fund net assets. A liability has been established based on the requirements of Governmental Accounting 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	\$ 34,015
Incurred claims (including claims incurred but not reported at June 30, 2007):	
Current year events	<u>955,352</u>
Total incurred claims	<u>989,367</u>
Payments:	
Current year events	925,742
Prior year events	<u>34,015</u>
Total payments	<u>959,757</u>
Unpaid claims, end of year	<u>\$ 29,610</u>

(10) 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.

## HAMILTON COUNTY

### Notes to Financial Statements

June 30, 2007

#### (11) Jointly Governed Organization

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 2007, the Commission completed a financial assurance annual report which estimated probable closure costs to be \$145,079 and estimated probable postclosure costs to be \$907,230, which is fully funded. The Commission formally adopted a closure-postclosure plan to provide funds for closure and postclosure costs.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

HAMILTON COUNTY

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

Year Ended June 30, 2007

	Governmental Fund Types Actual	Less Funds Not Required to Be Budgeted	Net
<b>RECEIPTS:</b>			
Property and other county tax	\$ 6,318,153	\$ -	\$ 6,318,153
Interest and penalty on property tax	43,826	-	43,826
Intergovernmental	6,397,393	91,811	6,305,582
Licenses and permits	8,000	-	8,000
Charges for services	1,037,919	-	1,037,919
Use of money and property	408,325	5,291	403,034
Miscellaneous	329,800	124,376	205,424
	<u>14,543,416</u>	<u>221,478</u>	<u>14,321,938</u>
<b>DISBURSEMENTS:</b>			
Public safety and legal services	2,094,444	-	2,094,444
Physical health and social services	2,154,960	-	2,154,960
Mental health	2,082,239	-	2,082,239
County environment and education services	3,583,946	-	3,583,946
Roads and transportation	3,867,960	-	3,867,960
Governmental services to residents	355,972	-	355,972
Administration	1,195,777	-	1,195,777
Non-program	238,231	199,246	38,985
Debt service	339,399	-	339,399
Capital projects	1,319,788	-	1,319,788
	<u>17,232,716</u>	<u>199,246</u>	<u>17,033,470</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(2,689,300)	22,232	(2,711,532)
<b>OTHER FINANCING SOURCES, NET</b>	<u>4,352,086</u>	<u>-</u>	<u>4,352,086</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS</b>	1,662,786	22,232	1,640,554
<b>BALANCES BEGINNING OF YEAR</b>	<u>4,209,666</u>	<u>326,676</u>	<u>3,882,990</u>
<b>BALANCES END OF YEAR</b>	<u>\$ 5,872,452</u>	<u>\$ 348,908</u>	<u>\$ 5,523,544</u>

<b>Budgeted Amounts</b>		<b>Final to Net Variance - Positive/ (Negative)</b>
<b>Original</b>	<b>Final</b>	
\$ 6,380,043	\$ 6,305,475	\$ 12,678
30,400	30,400	13,426
6,056,143	5,961,292	344,290
8,975	8,975	(975)
1,159,872	1,160,522	(122,603)
208,426	343,426	59,608
112,026	126,243	79,181
<u>13,955,885</u>	<u>13,936,333</u>	<u>385,605</u>
2,233,552	2,213,753	119,309
2,153,559	2,249,270	94,310
2,108,041	2,108,041	25,802
1,148,523	3,739,271	155,325
3,892,450	3,972,450	104,490
372,000	372,500	16,528
1,060,583	1,312,995	117,218
-	38,985	-
521,604	390,786	51,387
2,380,519	2,360,262	1,040,474
<u>15,870,831</u>	<u>18,758,313</u>	<u>1,724,843</u>
(1,914,946)	(4,821,980)	2,110,448
<u>-</u>	<u>4,300,000</u>	<u>52,086</u>
(1,914,946)	(521,980)	2,162,534
<u>4,033,532</u>	<u>3,406,812</u>	<u>476,178</u>
<u>\$ 2,118,586</u>	<u>\$ 2,884,832</u>	<u>\$ 2,638,712</u>

