



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

June 30, 2010

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**HAMILTON COUNTY
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wesley Sweedler	Board of Supervisors	December 2012
David Young	Board of Supervisors	December 2010
Doug Bailey	Board of Supervisors	December 2012
Kim Schaa	County Auditor	December 2012
Deborah Leksell	County Treasurer	December 2010
Kim Anderson	County Recorder	December 2010
Denny Hagenson	County Sheriff	December 2012
Patrick Chambers	County Attorney	December 2010
Kevin Bahrenfuss	County Assessor	December 2015

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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2011 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, budgetary comparison information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 56 through 60 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 conducted 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 seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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
February 1, 2011

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, 2010 (FY10). We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Governmental funds revenue was approximately \$16.4 million in FY10, compared to \$16.3 million in FY09.
- Program expenses were approximately \$14.4 million, compared to \$14.5 million in FY09.
- Net assets increased approximately \$ 2.0 million for FY10.

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 - PSF 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 FY10 totaled approximately \$28 million. This compares to FY09 at approximately \$26 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	June 30, <u>2010</u>	June 30, <u>2009</u>
Current and other assets	\$ 36,934	\$ 37,118
Capital assets	<u>28,781</u>	<u>25,837</u>
Total assets	<u>65,715</u>	<u>62,955</u>
Long-term debt outstanding	27,382	28,264
Other liabilities	<u>10,318</u>	<u>8,686</u>
Total liabilities	<u>37,700</u>	<u>36,950</u>
Net assets:		
Invested in capital assets, net of debt	21,454	20,884
Restricted	1,736	2,419
Unrestricted	<u>4,825</u>	<u>2,702</u>
Total net assets	<u>\$ 28,015</u>	<u>\$ 26,005</u>

FY10 net assets of Hamilton County's governmental activities increased by approximately \$2,010,000 from FY09. 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 \$4.8 million.

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

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for service	\$ 2,784	\$ 2,770
Operating grants and contributions	6,177	6,299
General revenues:		
Property taxes	6,168	5,833
TIF Collections	487	394
Local option sales and service tax	461	536
Unrestricted investment earnings	64	126
Other general revenues	<u>245</u>	<u>334</u>
Total revenues	<u>16,386</u>	<u>16,292</u>
Program expenses:		
Public safety and legal services	2,426	2,372
Physical health and social services	2,033	1,947
Mental health	1,810	1,963
County environment and education	1,132	1,226
Roads and transportation	3,534	3,940
Government services to residents	430	404
Administration	2,341	2,145
Non-program	285	233
Interest on long-term debt	<u>325</u>	<u>291</u>
Total expenses	<u>14,376</u>	<u>14,521</u>
Increase in net assets	<u>\$ 2,010</u>	<u>\$ 1,771</u>

Hamilton County's county-wide levy rate decreased slightly from 9.99936 per \$1,000 of valuation in FY09 to 9.99599 in FY10. The rural assessed property taxable valuation increased by \$24.3 million for a total of \$449,964,583 and countywide assessed property valuation increased by \$39.4 million for a total of \$750,593,012.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hamilton County completed the year, its governmental funds reported a combined fund balance of \$6,719,661, compared to \$7,363,747 combined fund balance for FY09. This is a decrease of \$610,846.

The General Fund, the operating fund for Hamilton County, ended FY10 with a fund balance totaling \$1,392,321 whereas FY09 ended with a \$1,551,765 balance, a decrease of \$159,444. Property valuations increased from \$711,187,080 in FY09 to \$750,593,012 in FY10, an increase of \$39,405,932. The levy rate decreased by .00337 to \$6.38342 for FY10.

The Mental Health Fund ended with a \$795,293 fund balance for FY10, whereas FY09 ended with a \$633,645 balance, an increase of \$161,648. The levy rate decreased from 1.20427 in FY09 to 1.13740 in FY10, a decrease of .06687. Hamilton County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund.

The Rural Service Fund ended with a \$330,451 fund balance for FY10 compared to the prior year balance of \$366,390, a decrease of \$ 35,939. The levy rate decreased from 9.99936 for FY09 to 9.99599 for FY10. Property valuations increased from \$440,429,394 in FY09 to \$467,987,533 in FY10. 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.

The Secondary Roads Fund ended FY10 with a \$2,420,807 fund balance compared to the prior year balance of \$2,342,641, a net increase of \$78,166. FY10 expenditures decreased from \$4,144,643 in FY09 to \$4,094,376. In FY10, the Secondary Roads Department maintained 718 miles of aggregate-surfaced roads and 218 miles of paved roads during the year.

GENERAL BUDGETARY HIGHLIGHTS AND OTHER FUND VARIANCES

Hamilton County amended the budget two times in FY10 with the first in October 2009 for the primary purpose of including funding for the street/parking lot project. Our second amendment was held in April of 2010 for the primary purpose of including the funding for the Hospital Project.

The Local Option Sales Tax Fund ended FY10 with a balance of \$476,107. 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 FY10 with a balance of \$420,022 which is used to make payments on the revenue bonds sold in FY07. This fund was established for the purpose of the County's Horizon Ethanol Urban Renewal project.

The Hospital Debt Service Fund ended FY10 with a balance of \$185,590. This fund was established for the purpose of aiding in the undertaking of an urban renewal project in the Hamilton County Hospital Urban Renewal Area consisting of constructing, furnishing and equipping a replacement critical access county hospital. The County sold \$21,820,000 in Hospital Revenue Bonds in FY09.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY10, the County had approximately \$28.8 million invested in capital assets, compared to \$25.8 million for FY09. This is an increase of \$3 million from FY09.

Capital Assets, Net of Depreciation (Expressed in Thousands)

	<u>2010</u>	<u>2009</u>
Land	\$ 3,864	\$ 3,864
Construction in progress	323	-
Buildings and improvements	6,413	6,059
Machinery and equipment	2,015	1,900
Infrastructure	<u>16,166</u>	<u>14,014</u>
Total	<u>\$ 28,781</u>	<u>\$ 25,837</u>

Long-Term Debt

At June 30, 2010, Hamilton County had approximately \$29,119,000 in capital notes and other debt outstanding compared to \$28,264,000 at June 30, 2009. The majority of the long term debt is Hospital GO Bonds and TIF revenue bonds for the ethanol project.

Outstanding Long-term Obligations (Expressed in Thousands)

	<u>2010</u>	<u>2009</u>
Capital lease purchase agreements	\$ 707	\$ 814
Drainage warrants and improvement certificates	452	281
Capital notes payable	202	130
Revenue bonds	3,851	4,009
GO Bonds	23,480	22,590
Compensated absences	<u>427</u>	<u>440</u>
Total	<u>\$ 29,119</u>	<u>\$ 28,264</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 below this limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Hamilton County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 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.

