

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

June 30, 2011

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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 2014
Doug Bailey	Board of Supervisors	December 2012
Kim Schaa	County Auditor	December 2012
Deborah Leksell	County Treasurer	December 2014
Kim Anderson	County Recorder	December 2014
Denny Hagenson	County Sheriff	December 2012
Patrick Chambers	County Attorney	December 2014
Kevin Bahrenfuss	County Assessor	December 2015



CliftonLarsonAllen

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, (County) as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of management of Hamilton County, Iowa. 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.

As described in Note 14 to the financial statements, during the year ended June 30, 2011, the County adopted the provisions of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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, Iowa as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2012 on our consideration of Hamilton County, Iowa'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 61 are not required parts of the basic financial statements, but are supplementary information required by Accounting Principles Generally Accepted in the United States of America. 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, Iowa's basic financial statements. Other supplementary information included in Schedules 1 through 5 and 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*, are presented for purposes of additional analysis and are 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. In our opinion, the 2003 through 2010 comparative data on Schedule 5 is fairly presented in all material respects in relation to the basic statements for each respective year ended taken as a whole.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
April 30, 2012

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, 2011 (FY11). We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Governmental activities revenue was approximately \$16.9 million in FY11, compared to \$16.4 million in FY10.
- Program expenses were approximately \$17.2 million, compared to \$14.3 million in FY10.
- Net assets decreased approximately \$ 317,000 for FY11.

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 as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- *Other Supplementary Information* provides detailed information about the nonmajor governmental funds and the individual agency funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

- 2) Proprietary funds account for the County's Internal Service - Employee Group Health Insurance Account Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for employee health insurance, emergency management services, and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Hamilton County's net assets for FY11 totaled approximately \$27.7 million. This compares to FY10 at approximately \$28 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Current and other assets	\$ 36,498	\$ 36,934
Capital assets	<u>28,234</u>	<u>28,781</u>
Total assets	<u>64,732</u>	<u>65,715</u>
Long-term debt outstanding	25,489	27,382
Other liabilities	<u>11,545</u>	<u>10,318</u>
Total liabilities	<u>37,034</u>	<u>37,700</u>
Net assets:		
Invested in capital assets, net of debt	22,335	21,454
Restricted	5,251	1,736
Unrestricted	<u>112</u>	<u>4,825</u>
Total net assets	<u>\$ 27,698</u>	<u>\$ 28,015</u>

FY11 net assets of Hamilton County's governmental activities decreased by \$317,000 from FY10. 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 approximately \$112,000.

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

	Year Ended June 30,	
	2011	2011
Revenues:		
Program revenues:		
Charges for service	\$ 2,968	\$ 2,784
Operating grants and contributions	5,814	6,177
Capital grants, contributions and restricted interest	-	-
General revenues:		
Property taxes	6,941	6,168
TIF Collections	439	487
Local option sales and service tax	507	461
Unrestricted investment earnings	64	64
Other general revenues	174	245
Total revenues	16,907	16,386
Program expenses:		
Public safety and legal services	2,523	2,426
Physical health and social services	1,875	2,033
Mental health	1,970	1,810
County environment and education	1,269	1,132
Roads and transportation	5,798	3,534
Government services to residents	419	430
Administration	2,392	2,341
Non-program	841	285
Interest on long-term debt	137	325
Loss on dispositions	-	60
Total expenses	17,224	14,376
Increase (decrease) in net assets	<u>\$ (317)</u>	<u>\$ 2,010</u>

Hamilton County's county-wide levy rate increased slightly from 9.99599 per \$1,000 of valuation in FY10 to 10.20030 in FY11. The rural assessed property taxable valuation increased by \$33.8 million for a total of \$483,755,458 and countywide assessed property valuation increased by \$21.9 million for a total of \$772,494,578.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hamilton County completed the year, its governmental funds reported a combined fund balance of \$6,277,595, compared to \$6,719,661 combined fund balance for FY10. This is a decrease of \$442,066.

The General Fund, the operating fund for Hamilton County, ended FY11 with a fund balance totaling \$1,462,322 whereas FY10 ended with a restated \$1,455,298 balance, an increase of \$7,024. Property valuations increased from \$750,593,012 in FY10 to \$772,494,578 in FY11, an increase of \$21,901,566. The levy rate increased by .20431 to \$6.58773 for FY11.

The Mental Health Fund ended with a \$363,020 fund balance for FY11, whereas FY10 ended with a \$795,293 balance, a decrease of \$432,273. The levy rate decreased from 1.13740 in FY10 to 1.10284 in FY11, a decrease of .03456. 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 \$348,190 fund balance for FY11 compared to the prior year balance of \$330,451, an increase of \$ 17,739. The levy rate increased from 9.99599 for FY10 to 10.20030 for FY11. Property valuations increased from \$467,987,533 in FY10 to \$500,092,368 in FY11. 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 FY11 with a \$2,210,510 fund balance compared to the prior year balance of \$2,420,807, a decrease of \$210,297. FY11 expenditures increased to \$4,814,151 from \$4,094,376 in FY10. In FY11, the Secondary Roads Department maintained 718 miles of aggregate-surfaced roads and 218 miles of paved roads during the year.