HAMILTON COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
Required Supplementary Information

Year Ended June 30, 2007

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjust- ments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 14,543,416	\$ (116,121)	\$ 14,427,295
Expenditures	<u>17,232,716</u>	<u>(194,153)</u>	<u>17,038,563</u>
Net	(2,689,300)	78,032	(2,611,268)
Other financing sources, net	4,352,086	115,586	4,467,672
Beginning fund balances	4,209,666	156,502	4,366,168
Increase in reserve for inventories	<u>-</u>	<u>(183,493)</u>	<u>(183,493)</u>
Ending fund balances	<u>\$ 5,872,452</u>	<u>\$ 166,627</u>	<u>\$ 6,039,079</u>

## HAMILTON COUNTY

### Notes to Required Supplementary Information- Budgetary Reporting

Year Ended June 30, 2007

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. 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, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, 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 by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,887,482. The budget amendments are reflected in the final budgeted amounts.

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

**OTHER SUPPLEMENTARY INFORMATION**

HAMILTON COUNTY

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2007

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	\$ 10,434	\$ 10,299	\$ 288	\$ 17,671	\$ 15,711	\$ -	\$ 69,704
Receivables:							
Accounts	-	763	-	-	-	-	-
Drainage assessments	-	-	-	-	-	-	-
Due from other funds	1,000	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 11,434</b>	<b>\$ 11,062</b>	<b>\$ 288</b>	<b>\$ 17,671</b>	<b>\$ 15,711</b>	<b>\$ -</b>	<b>\$ 69,704</b>
<b>LIABILITIES AND FUND EQUITY</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 930	\$ -	\$ -
Salaries and benefits payable	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	930	-	-
Fund equity:							
Fund balances:							
Reserved for:							
Drainage warrants/drainage improvement certificates	-	-	-	-	-	-	-
Unreserved	11,434	11,062	288	17,671	14,781	-	69,704
Total fund equity	11,434	11,062	288	17,671	14,781	-	69,704
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 11,434</b>	<b>\$ 11,062</b>	<b>\$ 288</b>	<b>\$ 17,671</b>	<b>\$ 15,711</b>	<b>\$ -</b>	<b>\$ 69,704</b>

Schedule 1

RSVP	Drainage	Friends of Conservation Trust	Conservation Capital Projects Trust	Local Option Sales Tax	Capital Projects	Debt Service		Permanent Conservation Legacy Endowment	Total
					Jail	Debt Service	Jail Debt Service		
\$ 26,777	\$ 350,049	\$ 36,975	\$ 151,044	\$ 231,909	\$ -	\$ -	\$ -	\$ 489,873	\$ 1,410,734
80	-	-	-	-	-	-	-	-	843
-	261,760	-	-	-	-	-	-	-	261,760
-	-	-	-	-	-	-	-	-	1,000
734	-	-	-	68,813	-	-	-	-	69,547
<u>\$ 27,591</u>	<u>\$ 611,809</u>	<u>\$ 36,975</u>	<u>\$ 151,044</u>	<u>\$ 300,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,873</u>	<u>\$ 1,743,884</u>
\$ 346	\$ -	\$ 2,389	\$ 26	\$ 6,544	\$ -	\$ -	\$ -	\$ -	\$ 10,235
250	-	-	-	-	-	-	-	-	250
-	-	-	-	-	-	-	-	489,873	489,873
-	261,760	-	-	-	-	-	-	-	261,760
<u>596</u>	<u>261,760</u>	<u>2,389</u>	<u>26</u>	<u>6,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,873</u>	<u>762,118</u>
-	350,049	-	-	-	-	-	-	-	350,049
26,995	-	34,586	151,018	294,178	-	-	-	-	631,717
<u>26,995</u>	<u>350,049</u>	<u>34,586</u>	<u>151,018</u>	<u>294,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>981,766</u>
<u>\$ 27,591</u>	<u>\$ 611,809</u>	<u>\$ 36,975</u>	<u>\$ 151,044</u>	<u>\$ 300,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,873</u>	<u>\$ 1,743,884</u>