If estimates are realized, Hamilton County's budgetary General Fund balance is expected to decrease by the close of 2011 while remaining at levels necessary to cash flow the beginning of the FY12 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, 2010

	Governmental Activities
ASSETS	
Cash and pooled investments	\$ 6,424,172
Receivables:	
Property tax:	
Delinquent	4,779
Succeeding year	6,576,724
Interest and penalty on property tax	15,546
Accounts	22,324
Accrued interest	408
Drainage assessments	451,893
Note	1,110,000
Due from other funds	25,524
Due from other governments	173,545
Inventories	1,319,736
Prepaid insurance	99,417
Note receivable-long term	20,710,000
Capital assets, net of accumulated depreciation	28,780,926
Total assets	65,714,994
LIABILITIES	
Accounts payable	261,739
Accrued interest payable	126,516
Salaries and benefits payable	140,716
Due to other governments	695,014
Deferred revenue:	
Note receivable	182,740
Succeeding year property tax	6,576,724
Other	471,814
Long-term liabilities:	
Portion due within one year:	
Capital lease purchase agreements	111,417
Capital notes	75,105
TIF revenue bonds	167,558
Compensated absences	230,428
General obligation bonds	1,278,000
Portion due after one year:	
Capital lease purchase agreements	595,390
Capital notes	127,496
TIF revenue bonds	3,683,169
Compensated absences	196,414
General obligation bonds	22,202,000
Net OPEB liability	126,075
Drainage district warrants and certificates payable	451,893
Total liabilities	37,700,208

	Governmental Activities
NET ASSETS	
Invested in capital assets, net of related debt	21,454,363
Restricted for:	
Secondary road purposes	1,185,377
Debt service	185,595
Drainage	365,005
Unrestricted	<u>4,824,446</u>
TOTAL NET ASSETS	<u>\$ 28,014,786</u>

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

HAMILTON COUNTY

Exhibit B

Statement of Activities

Year Ended June 30, 2010

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	\$ 2,426,462	\$ 297,127	\$ 71,214	\$ -	\$ (2,058,121)
Physical health and social services	2,033,113	346,596	1,163,050	-	(523,467)
Mental health	1,810,117	33,450	1,168,254	-	(608,413)
County environment and education	1,132,116	564,704	39,677	-	(527,735)
Roads and transportation	3,533,763	117,348	2,938,370	-	(478,045)
Governmental services to residents	430,074	255,793	15,350	-	(158,931)
Administration	2,341,094	1,169,452	162,213	-	(1,009,429)
Non-program	285,108	-	619,030	-	333,922
Interest on long-term debt	325,245	-	-	-	(325,245)
Total	\$ 14,317,092	\$ 2,784,470	\$ 6,177,158	\$ -	(5,355,464)
GENERAL REVENUES:					
Property tax levied for:					
General purposes					6,167,813
Penalty and interest on property tax					41,334
State tax credits					246,811
Tax increment financing collections					487,480
Local option sales tax					460,751
Unrestricted investment earnings					64,227
Loss on dispositions					(59,457)
Miscellaneous					(43,460)
Total general revenues					7,365,499
Change in net assets					2,010,035
Net assets, beginning of year					26,004,751
Net assets, end of year					\$ 28,014,786

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

HAMILTON COUNTY

Balance Sheet
Governmental Funds

June 30, 2010

	<u>Special Revenue</u>			
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
ASSETS				
Cash and pooled investments	\$ 1,453,927	\$ 997,343	\$ 321,127	\$ 1,174,735
Receivables:				
Property tax:				
Delinquent	3,378	705	561	-
Succeeding year	4,016,236	839,111	1,721,377	-
Interest and penalty on property tax	15,546	-	-	-
Accounts	15,745	-	-	3,854
Accrued interest	408	-	-	-
Drainage assessments	-	-	-	-
Due from other funds	24,634	-	-	-
Due from other governments	101,545	-	16,241	1,044
Inventories	-	-	-	1,319,736
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 5,631,419	\$ 1,837,159	\$ 2,059,306	\$ 2,499,369
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 110,712	\$ 27,759	\$ 327	\$ 31,186
Salaries and benefits payable	77,194	9,275	5,888	46,838
Due to other governments	16,412	165,035	702	538
Deferred revenue:				
Succeeding year property tax	4,016,236	839,111	1,721,377	-
Other	18,544	686	561	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	4,239,098	1,041,866	1,728,855	78,562
Fund balances:				
Reserved for:				
Inventories	-	-	-	1,319,736
Debt service	-	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-	-
Unreserved, reported in:				
General fund	1,392,321	-	-	-
Special revenue fund	-	795,293	330,451	1,101,071
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	1,392,321	795,293	330,451	2,420,807
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ 5,631,419	\$ 1,837,159	\$ 2,059,306	\$ 2,499,369

<u>Nonmajor</u>	<u>Total</u>
\$ 2,292,314	\$ 6,239,446
135	4,779
-	6,576,724
-	15,546
2,725	22,324
-	408
451,893	451,893
890	25,524
54,715	173,545
<u>-</u>	<u>1,319,736</u>
<u>\$ 2,802,672</u>	<u>\$ 14,829,925</u>
\$ 91,755	\$ 261,739
1,521	140,716
476,584	659,271
-	6,576,724
<u>452,023</u>	<u>471,814</u>
<u>1,021,883</u>	<u>8,110,264</u>
-	1,319,736
185,595	185,595
320,275	320,275
-	1,392,321
<u>1,274,919</u>	<u>3,501,734</u>
<u>1,780,789</u>	<u>6,719,661</u>
<u>\$ 2,802,672</u>	<u>\$ 14,829,925</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, 2010

Total governmental fund balances (page 19) \$ 6,719,661

***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 \$56,318,567 and the accumulated depreciation is \$27,537,641 28,780,926

Long-term note receivable for pass through monies related to general obligation hospital bonds 21,820,000

Deferred revenue for future interest payments on note receivable for general obligation hospital bonds (182,740)

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 (29,244,945)
Accrued interest payable (126,516)

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. 248,400

Net assets of governmental activities (page 16) \$ 28,014,786

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, 2010

	Special Revenue			
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:				
Property and other county tax	\$ 3,772,318	\$ 817,726	\$ 1,678,510	\$ -
Tax increment financing collections	-	-	-	-
Interest and penalty on property tax	41,454	-	-	-
Intergovernmental	1,681,485	1,201,693	67,545	2,938,370
Licenses and permits	6,975	-	-	61,985
Charges for services	1,135,010	-	120	400
Use of money and property	60,951	21,920	-	6,756
Miscellaneous	(54,701)	11,530	-	48,271
	<u>6,643,492</u>	<u>2,052,869</u>	<u>1,746,175</u>	<u>3,055,782</u>
Expenditures:				
Operating:				
Public safety and legal services	2,207,946	-	198,108	-
Physical health and social services	1,972,732	-	-	-
Mental health	-	1,891,221	-	-
County environment and education services	945,353	-	132,355	-
Roads and transportation	-	-	260,641	3,876,235
Governmental services to residents	403,950	-	-	-
Administration	1,111,141	-	46,010	-
Non-program	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	75,000	218,141
	<u>6,641,122</u>	<u>1,891,221</u>	<u>712,114</u>	<u>4,094,376</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,370</u>	<u>161,648</u>	<u>1,034,061</u>	<u>(1,038,594)</u>
Other financing sources (uses):				
Sale of capital assets	2,465	-	-	-
Operating transfers in	406,846	-	80,000	1,150,000
Operating transfers out	(571,125)	-	(1,150,000)	-
General obligation bonds issued	-	-	-	-
Drainage warrant/drainage improvement certificates issued	-	-	-	-
	<u>(161,814)</u>	<u>-</u>	<u>(1,070,000)</u>	<u>1,150,000</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 359,892	\$ 6,628,446
487,480	487,480
-	41,454
824,182	6,713,275
-	68,960
3,070	1,138,600
16,032	105,659
37,958	43,058
<u>1,728,614</u>	<u>15,226,932</u>
9,835	2,415,889
56,361	2,029,093
-	1,891,221
83,377	1,161,085
-	4,136,876
-	403,950
21,956	1,179,107
797,475	797,475
1,315,053	1,315,053
1,503,850	1,796,991
<u>3,787,907</u>	<u>17,126,740</u>
<u>(2,059,293)</u>	<u>(1,899,808)</u>
60	2,525
268,549	1,905,395
(184,270)	(1,905,395)
1,000,000	1,000,000
<u>286,437</u>	<u>286,437</u>
<u>1,370,776</u>	<u>1,288,962</u>