BUDGETARY HIGHLIGHTS

Hamilton County amended the budget two times in FY11 with the first in October 2010 for the primary purpose of including funding for FEMA revenues and expenses in Secondary Roads and increased expense for Sheriff/Property Forfeiture dollars and capital projects using Local Option Sales Tax fund balance. Our second amendment was held in April of 2011 for the primary purpose of increased expenses for jail, juvenile court, sheriff, conservation, and to include the Courthouse lighting project.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY11, the County had approximately \$28.2 million invested in capital assets, compared to \$28.7 million for FY10. This is a decrease of \$500,000 from FY10.

Capital Assets, Net of Depreciation (Expressed in Thousands)

	<u>2011</u>	<u>2010</u>
Land	\$ 3,864	\$ 3,864
Construction in progress	521	323
Buildings and improvements	6,259	6,413
Machinery and equipment	1,915	2,015
Infrastructure	<u>15,675</u>	<u>16,166</u>
Total	<u>\$ 28,234</u>	<u>\$ 28,781</u>

Long-Term Debt

At June 30, 2011, Hamilton County had approximately \$27,799,000 in capital notes and other debt outstanding compared to \$29,245,000 at June 30, 2010. 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>2011</u>	<u>2010</u>
Net OPEB	\$ 190	\$ 126
Capital lease purchase agreements	595	707
Drainage warrants and improvement certificates	591	452
Capital notes payable	128	202
Revenue bonds	3,683	3,851
GO Bonds	22,202	23,480
Compensated absences	<u>410</u>	<u>427</u>
Total	<u>\$ 27,799</u>	<u>\$ 29,245</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 at \$22,202,000.

ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

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

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, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and pooled investments	\$ 6,326,840
Receivables:	
Property tax:	
Delinquent	5,127
Succeeding year	7,244,317
Interest and penalty on property tax	17,783
Accounts	18,283
Accrued interest	60,833
Drainage assessments	591,293
Note	1,125,000
Due from other funds	17,921
Due from other governments	155,510
Inventories	1,248,118
Prepaid insurance	102,592
Note receivable-long term	19,585,000
Capital assets, net of accumulated depreciation	<u>28,233,680</u>
 Total assets	 <u>64,732,297</u>
 LIABILITIES	
Accounts payable	416,780
Accrued interest payable	82,345
Salaries and benefits payable	151,905
Due to other governments	726,011
Deferred revenue:	
Succeeding year property tax	7,244,317
Other	614,016
Long-term liabilities:	
Portion due within one year:	
Capital lease purchase agreements	115,780
Capital notes	50,532
TIF revenue bonds	597,167
Compensated absences	241,161
General obligation bonds	1,305,000
Portion due after one year:	
Capital lease purchase agreements	479,610
Capital notes	76,963
TIF revenue bonds	3,086,003
Compensated absences	168,303
General obligation bonds	20,897,000
Net OPEB liability	190,382
Drainage district warrants and certificates payable	<u>591,293</u>
 Total liabilities	 <u>37,034,568</u>

	Governmental Activities
NET ASSETS	
Invested in capital assets, net of related debt	22,335,625
Restricted for:	
Supplemental levy purposes	386,171
Mental health purposes	363,020
Rural services purposes	348,190
Conservation purposes	77,019
Secondary road purposes	2,082,741
Debt service	422,427
Drainage	591,293
Other purposes	979,259
Unrestricted	<u>111,984</u>
TOTAL NET ASSETS	<u>\$ 27,697,729</u>

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

HAMILTON COUNTY

Exhibit B

Statement of Activities

Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	
Governmental activities:					
Public safety and legal services	\$ 2,522,758	\$ 434,160	\$ 26,275	\$ -	\$ (2,062,323)
Physical health and social services	1,875,341	259,983	884,079	-	(731,279)
Mental health	1,969,827	36,637	827,865	-	(1,105,325)
County environment and education	1,269,081	558,786	113,452	-	(596,843)
Roads and transportation	5,798,058	45,009	3,306,547	-	(2,446,502)
Governmental services to residents	419,515	266,552	4,879	-	(148,084)
Administration	2,392,018	1,360,749	1,213	-	(1,030,056)
Non-program	840,566	5,650	649,645	-	(185,271)
Interest on long-term debt	137,021	-	-	-	(137,021)
Total	<u>\$ 17,224,185</u>	<u>\$ 2,967,526</u>	<u>\$ 5,813,955</u>	<u>\$ -</u>	<u>(8,442,704)</u>
GENERAL REVENUES:					
Property tax levied for:					
General purposes					6,654,310
Penalty and interest on property tax					39,730
State tax credits					247,656
Tax increment financing collections					438,837
Local option sales tax					507,386
Unrestricted investment earnings					63,613
Gain on dispositions					12,183
Miscellaneous					161,932
Total general revenues					<u>8,125,647</u>
Change in net assets					(317,057)
Net assets, beginning of year					<u>28,014,786</u>
Net assets, end of year					<u>\$ 27,697,729</u>