HAMILTON COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2007

	Special Revenue						
	Recorder's Records Management	Drug Forfeiture	Supplemental Environmental Projects	Prisoner Room & Board	Hotel/ Motel Tax	Recorder Electronic Fee	REAP
Revenues:							
Property tax and other county tax	\$ -	\$ -	\$ -	\$ -	\$ 9,900	\$ -	\$ -
Intergovernmental	-	763	-	-	-	-	16,915
Charges for services	3,817	-	-	-	-	-	-
Use of money and property	411	-	13	-	801	-	3,093
Miscellaneous	-	-	-	-	-	-	1,542
<b>Total revenues</b>	<b>4,228</b>	<b>763</b>	<b>13</b>	<b>-</b>	<b>10,701</b>	<b>-</b>	<b>21,550</b>
Expenditures:							
Public safety and legal services	-	4,651	-	3,316	-	-	-
Physical health and social services	-	-	-	-	-	-	-
County environment and education	-	-	-	-	17,511	-	7,558
Administration	-	-	-	-	-	-	-
Non-program	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>4,651</b>	<b>-</b>	<b>3,316</b>	<b>17,511</b>	<b>-</b>	<b>7,558</b>
Excess (deficiency) of revenues over (under) expenditures	4,228	(3,888)	13	(3,316)	(6,810)	-	13,992
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Operating transfers in	-	-	-	11,307	-	-	-
Operating transfers out	-	-	-	-	-	-	-
Drainage warrant/drainage improvement certificate proceeds	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,307</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>4,228</b>	<b>(3,888)</b>	<b>13</b>	<b>7,991</b>	<b>(6,810)</b>	<b>-</b>	<b>13,992</b>
<b>Fund balances, beginning 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>
<b>Fund balances, end of year</b>	<b>\$ 11,434</b>	<b>\$ 11,062</b>	<b>\$ 288</b>	<b>\$ 17,671</b>	<b>\$ 14,781</b>	<b>\$ -</b>	<b>\$ 69,704</b>

Schedule 2

RSVP	Drainage	Friends of Conservation Trust	Conservation Capital Projects Trust	Local Option Sales Tax	Capital Projects	Debt Service		Permanent Conservation Legacy Endowment	Total
					Jail	Debt Service	Jail Debt Service		
\$ -	\$ -	\$ -	\$ -	\$ 407,685	\$ -	\$ -	\$ -	\$ -	\$ 417,585
42,727	91,811	-	1,000	-	-	-	-	-	153,216
-	-	-	-	-	-	-	-	-	3,817
1,295	5,291	1,571	6,827	6,853	-	-	-	25,285	51,440
21,033	-	35,574	-	-	-	-	-	-	58,149
<u>65,055</u>	<u>97,102</u>	<u>37,145</u>	<u>7,827</u>	<u>414,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,285</u>	<u>684,207</u>
-	-	-	-	-	-	-	-	-	7,967
64,040	-	-	-	-	-	-	-	-	64,040
-	-	29,298	-	-	-	-	-	590	54,957
(26)	-	-	-	203,022	-	-	-	-	202,996
-	199,246	-	38,773	-	-	-	-	13,695	251,714
-	-	-	-	-	-	29,056	101,730	-	130,786
-	-	-	-	66,723	26,495	-	-	-	93,218
<u>64,014</u>	<u>199,246</u>	<u>29,298</u>	<u>38,773</u>	<u>269,745</u>	<u>26,495</u>	<u>29,056</u>	<u>101,730</u>	<u>14,285</u>	<u>805,678</u>
1,041	(102,144)	7,847	(30,946)	144,793	(26,495)	(29,056)	(101,730)	11,000	(121,471)
-	-	-	31,119	-	-	-	-	-	31,119
6,000	-	-	26,800	-	26,839	29,056	101,730	-	201,732
-	-	-	-	(128,569)	-	-	-	(11,000)	(139,569)
-	124,376	-	-	-	-	-	-	-	124,376
<u>6,000</u>	<u>124,376</u>	<u>-</u>	<u>57,919</u>	<u>(128,569)</u>	<u>26,839</u>	<u>29,056</u>	<u>101,730</u>	<u>(11,000)</u>	<u>217,658</u>
7,041	22,232	7,847	26,973	16,224	344	-	-	-	96,187
19,954	327,817	26,739	124,045	277,954	(344)	-	-	-	885,579
<u>\$ 26,995</u>	<u>\$ 350,049</u>	<u>\$ 34,586</u>	<u>\$ 151,018</u>	<u>\$ 294,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 981,766</u>