(continued)

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

Year ended June 30, 2010

	<u>Special Revenue</u>			
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	(159,444)	161,648	(35,939)	111,406
Fund balances, beginning of year	1,551,765	633,645	366,390	2,342,641
Decrease in reserve for inventories	-	-	-	(33,240)
Fund balances, end of year	<u>\$ 1,392,321</u>	<u>\$ 795,293</u>	<u>\$ 330,451</u>	<u>\$ 2,420,807</u>

<u>Nonmajor</u>	<u>Total</u>
(688,517)	(610,846)
2,469,306	7,363,747
<u>-</u>	<u>(33,240)</u>
<u>\$ 1,780,789</u>	<u>\$ 6,719,661</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, 2010

Net change in fund balances - total governmental funds (page 24) \$ (610,846)

**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	\$ 4,711,391	
Depreciation expense	<u>(1,705,360)</u>	3,006,031

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.

(61,982)

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

Issued debt	(1,000,000)	
Principal payments - bonds and leases	<u>302,896</u>	(697,104)

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	(286,437)	
Payments of certificates and warrants	<u>115,680</u>	(170,757)

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:

Other postemployment benefits	(126,075)	
Compensated absences	13,082	
Interest on deferred revenue	723,688	
Interest on long-term debt	<u>(73,757)</u>	536,938

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.	<u>(33,240)</u>
---	-----------------

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 change in net assets of the Internal Service Fund is reported with governmental activities.	<u>40,995</u>
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Change in net assets of governmental activities (page 17)	<u>\$ 2,010,035</u>
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The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2010

	Internal Service - Hamilton County PSF
ASSETS	
Cash and cash equivalents	\$ 184,726
Prepaid insurance	<u>99,417</u>
Total assets	284,143
LIABILITIES	
Due to other governments	<u>35,743</u>
NET ASSETS	
Designated	<u>\$ 248,400</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

Year ended June 30, 2010

	Internal Service - Hamilton County PSF
OPERATING REVENUE:	
Intra-county reimbursements	<u>\$ 1,159,652</u>
OPERATING EXPENSES:	
Medical claims	1,103,113
Administrative fees	<u>15,544</u>
Total operating expenses	<u>1,118,657</u>
Operating income	40,995
 NET ASSETS, BEGINNING OF YEAR	 <u>207,405</u>
 NET ASSETS, END OF YEAR	 <u>\$ 248,400</u>

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

HAMILTON COUNTY

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2010

	<u>Internal Service- Hamilton County PSF</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,159,652
Cash paid to suppliers for services	<u>(1,129,440)</u>
Net cash provided by operating activities	30,212
Cash and cash equivalents, beginning of year	<u>154,514</u>
Cash and cash equivalents, end of year	<u>\$ 184,726</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 40,995
Increase in due to other governments	5,400
Increase in prepaid insurance	<u>(16,183)</u>
Net cash provided by operating activities	<u>\$ 30,212</u>

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

**Statement of Fiduciary Assets and Liabilities
Agency Funds**

June 30, 2010

ASSETS

Cash and pooled investments:

County treasurer	\$ 990,072
Other county officials	57,525

Receivables:

Accounts receivable	19,411
Property tax:	
Delinquent	17,660
Succeeding year	17,450,924
Due from other funds	<u>959</u>

Total assets	<u>18,536,551</u>
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LIABILITIES

Accounts payable	2,614
Salaries and benefits payable	7,618
Due to other funds	26,483
Due to other governments	1,030,569
Deferred revenue:	
Succeeding year property tax	17,450,924
Other	16,986
Compensated absences	<u>1,357</u>

Total liabilities	<u>18,536,551</u>
-------------------	-------------------

NET ASSETS

	<u>\$ -</u>
--	-------------

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

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2010

(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, 2010

(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, 2010

(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.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2010

(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, 2010

(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, 2010

(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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due From and Due To Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010, 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, 2010

(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, 2010

(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 both succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds, and interest due from the hospital on the note receivable for general obligation bonds.

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 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, 2010. 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.

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, 2010

(1) Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amount budget.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's investments at June 30, 2010 are as follows:

Drainage warrants, at fair value	<u>\$ 460,804</u>
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In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,077,652 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.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer. More than 5 percent of the County's investments are in the drainage warrants. The County's investment in the drainage warrants is 13% of the County's total investments.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2010

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Agency - County Recorder	\$ 24,634
Special Revenue:		
County Recorder's Records Management	Agency - County Recorder	890
Agency:		
Recorder's Electronic File	Agency - County Recorder	<u>959</u>
Total		<u>\$ 26,483</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, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$1,150,000
RSVP	General	6,000
Prisoner Room and Board	General	11,282
Conservation Capital Trust	General	37,942
Rural Services	General Supplemental (General)	80,000
Debt Service:		
Debt Service	General	29,055
Ag Partners	Special Revenue:	
	Ag Partners TIF	31,915
Red Bull	L.O.S.T.	57,518
Parking Lot	L.O.S.T.	86,276
Agency:	Agency:	
County Assessor	Assessor's FICA & IPERS	17,906

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2010

(4) **Interfund Transfers** (continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	Special Revenue: L.O.S.T.	8,561
General Supplemental (General)	General	<u>406,846</u>
		<u>\$1,923,301</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, 2010 was as follows:

	<u>Balance, Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$3,863,696	\$ -	\$ -	\$3,863,696
Construction in progress	<u>-</u>	<u>349,570</u>	<u>26,543</u>	<u>323,027</u>
Total capital assets not being depreciated	<u>3,863,696</u>	<u>349,570</u>	<u>26,543</u>	<u>4,186,723</u>
Capital assets being depreciated:				
Buildings and building improvements	7,922,336	562,951	49,472	8,435,815
Buildings under capital lease	1,211,583	-	-	1,211,583
County equipment	1,433,042	299,213	45,019	1,687,236
County equipment under capital lease	51,130	-	-	51,130
Secondary roads equipment	6,736,980	237,267	181,792	6,792,455
Secondary roads office equipment	171,790	3,160	3,245	171,705
Infrastructure	<u>30,496,147</u>	<u>3,285,773</u>	<u>-</u>	<u>33,781,920</u>
Total capital assets being depreciated	<u>48,023,008</u>	<u>4,388,364</u>	<u>279,528</u>	<u>52,131,844</u>

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2010

(5) Capital Assets (continued)

	<u>Balance, Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, End of Year</u>
Less accumulated depreciation for:				
Buildings and building improvements	3,074,861	159,449	-	3,234,310
County equipment	992,133	143,099	32,509	1,102,723
Secondary roads equipment	5,363,280	258,424	181,792	5,439,912
Secondary roads office equipment	137,215	10,695	3,245	144,665
Infrastructure	<u>16,482,338</u>	<u>1,133,693</u>	<u>-</u>	<u>17,616,031</u>
Total accumulated depreciation	<u>26,049,827</u>	<u>1,705,360</u>	<u>217,546</u>	<u>27,537,641</u>
Total capital assets being depreciated, net	<u>21,973,181</u>	<u>2,683,004</u>	<u>61,982</u>	<u>24,594,203</u>
Governmental activities capital assets, net	<u>\$25,836,877</u>	<u>\$3,032,574</u>	<u>\$ 88,525</u>	<u>\$28,780,926</u>

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

Governmental activities:	
Public safety and legal services	\$ 79,751
Physical health and social services	4,862
Mental health	6,833
County environment and education	37,188
Roads and transportation	1,402,812
Administration	14,465
Unallocated	<u>159,449</u>
Total depreciation expense - governmental activities	<u>\$ 1,705,360</u>

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2010

(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	\$ 16,412
Special Revenue:		
Secondary Roads	Services	538
Mental Health	Services	165,035
Rural Services	Services	702
Permanent:		
Conservation Legacy Endowment	Services	<u>476,584</u>
Total for governmental funds		<u>\$ 659,271</u>
Agency:		
Recorder		\$ 16,715
Sheriff		17,176
Townships		2,885
Corporations		50,952
District Schools		109,087
Area Schools		7,423
County Assessor		59,048
County Agricultural Extension		1,874
County Hospital		5,167
Auto Registration and Use Tax		371,064
E911 Surcharge		22,331
Special Appraisers		267,912
All Others		<u>98,935</u>
Total for agency funds		<u>\$ 1,030,569</u>

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2010

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	<u>Capital Lease Purchase Agreements</u>	<u>General Obligation Bonds</u>	<u>Tax Increment Revenue Bond</u>	<u>Capital Notes</u>	<u>Drainage Warrants and Drainage Improvement Certificates</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance, beginning of year	\$ 814,031	\$ 22,590,000	\$ 4,009,050	\$ 129,950	\$ 281,136	\$ 439,924	\$ 28,264,091
Increases	-	1,000,000	-	122,851	846,399	238,886	2,208,136
Decreases	<u>107,224</u>	<u>110,000</u>	<u>158,323</u>	<u>50,200</u>	<u>675,642</u>	<u>251,968</u>	<u>1,353,357</u>
Balance, end of year	<u>\$ 706,807</u>	<u>\$ 23,480,000</u>	<u>\$ 3,850,727</u>	<u>\$ 202,601</u>	<u>\$ 451,893</u>	<u>\$ 426,842</u>	<u>\$ 29,118,870</u>
Due within one year	<u>\$ 111,417</u>	<u>\$ 1,278,000</u>	<u>\$ 167,558</u>	<u>\$ 75,105</u>	<u>\$ -</u>	<u>\$ 230,428</u>	<u>\$ 1,862,508</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, 2010 is \$141,207 and \$20,505, 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, 2010:

<u>Year Ending June 30,</u>	<u>Building</u>	<u>Mower</u>	<u>Total</u>
2011	\$ 124,129	\$ 11,679	\$ 135,808
2012	124,128	11,679	135,807
2013	124,128	-	124,128
2014	124,128	-	124,128
2015	124,128	-	124,128
Thereafter	<u>144,816</u>	<u>-</u>	<u>144,816</u>
Total minimum lease payments	765,457	23,358	788,815
Less amount representing interest	<u>(79,931)</u>	<u>(2,077)</u>	<u>(82,008)</u>
Present value of net minimum lease payments	<u>\$ 685,526</u>	<u>\$ 21,283</u>	<u>\$ 706,807</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2010

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

Bonds Payable

A summary of the County's June 30, 2010, general obligation bond indebtedness is as follows:

General Obligation Refunding Note

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	4.80%	\$ 52,672	\$ 3,829	\$ 56,500
2012	4.80%	<u>27,078</u>	<u>1,431</u>	<u>28,509</u>
		<u>\$ 79,750</u>	<u>\$ 5,259</u>	<u>\$ 85,009</u>

General Obligation Hospital Bonds

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	1.30%	\$ 1,110,000	\$ 744,365	\$ 1,854,365
2012	1.60%	1,125,000	729,935	1,854,935
2013	2.00%	1,140,000	711,935	1,851,935
2014	2.30%	1,165,000	689,135	1,854,135
2015	2.60%	1,190,000	662,340	1,852,340
2016	2.95%	1,220,000	631,400	1,851,400
2017	3.15%	1,255,000	595,410	1,850,410
2018	3.35%	1,295,000	555,878	1,850,878
2019	3.55%	1,340,000	512,495	1,852,495
2020	3.75%	1,390,000	464,925	1,854,925
2021	4.00%	1,440,000	412,800	1,852,800
2022	4.15%	1,500,000	355,200	1,855,200
2023	4.25%	1,560,000	292,950	1,852,950
2024	4.35%	1,625,000	226,650	1,851,650
2025	4.45%	1,695,000	155,963	1,850,963
2026	4.55%	<u>1,770,000</u>	<u>80,535</u>	<u>1,850,535</u>
		<u>\$ 21,820,000</u>	<u>\$ 7,821,915</u>	<u>\$ 29,641,915</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2010

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

General Obligation Highway Improvement Bonds

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	3.95%	\$ 38,000	\$ 40,960	\$ 78,960
2012	3.95%	40,000	25,808	65,808
2013	3.95%	42,000	24,397	66,397
2014	3.95%	44,000	22,917	66,917
2015	3.95%	45,000	21,365	66,365
2016	3.95%	49,000	19,779	68,779
2017	3.95%	51,000	18,051	69,051
2018	3.95%	52,000	16,253	68,253
2019	3.95%	55,000	14,420	69,420
2020	3.95%	58,000	12,481	70,481
2021	3.95%	60,000	10,436	70,436
2022	3.95%	62,000	8,320	70,320
2023	3.95%	56,000	6,135	62,135
2024	3.95%	58,000	4,160	62,160
2025	3.95%	<u>60,000</u>	<u>2,134</u>	<u>62,134</u>
		<u>\$ 770,000</u>	<u>\$ 247,615</u>	<u>\$ 1,017,615</u>

During the year ended June 30, 2009, the County issued \$770,000 in General Obligation Bonds to be paid off in fiscal year 2025. The bonds stated rate is 3.95% but will change in fiscal year 2015 and 2020 to the U.S. Treasury rate plus 2.0%, not to exceed 8.25% nor less than 3.50%.

During the year ended June 30, 2009, the County issued \$21,820,000 in General Obligation Bonds less a discount of \$218,200 to be paid off in 2026. Proceeds from the bonds will be used by the County to loan such proceeds to the Hamilton County Hospital which will be used, together with other monies of the Hospital, to finance the costs of the acquisition, construction, equipping and furnishing of an approximately 86,000 square foot replacement acute care hospital. The Bonds maturing on June 1, 2018 and thereafter are callable at the option of the issuer on June 1, 2017 and on any date thereafter, in whole or in part, at par, plus accrued interest. The par amount of the bonds was \$21,820,000, which is the same amount as the corresponding note receivable, including the same terms. The proceeds were received and disbursed as follows: \$20,695,372 was loaned to the Hospital with \$906,428 retained by the County to pay capitalized interest on the bonds until December 1, 2010, which is treated as deferred revenue at June 30, 2010, with a balance of \$182,740. The bonds stated rates varies between 1.30% to 4.55%.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2010

(7) Long-Term Liabilities (continued)

Urban Renewal Tax Increment Revenue Bond

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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%	295,376	91,234	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>16,056</u>	<u>386,605</u>
		<u>\$ 3,850,727</u>	<u>\$ 1,948,279</u>	<u>\$ 5,799,006</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%.