HAMILTON COUNTY

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2007

ASSETS	County Offices	Township	Corporation	District Schools	Area Schools	County Assessor
Cash and pooled investments:						
County treasurer	\$ -	\$ 2,547	\$ 73,290	\$ 117,758	\$ 5,994	\$ 98,660
Other county officials	72,547	-	-	-	-	-
Receivables:						
Accounts receivable	3,611	-	-	-	-	-
Property tax:						
Delinquent	-	233	8,136	10,394	555	221
Succeeding year	-	247,530	4,662,383	8,921,956	462,434	175,612
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 76,158</u></b>	<b><u>\$ 250,310</u></b>	<b><u>\$ 4,743,809</u></b>	<b><u>\$ 9,050,108</u></b>	<b><u>\$ 468,983</u></b>	<b><u>\$ 274,493</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165
Salaries and benefits payable	-	-	-	-	-	1,460
Due to other funds	32,851	-	-	-	-	-
Due to other governments	43,307	2,547	73,483	117,926	6,002	97,038
Deferred revenue:						
Succeeding year property tax	-	247,530	4,662,383	8,921,956	462,434	175,612
Other	-	233	7,943	10,226	547	218
Compensated absences	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>\$ 76,158</u></b>	<b><u>\$ 250,310</u></b>	<b><u>\$ 4,743,809</u></b>	<b><u>\$ 9,050,108</u></b>	<b><u>\$ 468,983</u></b>	<b><u>\$ 274,493</u></b>

Schedule 3

County Agricultural Extension	County Hospital	Auto Registration and Use Tax	E911 Surcharge	Special Appraisers	Empower- ment	Other	Total
\$ 2,235	\$ 6,823	\$ 306,876	\$ 25,375	\$ 121,602	\$ 35	\$ 48,150	\$ 809,345
-	-	-	-	-	-	-	72,547
-	-	-	-	-	-	-	3,611
219	626	-	-	306	-	18	20,708
173,583	496,224	-	-	242,235	-	14,510	15,396,467
-	-	-	-	-	-	433	433
-	-	-	-	-	1,556	1,019	2,575
<u>\$ 176,037</u>	<u>\$ 503,673</u>	<u>\$ 306,876</u>	<u>\$ 25,375</u>	<u>\$ 364,143</u>	<u>\$ 1,591</u>	<u>\$ 64,130</u>	<u>\$ 16,305,686</u>
\$ -	\$ -	\$ -	\$ 1,272	\$ 287	\$ 234	\$ -	\$ 1,958
-	-	-	-	440	-	-	1,900
-	-	-	-	-	-	-	32,851
2,238	6,832	306,876	24,103	120,880	-	49,602	850,834
173,583	496,224	-	-	242,235	-	14,510	15,396,467
216	617	-	-	301	-	18	20,319
-	-	-	-	-	1,357	-	1,357
<u>\$ 176,037</u>	<u>\$ 503,673</u>	<u>\$ 306,876</u>	<u>\$ 25,375</u>	<u>\$ 364,143</u>	<u>\$ 1,591</u>	<u>\$ 64,130</u>	<u>\$ 16,305,686</u>