2009 General Obligation County Bonds

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	3.95%	\$ 130,000	\$ 35,798	\$ 165,798
2012	3.95%	140,000	30,569	170,569
2013	3.95%	150,000	24,938	174,938
2014	3.95%	150,000	18,905	168,905
2015	3.95%	160,000	12,871	172,871
2016	3.95%	<u>160,000</u>	<u>6,436</u>	<u>166,436</u>
		<u>\$ 890,000</u>	<u>\$ 129,518</u>	<u>\$ 1,019,518</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2010

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

2009 General Obligation County Purpose Note

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	4.50%	\$ 22,433	\$ 5,279	\$ 27,712
2012	4.50%	23,454	4,258	27,712
2013	4.50%	24,522	3,191	27,712
2014	4.50%	25,638	2,075	27,712
2015	4.50%	<u>26,804</u>	<u>908</u>	<u>27,712</u>
		<u>\$ 122,851</u>	<u>\$ 15,710</u>	<u>\$ 138,561</u>

Drainage Warrants/Drainage Improvement Certificates Payable

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

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates.

Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

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

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2010

(8) Other Postemployment Benefits (OPEB)

Plan Description - The County offers medical benefits for retirees and their spouses through its insurance plan. There are 111 active and 9 retired members in the plan. Participants must be age 55 and older at retirement.

The medical coverage is provided through a fully-insured plan with Wellmark. Upon retirement, the retired participant can continue his/her health coverage and assumes 100% of the required premium. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the County. The County currently offers the retiree a benefit plan to continue his/her health coverage. The County makes no explicit contributions.

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount implicitly contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 82,872
Interest on net OPEB obligation	1,619
Adjustment to annual required contribution	<u>(9,009)</u>
Annual OPEB cost	75,482
Contributions made	<u>(14,163)</u>
Increase in net OPEB obligation	61,319
Net OPEB obligation, beginning of year	<u>64,756</u>
Net OPEB obligation, end of year	<u>\$ 126,075</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the implicit contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County does not explicitly contribute to the medical plan. Plan members eligible for benefits contributed \$57,760, or 100% of the premium costs.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2010

(8) Other Postemployment Benefits (OPEB) (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ <u>75,482</u>	17.1%	\$ <u>126,075</u>

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$595,656, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$595,656. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$534 per month for retirees less than age 65. The UAAL is being amortized as a level dollar cost on an open basis over 30 years.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2010

(9) 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 4.3% of their annual covered salary and the County is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$401,336, \$369,811, and \$328,710, respectively, equal to the required contributions for each year.

(10) Risk Management

Hamilton County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2010 were \$151,655.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2010

(10) Risk Management (continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also 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 \$500,000, 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.

(11) 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, 2010

(11) 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, 2010 was \$1,159,652.

Amounts payable from the Hamilton County PSF Fund at June 30, 2010 total \$35,743, 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 \$248,400 at June 30, 2010 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	\$ 30,343
Incurred claims (including claims incurred but not reported at June 30, 2010):	
Current year events	<u>1,103,113</u>
Total incurred claims	<u>1,133,456</u>
Payments:	
Current year events	1,097,713
Prior year events	<u>30,343</u>
Total payments	<u>1,128,056</u>
Unpaid claims, end of year	<u>\$ 35,743</u>

(12) Construction Commitment

The County has entered into various contracts totaling \$791,389 for bridge and roadway construction projects. As of June 30, 2010, costs of \$349,570 on the project have been incurred. The balance of \$441,819 remaining on the contract at June 30, 2010 will be paid as work on the project progresses.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2010

(13) 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 care 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 2008, the County was notified that the landfill financial assurances are completed and approved by the IDNR. Costs are fully funded.

(14) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2010, the GASB has issued a Statement not yet implemented by the County. The Statement which might impact the County is as follows:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the County beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

The County's management has not yet determined the effect of this Statement will have on the County's financial statements.

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, 2010

	Fund Types Actual	Less Funds Not Required Be Budgeted	Net
RECEIPTS:			
Property and other county tax	\$ 6,658,878	\$ -	\$ 6,658,878
Tax increment financing collections	487,480	-	487,480
Interest and penalty on property tax	41,407	-	41,407
Intergovernmental	6,789,719	312,834	6,476,885
Licenses and permits	68,630	-	68,630
Charges for services	1,147,188	-	1,147,188
Use of money and property	105,547	6,382	99,165
Miscellaneous	328,263	286,437	41,826
	<u>15,627,112</u>	<u>605,653</u>	<u>15,021,459</u>
Total receipts			
DISBURSEMENTS:			
Public safety and legal services	2,449,012	-	2,449,012
Physical health and social services	2,008,919	-	2,008,919
Mental health	1,903,126	-	1,903,126
County environment and education services	1,189,510	-	1,189,510
Roads and transportation	4,186,826	-	4,186,826
Governmental services to residents	409,144	-	409,144
Administration	1,182,346	-	1,182,346
Non-program	710,587	710,587	-
Debt service	1,315,053	-	1,315,053
Capital projects	1,796,798	-	1,796,798
	<u>17,151,321</u>	<u>710,587</u>	<u>16,440,734</u>
Total disbursements			
EXCESS OF DISBURSEMENTS OVER RECEIPTS	(1,524,209)	(104,934)	(1,419,275)
OTHER FINANCING SOURCES, NET	<u>1,002,525</u>	<u>-</u>	<u>1,002,525</u>
EXCESS OF DISBURSEMENTS OVER RECEIPTS AND OTHER FINANCING SOURCES	(521,684)	(104,934)	(416,750)
BALANCES, BEGINNING OF YEAR	<u>6,759,257</u>	<u>510,956</u>	<u>6,248,301</u>
BALANCES, END OF YEAR	<u>\$ 6,237,573</u>	<u>\$ 406,022</u>	<u>\$ 5,831,551</u>

<u>Budgeted Amounts</u>		<u>Final to Net Variance - Positive/ (Negative)</u>
<u>Original</u>	<u>Final</u>	
\$ 7,170,186	\$ 7,170,186	\$ (511,308)
-	-	487,480
30,400	30,400	11,007
6,569,235	6,574,576	(97,691)
11,675	11,675	56,955
1,102,100	1,101,100	46,088
227,849	100,599	(1,434)
208,220	190,372	(148,546)
<u>15,319,665</u>	<u>15,178,908</u>	<u>(157,449)</u>
2,571,816	2,565,247	116,235
2,070,783	2,115,276	106,357
2,406,006	2,372,086	468,960
1,384,619	1,402,704	213,194
4,198,000	4,386,000	199,174
450,386	448,940	39,796
1,308,532	1,300,859	118,513
-	-	-
1,509,947	1,316,214	1,161
2,149,621	2,323,739	526,941
<u>18,049,710</u>	<u>18,231,065</u>	<u>1,790,331</u>
(2,730,045)	(3,052,157)	1,632,882
<u>2,033,566</u>	<u>1,000,000</u>	<u>2,525</u>
(696,479)	(2,052,157)	1,635,407
<u>4,059,863</u>	<u>6,249,456</u>	<u>(1,155)</u>
<u>\$ 3,363,384</u>	<u>\$ 4,197,299</u>	<u>\$ 1,634,252</u>

See independent auditor's report.

HAMILTON COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 15,627,112	\$ (400,180)	\$ 15,226,932
Expenditures	<u>17,151,321</u>	<u>(24,581)</u>	<u>17,126,740</u>
Net	(1,524,209)	(375,599)	(1,899,808)
Other financing sources, net	1,002,525	286,437	1,288,962
Beginning fund balances	6,759,257	604,490	7,363,747
Increase in reserve for inventories	<u>-</u>	<u>(33,240)</u>	<u>(33,240)</u>
Ending fund balances	<u>\$ 6,237,573</u>	<u>\$ 482,088</u>	<u>\$ 6,719,661</u>

See independent auditor's report.

HAMILTON COUNTY

Notes to Required Supplementary Information- Budgetary Reporting

Year Ended June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with 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 \$181,355 and decreased budget revenues by \$140,757. 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.

At year end June 30, 2010, disbursements did not exceed amounts budgeted.

HAMILTON COUNTY

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2009	July 1, 2008	\$ -	\$ 596	\$ 596	0.0%	N/A	N/A
2010	July 1, 2008	-	596	596	0.0%	N/A	N/A

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

HAMILTON COUNTY

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

ASSETS	Recorder's	Drug	Supplemental	Prisoner	Property	Hotel/	REAP	RSVP	Drainage	Special
	Records	Forfeiture	Environmental	Room &	Forfeiture	Motel Tax				Friends of
	Management		Projects	Board						Conservation
										Trust
Cash and pooled investments	\$ 15,969	\$ 13,944	\$ 303	\$ 5,767	\$ 110,564	\$ 5,565	\$ 62,832	\$ 25,141	\$ 407,163	\$ 55,239
Receivables:										
Property tax-delinquent	-	-	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	2,725	-	-
Drainage assessments	-	-	-	-	-	-	-	-	451,893	-
Due from other funds	890	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	3,679	-	441	-	-
Total assets	\$ 16,859	\$ 13,944	\$ 303	\$ 5,767	\$ 110,564	\$ 9,244	\$ 62,832	\$ 28,307	\$ 859,056	\$ 55,239
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,995	\$ -	\$ 107	\$ 86,888	\$ 40
Salaries and benefits payable	-	-	-	-	-	-	1,521	-	-	-
Due to other governments	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	451,893	-
Total liabilities	-	-	-	-	-	3,995	1,521	107	538,781	40
Fund balances:										
Reserved for:										
Drainage warrants/drainage	-	-	-	-	-	-	-	-	320,275	-
improvement certificates	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Unreserved	16,859	13,944	303	5,767	110,564	5,249	61,311	28,200	-	55,199
Total fund balances	16,859	13,944	303	5,767	110,564	5,249	61,311	28,200	320,275	55,199
Total liabilities and fund balances	\$ 16,859	\$ 13,944	\$ 303	\$ 5,767	\$ 110,564	\$ 9,244	\$ 62,832	\$ 28,307	\$ 859,056	\$ 55,239

Revenue				Debt Service					Permanent		Total
Conservation Capital Projects Trust	Local Option Sales Tax	Ag Partners TIF projects	Ethanol Plant	Debt Service	Ag Partners Debt Service	Parking Lot Debt Service	Red Bull Debt Service	Hospital Debt Service	Capital Projects	Conservation Legacy Endowment	
\$ 62,674	\$ 425,512	\$ 19,445	\$ 420,022	\$ -	\$ -	\$ -	\$ -	\$ 185,590	\$ -	\$ 476,584	\$ 2,292,314
-	-	-	-	-	-	81	54	-	-	-	135
-	-	-	-	-	-	-	-	-	-	-	2,725
-	-	-	-	-	-	-	-	-	-	-	451,893
-	-	-	-	-	-	-	-	-	-	-	890
-	50,595	-	-	-	-	-	-	-	-	-	54,715
<u>\$ 62,674</u>	<u>\$ 476,107</u>	<u>\$ 19,445</u>	<u>\$ 420,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81</u>	<u>\$ 54</u>	<u>\$ 185,590</u>	<u>\$ -</u>	<u>\$ 476,584</u>	<u>\$ 2,802,672</u>
\$ -	\$ 725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,755
-	-	-	-	-	-	-	-	-	-	-	1,521
-	-	-	-	-	-	-	-	-	-	476,584	476,584
-	-	-	-	-	-	78	52	-	-	-	452,023
-	725	-	-	-	-	78	52	-	-	476,584	1,021,883
-	-	-	-	-	-	-	-	-	-	-	320,275
-	-	-	-	-	-	3	2	185,590	-	-	185,595
62,674	475,382	19,445	420,022	-	-	-	-	-	-	-	1,274,919
62,674	475,382	19,445	420,022	-	-	3	2	185,590	-	-	1,780,789
<u>\$ 62,674</u>	<u>\$ 476,107</u>	<u>\$ 19,445</u>	<u>\$ 420,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81</u>	<u>\$ 54</u>	<u>\$ 185,590</u>	<u>\$ -</u>	<u>\$ 476,584</u>	<u>\$ 2,802,672</u>

HAMILTON COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2010

	Recorder's Records Management	Drug Forfeiture	Supplemental Environmental Projects	Prisoner Room & Board	Property Forfeiture	Hotel/ Motel Tax	REAP	RSVP	Drainage	Special Friends of Conservation Trust
Revenues:										
Property tax and other county tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,323	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	3,786	-	-	110,549	-	16,972	36,409	312,834	-
Charges for services	3,070	-	-	-	-	-	-	-	-	-
Use of money and property	24	-	-	-	15	5	90	195	6,382	693
Miscellaneous	-	-	-	-	-	-	18	13,364	-	22,706
Total revenues	3,094	3,786	-	-	110,564	14,328	17,080	49,968	319,216	23,399
Expenditures:										
Public safety and legal services	-	454	-	9,381	-	-	-	-	-	-
Physical health and social services	-	-	-	-	-	-	-	56,361	-	-
County environment and education	-	-	-	-	-	16,060	18,285	-	-	43,861
Administration	4,139	-	-	-	-	-	-	251	-	-
Non-program	-	-	-	-	-	-	-	-	797,475	-
Debt service	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-
Total expenditures	4,139	454	-	9,381	-	16,060	18,285	56,612	797,475	43,861
Excess (deficiency) of revenues over (under) expenditures	(1,045)	3,332	-	(9,381)	110,564	(1,732)	(1,205)	(6,644)	(478,259)	(20,462)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	11,282	-	-	-	6,000	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-	-
Short-term financing	-	-	-	-	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-	-	-
Drainage warrant/drainage improvement certificate proceeds	-	-	-	-	-	-	-	-	286,437	-
Total other financing sources (uses)	-	-	-	11,282	-	-	-	6,000	286,437	-
Net change in fund balances	(1,045)	3,332	-	1,901	110,564	(1,732)	(1,205)	(644)	(191,822)	(20,462)
Fund balances, beginning of year	17,904	10,612	303	3,866	-	6,981	62,516	28,844	512,097	75,661
Fund balances, end of year	\$ 16,859	\$ 13,944	\$ 303	\$ 5,767	\$ 110,564	\$ 5,249	\$ 61,311	\$ 28,200	\$ 320,275	\$ 55,199