HAMILTON COUNTY

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2007

	<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>						
<b>Balances, beginning of year</b>	\$ 57,351	\$ 248,799	\$ 4,847,505	\$ 8,941,589	\$ 455,231	\$ 253,014
Additions:						
Property and other county tax	-	249,516	4,528,185	8,690,217	451,035	171,066
E911 surcharge	-	-	-	-	-	-
State tax credits	-	10,441	220,099	405,669	20,555	8,023
Federal grants	-	-	-	-	-	-
Drivers license fees	-	-	-	-	-	-
Office fees and collections	434,149	-	-	-	-	536
Electronic transaction fee	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	451,475	-	-	-	-	-
Miscellaneous	-	-	-	-	-	13,372
<b>Total additions</b>	<u>885,624</u>	<u>259,957</u>	<u>4,748,284</u>	<u>9,095,886</u>	<u>471,590</u>	<u>192,997</u>
Deductions:						
Agency remittances:						
To other funds	186,148	-	-	-	-	-
To other governments	240,566	258,446	4,851,980	8,987,367	457,838	171,518
Trusts paid out	440,103	-	-	-	-	-
<b>Total deductions</b>	<u>866,817</u>	<u>258,446</u>	<u>4,851,980</u>	<u>8,987,367</u>	<u>457,838</u>	<u>171,518</u>
<b>Balances, end of year</b>	<u>\$ 76,158</u>	<u>\$ 250,310</u>	<u>\$ 4,743,809</u>	<u>\$ 9,050,108</u>	<u>\$ 468,983</u>	<u>\$ 274,493</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>
\$ 169,785	\$ 519,347	\$ 288,047	\$ 25,249	\$ 243,542	\$ 1,357	\$ 62,059	\$ 16,112,875
169,227	482,967	-	-	237,408	-	13,869	14,993,490
-	-	-	96,267	-	-	-	96,267
7,700	23,506	-	30,158	8,634	-	1,105	735,890
-	-	-	-	-	-	46,365	46,365
-	-	18,944	-	-	-	-	18,944
-	-	-	-	-	-	-	434,685
-	-	-	-	-	-	3,817	3,817
-	-	3,840,296	-	-	-	-	3,840,296
-	-	-	-	-	-	4,922	4,922
-	-	-	-	-	-	-	451,475
-	-	-	-	-	56,004	187,831	257,207
<u>176,927</u>	<u>506,473</u>	<u>3,859,240</u>	<u>126,425</u>	<u>246,042</u>	<u>56,004</u>	<u>257,909</u>	<u>20,883,358</u>
-	-	140,831	-	-	-	13,372	340,351
170,675	522,147	3,699,580	126,299	125,441	55,770	242,466	19,910,093
-	-	-	-	-	-	-	440,103
<u>170,675</u>	<u>522,147</u>	<u>3,840,411</u>	<u>126,299</u>	<u>125,441</u>	<u>55,770</u>	<u>255,838</u>	<u>20,690,547</u>
<u>\$ 176,037</u>	<u>\$ 503,673</u>	<u>\$ 306,876</u>	<u>\$ 25,375</u>	<u>\$ 364,143</u>	<u>\$ 1,591</u>	<u>\$ 64,130</u>	<u>\$ 16,305,686</u>

HAMILTON COUNTY

Schedule 5

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Five Years

Modified Accrual Basis

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:					
Property and other county tax	\$ 6,225,587	\$ 6,664,672	\$ 6,388,172	\$ 6,818,244	\$ 6,435,724
Interest and penalty on property tax	43,245	38,692	49,598	49,078	42,327
Intergovernmental	6,491,387	6,277,899	5,467,793	5,091,955	5,595,022
Licenses and permits	7,980	9,635	7,755	5,968	7,768
Charges for services	1,040,163	1,164,288	1,114,385	1,000,698	970,898
Use of money and property	415,349	267,804	180,264	136,803	138,571
Fines, forfeitures and defaults	-	1,011	610	420	-
Miscellaneous	203,584	184,337	223,643	89,668	377,469
<b>Total</b>	<u>\$ 14,427,295</u>	<u>\$ 14,608,338</u>	<u>\$ 13,432,220</u>	<u>\$ 13,192,834</u>	<u>\$ 13,567,779</u>
Expenditures:					
Current:					
Public safety and legal services	\$ 2,112,944	\$ 2,005,919	\$ 1,852,983	\$ 1,417,397	\$ 1,358,155
Physical health and social services	2,168,916	2,037,501	2,059,738	2,073,148	2,362,016
Mental health	2,307,235	2,136,414	2,067,400	2,010,301	2,104,328
County environment and education	3,599,042	1,034,581	1,046,435	1,113,247	1,057,562
Roads and transportation	3,589,441	3,671,252	4,118,873	3,428,130	3,966,392
Governmental services to residents	356,504	496,744	390,064	381,527	324,265
Administration	1,219,890	1,025,400	934,016	915,889	1,006,392
Non-program	251,714	223,777	281,763	454,183	593,931
Debt service	339,399	1,377,342	669,180	48,458	29,055
Capital projects	1,093,478	1,716,244	1,793,367	2,740,430	913,290
<b>Total</b>	<u>\$ 17,038,563</u>	<u>\$ 15,725,174</u>	<u>\$ 15,213,819</u>	<u>\$ 14,582,710</u>	<u>\$ 13,715,386</u>

**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, 2007, and have issued our report thereon dated January 23, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Part I of the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in Part I are 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Part II of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the findings were necessarily audited. The findings involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hamilton County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Hamilton County's responses and, accordingly, we express no opinion on them.

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 those parties to whom Hamilton County may report. This report 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  
January 23, 2008

**HAMILTON COUNTY**  
**Schedule of Findings**  
**Year Ended June 30, 2007**

**Part I: Findings Related to Financial Statements:**

**I-A-07: Audit Adjustments**

**Criteria:**

The County should have adequate procedures to provide for the accuracy and reliability of the trial balance given to the auditor.

**Condition:**

During the course of the audit, misstatements that had a material effect on the County's financial statements were discovered. Adjusting journal entries were made to correct these misstatements.

**Context:**

Although adjustments during the course of an audit are not uncommon, the independent auditor cannot be considered part of the County's internal control system.

**Effect:**

As a result of this condition, there is a higher risk that misstatements that are material to the financial statements could occur and not be detected.

**Cause:**

The County has relied on the independent auditor to some degree to provide assurance that the financial statements are not materially misstated.

**Recommendation:**

We recommend that the County establish internal procedures to adjust all account balances prior to the audit.

**Management Response:**

Management believes this change will result in potential financial statement misstatements being identified and corrected prior to audit.

**I-B-07: Preparation of Financial Statements**

**Criteria:**

The Board of Supervisors and management share the ultimate responsibility for the County's financial statements, including disclosures.

**Condition:**

The County has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the County's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

**HAMILTON COUNTY**  
**Schedule of Findings**  
**Year Ended June 30, 2007**

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

**I-B-07: Preparation of Financial Statements** (continued)

**Context:**

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered a part of the County's internal control system. The County has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

**Effect:**

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

**Cause:**

The County has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

**Recommendation:**

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the County's activities and operations.

**Management Response:**

The County does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of GAAP requirements in these disclosure checklists exceeds 50 pages in length. As a result, Hamilton County has relied on the independent auditor to identify disclosures required in the financial statements.

**HAMILTON COUNTY**  
**Schedule of Findings**  
**Year Ended June 30, 2007**

**Part II: Findings Related to Statutory Reporting:**

- II-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-07 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-07 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-07 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-07 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-07 Solid Waste Fees Retainage - During the year ended June 30, 2007, 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.

**HAMILTON COUNTY**  
**Schedule of Findings**  
**Year Ended June 30, 2007**

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

II-J-07 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, 2007 for the County Extension Office did not exceed the amount budgeted.

**HAMILTON COUNTY**

**Audit Staff**

**Year Ended June 30, 2007**

This audit was performed by:

William E. Murray, CPA, Partner

William M. Vincent, CPA, Partner

Justin P. Zimmerman, CPA, Senior Associate

Andrew J. Johnson, CPA, Manager

Josh R. Barta, Associate