Revenue				Debt Service						Permanent		Total
Conservation Capital Projects Trust	Local Option Sales Tax	Ag Partners TIF projects	Ethanol Plant	Debt Service	Ag Partners Debt Service	Parking Lot Debt Service	Red Bull Debt Service	Hospital Debt Service	Capital Projects	Conservation Legacy Endowment		
\$ -	\$ 345,564	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 2	\$ -	\$ -	\$ -	\$ 359,892	
-	-	28,351	459,129	-	-	-	-	-	-	-	487,480	
182,632	-	-	-	-	-	-	-	-	161,000	-	824,182	
-	-	-	-	-	-	-	-	-	-	-	3,070	
115	492	-	-	-	-	-	-	2,850	-	5,171	16,032	
-	1,870	-	-	-	-	-	-	-	-	-	37,958	
<u>182,747</u>	<u>347,926</u>	<u>28,351</u>	<u>459,129</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>2</u>	<u>2,850</u>	<u>161,000</u>	<u>5,171</u>	<u>1,728,614</u>	
-	-	-	-	-	-	-	-	-	-	-	9,835	
-	-	-	-	-	-	-	-	-	-	-	56,361	
-	-	-	-	-	-	-	-	-	-	5,171	83,377	
-	17,566	-	-	-	-	-	-	-	-	-	21,956	
-	-	-	-	-	-	-	-	-	-	-	797,475	
-	-	-	386,600	29,055	31,915	86,277	57,518	723,688	-	-	1,315,053	
<u>274,269</u>	<u>27,131</u>	<u>-</u>	<u>32,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,169,561</u>	<u>-</u>	<u>1,503,850</u>	
<u>274,269</u>	<u>44,697</u>	<u>-</u>	<u>419,489</u>	<u>29,055</u>	<u>31,915</u>	<u>86,277</u>	<u>57,518</u>	<u>723,688</u>	<u>1,169,561</u>	<u>5,171</u>	<u>3,787,907</u>	
(91,522)	303,229	28,351	39,640	(29,055)	(31,915)	(86,274)	(57,516)	(720,838)	(1,008,561)	-	(2,059,293)	
60	-	-	-	-	-	-	-	-	-	-	60	
37,941	-	-	-	29,055	31,915	86,277	57,518	-	8,561	-	268,549	
-	(152,355)	(31,915)	-	-	-	-	-	-	-	-	(184,270)	
-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	1,000,000	-	1,000,000	
-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	286,437	
<u>38,001</u>	<u>(152,355)</u>	<u>(31,915)</u>	<u>-</u>	<u>29,055</u>	<u>31,915</u>	<u>86,277</u>	<u>57,518</u>	<u>-</u>	<u>1,008,561</u>	<u>-</u>	<u>1,370,776</u>	
(53,521)	150,874	(3,564)	39,640	-	-	3	2	(720,838)	-	-	(688,517)	
<u>116,195</u>	<u>324,508</u>	<u>23,009</u>	<u>380,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>906,428</u>	<u>-</u>	<u>-</u>	<u>2,469,306</u>	
<u>\$ 62,674</u>	<u>\$ 475,382</u>	<u>\$ 19,445</u>	<u>\$ 420,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 185,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,780,789</u>	

HAMILTON COUNTY

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2010

ASSETS	<u>County Offices</u>	<u>Township</u>	<u>Corporation</u>	<u>District Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
Cash and pooled investments:						
County treasurer	\$ -	\$ 2,885	\$ 50,574	\$ 108,835	\$ 7,405	\$ 66,562
Other county officials	57,525	-	-	-	-	-
Receivables:						
Accounts receivable	2,849	-	-	-	-	-
Property tax:						
Delinquent	-	159	7,051	8,863	628	156
Succeeding year	-	298,670	4,456,812	10,786,029	769,021	185,171
Due from other funds	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 60,374</u>	<u>\$ 301,714</u>	<u>\$ 4,514,437</u>	<u>\$ 10,903,727</u>	<u>\$ 777,054</u>	<u>\$ 251,889</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,042
Salaries and benefits payable	-	-	-	-	-	6,477
Due to other funds	26,483	-	-	-	-	-
Due to other governments	33,891	2,885	50,952	109,087	7,423	59,048
Deferred revenue:						
Succeeding year property tax	-	298,670	4,456,812	10,786,029	769,021	185,171
Other	-	159	6,673	8,611	610	151
Compensated absences	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 60,374</u>	<u>\$ 301,714</u>	<u>\$ 4,514,437</u>	<u>\$ 10,903,727</u>	<u>\$ 777,054</u>	<u>\$ 251,889</u>

Schedule 3

<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>
\$ 1,870	\$ 5,156	\$ 371,064	\$ 22,998	\$ 269,844	\$ 15,512	\$ 67,367	\$ 990,072
-	-	-	-	-	-	-	57,525
-	-	-	-	-	75	16,487	19,411
156	417	-	-	228	-	2	17,660
185,514	496,265	-	-	270,860	-	2,582	17,450,924
-	-	-	-	-	-	959	959
<u>\$ 187,540</u>	<u>\$ 501,838</u>	<u>\$ 371,064</u>	<u>\$ 22,998</u>	<u>\$ 540,932</u>	<u>\$ 15,587</u>	<u>\$ 87,397</u>	<u>\$ 18,536,551</u>
\$ -	\$ -	\$ -	\$ 667	\$ 797	\$ 56	\$ 52	\$ 2,614
-	-	-	-	1,141	-	-	7,618
-	-	-	-	-	-	-	26,483
1,874	5,167	371,064	22,331	267,912	14,174	84,761	1,030,569
185,514	496,265	-	-	270,860	-	2,582	17,450,924
152	406	-	-	222	-	2	16,986
-	-	-	-	-	1,357	-	1,357
<u>\$ 187,540</u>	<u>\$ 501,838</u>	<u>\$ 371,064</u>	<u>\$ 22,998</u>	<u>\$ 540,932</u>	<u>\$ 15,587</u>	<u>\$ 87,397</u>	<u>\$ 18,536,551</u>

HAMILTON COUNTY

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2010

ASSETS AND LIABILITIES	<u>County Offices</u>	<u>Township</u>	<u>Corporation</u>	<u>District Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
Balances, beginning of year	\$ 56,877	\$ 282,559	\$ 4,956,308	\$ 10,448,939	\$ 727,313	\$ 248,492
Additions:						
Property and other county tax	-	299,964	4,260,912	10,511,223	751,999	179,999
E911 surcharge	-	-	-	-	-	-
State tax credits	-	10,737	193,625	416,369	28,305	7,938
Federal grants	-	-	-	-	-	-
Office fees and collections	327,935	-	-	-	-	108
Electronic transaction fee	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	184,203	-	-	-	-	-
Miscellaneous	-	-	-	-	-	17,436
Total additions	<u>512,138</u>	<u>310,701</u>	<u>4,454,537</u>	<u>10,927,592</u>	<u>780,304</u>	<u>205,481</u>
Deductions:						
Agency remittances:						
To other funds	171,020	-	-	-	-	-
To other governments	136,403	291,546	4,896,408	10,472,804	730,563	202,084
Trusts paid out	<u>201,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u>508,641</u>	<u>291,546</u>	<u>4,896,408</u>	<u>10,472,804</u>	<u>730,563</u>	<u>202,084</u>
Balances, end of year	<u>\$ 60,374</u>	<u>\$ 301,714</u>	<u>\$ 4,514,437</u>	<u>\$ 10,903,727</u>	<u>\$ 777,054</u>	<u>\$ 251,889</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>
\$ 182,197	\$ 502,582	\$ 329,676	\$ 24,195	\$ 478,763	\$ 1,878	\$ 71,308	\$ 18,311,087
180,857	483,411	-	-	264,064	-	2,086	16,934,515
-	-	-	79,218	-	-	-	79,218
7,168	19,768	-	36,430	10,458	-	724	731,522
-	-	-	-	-	-	59,677	59,677
-	-	-	-	-	-	-	328,043
-	-	-	-	-	-	9,122	9,122
-	-	4,154,517	-	-	-	-	4,154,517
-	-	-	-	-	-	8,063	8,063
-	-	-	-	-	-	-	184,203
-	-	-	362	862	125,037	209,670	353,367
<u>188,025</u>	<u>503,179</u>	<u>4,154,517</u>	<u>116,010</u>	<u>275,384</u>	<u>125,037</u>	<u>289,342</u>	<u>22,842,247</u>
-	-	159,596	-	-	-	17,906	348,522
182,682	503,923	3,953,533	117,207	213,215	111,328	255,347	22,067,043
-	-	-	-	-	-	-	201,218
<u>182,682</u>	<u>503,923</u>	<u>4,113,129</u>	<u>117,207</u>	<u>213,215</u>	<u>111,328</u>	<u>273,253</u>	<u>22,616,783</u>
\$ 187,540	\$ 501,838	\$ 371,064	\$ 22,998	\$ 540,932	\$ 15,587	\$ 87,397	\$ 18,536,551

HAMILTON COUNTY

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Eight Years

	<u>2010</u>	<u>2009</u>	<u>Modified</u> <u>2008</u>
REVENUES			
Property and other county tax	\$ 6,628,446	\$ 6,368,944	\$ 6,120,736
Tax increment financing collections	487,480	393,648	297,291
Interest and penalty on property tax	41,454	39,948	36,925
Intergovernmental	6,713,275	6,998,897	5,872,894
Licenses and permits	68,960	8,355	12,790
Charges for services	1,138,600	1,074,161	1,063,306
Use of money and property	105,659	169,893	370,256
Fines, forfeitures and defaults	-	-	-
Miscellaneous	43,058	186,678	167,983
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 15,226,932</u>	<u>\$ 15,240,524</u>	<u>\$ 13,942,181</u>
EXPENDITURES			
Current:			
Public safety and legal services	\$ 2,415,889	\$ 2,386,472	\$ 2,258,805
Physical health and social services	2,029,093	1,918,313	2,100,019
Mental health	1,891,221	2,070,701	2,170,686
County environment and education	1,161,085	1,216,662	1,094,572
Roads and transportation	4,136,876	4,140,465	4,422,287
Governmental services to residents	403,950	403,740	375,852
Administration	1,179,107	1,145,339	1,101,284
Non-program	797,475	601,438	455,675
Debt service	1,315,053	1,171,449	415,656
Capital projects	1,796,991	1,401,766	369,008
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 17,126,740</u>	<u>\$ 16,456,345</u>	<u>\$ 14,763,844</u>

Accrual Basis

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 6,225,587	\$ 6,664,672	\$ 6,388,172	\$ 6,818,244	\$ 6,435,724
-	-	-	-	-
43,245	38,692	49,598	49,078	42,327
6,491,387	6,277,899	5,467,793	5,091,955	5,595,022
7,980	9,635	7,755	5,968	7,768
1,040,163	1,164,288	1,114,385	1,000,698	970,898
415,349	267,804	180,264	136,803	138,571
-	1,011	610	420	-
203,584	184,337	223,643	89,668	377,469
<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>
\$ 2,112,944	\$ 2,005,919	\$ 1,852,983	\$ 1,417,397	\$ 1,358,155
2,168,916	2,037,501	2,059,738	2,073,148	2,362,016
2,307,235	2,136,414	2,067,400	2,010,301	2,104,328
3,599,042	1,034,581	1,046,435	1,113,247	1,057,562
3,589,441	3,671,252	4,118,873	3,428,130	3,966,392
356,504	496,744	390,064	381,527	324,265
1,219,890	1,025,400	934,016	915,889	1,006,392
251,714	223,777	281,763	454,183	593,931
339,399	1,377,342	669,180	48,458	29,055
1,093,478	1,716,244	1,793,367	2,740,430	913,290
<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>

See accompanying independent auditor's report.

HAMILTON COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security:		
Passed Through the Iowa Homeland Security and Emergency Management Division:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters):		
Public Assistance Grants	97.036	\$ 541,951
U.S. Department of Health and Human Services:		
Passed Through the Iowa Department of Public Health:		
Public Health Emergency Preparedness and Response Grant	93.069	<u>64,688</u>
Total		<u>\$ 606,639</u>

Basis of Presentation: The Schedule of Federal Awards includes the federal grant activity of Hamilton County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

See accompanying independent auditor's report.

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

To the Officials
Hamilton County
Webster City, Iowa

We have audited the 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, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2011. 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be significant deficiencies.

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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the 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 and Questioned Costs. 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 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 including federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Cedar Rapids, Iowa
February 1, 2011

**Independent Auditor's Report on Compliance with
Requirements That Could Have a Direct and Material Effect
on the Major Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

Board of Supervisors
Hamilton County
Webster City, Iowa

Compliance

We have audited the compliance of Hamilton County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2010. Hamilton County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Hamilton County's management. Our responsibility is to express an opinion on Hamilton County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hamilton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hamilton County's compliance with those requirements.

In our opinion, Hamilton County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Hamilton County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hamilton County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hamilton County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Hamilton County and other parties to whom Hamilton County may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Cedar Rapids, Iowa
February 1, 2011

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X None
Reported
- Deficiencies identified that are not considered to be material weaknesses? _____ X Yes _____ None
Reported

Noncompliance material to financial statements noted? _____ Yes X None
Reported

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ Yes X None
Reported
- Deficiencies identified that are not considered to be material weaknesses? _____ Yes X None
Reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ Yes X None
Reported

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Public Assistance Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

II-A-10: 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 more than inconsequential 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 more than inconsequential 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 will review financial statements and correct necessary accounts prior to the audit.

Conclusion:

Response accepted.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS : (continued)

II-B-10: 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 for 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.

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. As a result, Hamilton County has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion:

Response accepted.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

PART III - FEDERAL AWARD FINDINGS

NONE REPORTED.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

PART IV: FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

- III-A-10 Certified Budget - Expenditures for the year ended June 30, 2010 did not exceed the amended certified budget amounts.
- III-B-10 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.
- III-C-10 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-10 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 \$4,950.
- 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.
- III-E-10 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.
- III-F-10 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-10 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.
- III-H-10 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).
- III-I-10 Solid Waste Fees Retainage - During the year ended June 30, 2010, 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 AND QUESTIONED COSTS
Year Ended June 30, 2010

PART IV: FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (continued)

III-J-10 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, 2010 for the County Extension Office did not exceed the amount budgeted.

HAMILTON COUNTY
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2009

II-A-09: Audit Adjustments

Condition:

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

Recommendation:

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

Current Status:

Not implemented.

II-B-09: Preparation of Financial Statements

Condition:

The County has not implemented procedures, to the degree necessary, to perform a review and assume responsibility for 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.

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.

Current Status:

Not implemented.