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

HAMILTON COUNTY

Balance Sheet
Governmental Funds

June 30, 2011

	<u>General</u>	<u>Special Revenue</u>		
		<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
ASSETS				
Cash and pooled investments	\$ 1,603,037	\$ 634,157	\$ 333,190	\$ 1,235,239
Receivables:				
Property tax:				
Delinquent	3,641	700	628	-
Succeeding year	4,349,973	836,785	1,863,015	-
Interest and penalty on property tax	17,783	-	-	-
Accounts	16,608	-	-	802
Accrued interest	5	-	-	-
Drainage assessments	-	-	-	-
Due from other funds	17,153	-	-	-
Due from other governments	45,866	-	22,990	9,163
Inventories	-	-	-	1,248,118
Total assets	<u>\$ 6,054,066</u>	<u>\$ 1,471,642</u>	<u>\$ 2,219,823</u>	<u>\$ 2,493,322</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 110,550	\$ 44,666	\$ 699	\$ 239,405
Salaries and benefits payable	91,193	9,621	6,693	42,980
Due to other governments	18,772	216,866	597	427
Deferred revenue:				
Succeeding year property tax	4,349,973	836,785	1,863,015	-
Other	21,256	684	629	-
Total liabilities	<u>4,591,744</u>	<u>1,108,622</u>	<u>1,871,633</u>	<u>282,812</u>
Fund balances:				
Nonspendable for inventories	-	-	-	1,248,118
Restricted for:				
Supplemental levy purposes	386,171	-	-	-
Mental health purposes	-	363,020	-	-
Rural services purposes	-	-	348,190	-
Secondary roads purposes	-	-	-	962,392
Drainage warrants/drainage improvement certificates	-	-	-	-
Conservation land acquisition/ capital improvements	77,019	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	999,132	-	-	-
Total fund balances	<u>1,462,322</u>	<u>363,020</u>	<u>348,190</u>	<u>2,210,510</u>
Total liabilities and fund balances	<u>\$ 6,054,066</u>	<u>\$ 1,471,642</u>	<u>\$ 2,219,823</u>	<u>\$ 2,493,322</u>

<u>Hospital Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 2,295,344	\$ 6,100,967
-	158	5,127
-	194,544	7,244,317
-	-	17,783
-	873	18,283
-	-	5
-	591,293	591,293
-	768	17,921
-	77,491	155,510
-	-	1,248,118
\$ -	\$ 3,160,471	\$ 15,399,324
\$ -	\$ 20,294	\$ 415,614
-	1,418	151,905
-	459,215	695,877
-	194,544	7,244,317
-	591,447	614,016
-	1,266,918	9,121,729
-	-	1,248,118
-	-	386,171
-	-	363,020
-	-	348,190
-	-	962,392
-	491,867	491,867
-	-	77,019
-	422,427	422,427
-	979,259	979,259
-	-	999,132
-	1,893,553	6,277,595
\$ -	\$ 3,160,471	\$ 15,399,324

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, 2011

Total governmental fund balances (page 19) \$ 6,277,595

***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 \$57,246,063 and the accumulated depreciation is \$29,012,383 28,233,680

Long-term note receivable for pass through monies related to general obligation hospital bonds 20,710,000

Long-term interest receivable on pass through note receivable for pass through monies related to the general obligation hospital bonds 60,828

Long-term liabilities, including bonds payable, capital leases, accrued interest payable, compensated absences, other post employment benefits, 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, other post employment benefits, and compensated absences (27,799,194)
Accrued interest payable (82,345)

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. 297,165

Net assets of governmental activities (page 16) \$ 27,697,729

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, 2011

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
Revenues:				
Property and other county tax	\$ 3,946,460	\$ 824,025	\$ 1,830,453	\$ -
Tax increment financing collections	-	-	-	-
Interest and penalty on property tax	39,895	-	-	-
Intergovernmental	1,448,243	859,394	63,483	3,310,463
Licenses and permits	8,800	-	-	4,190
Charges for services	1,084,856	-	-	878
Use of money and property	71,587	24,919	-	1,000
Miscellaneous	81,632	11,717	-	38,941
	6,681,473	1,720,055	1,893,936	3,355,472
Expenditures:				
Operating:				
Public safety and legal services	2,155,663	-	206,421	-
Physical health and social services	1,827,572	-	-	-
Mental health	-	2,152,328	-	-
County environment and education services	943,401	-	135,607	-
Roads and transportation	-	-	255,820	4,325,353
Governmental services to residents	406,190	-	-	-
Administration	1,094,933	-	45,349	-
Non-program	79,126	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	75,000	488,798
	6,506,885	2,152,328	718,197	4,814,151
Excess (deficiency) of revenues over (under) expenditures	174,588	(432,273)	1,175,739	(1,458,679)
Other financing sources (uses):				
Sale of capital assets	28,563	-	-	-
Operating transfers in	261,149	-	80,000	1,320,000
Operating transfers out	(457,276)	-	(1,238,000)	-
Payments received on long term receivable	-	-	-	-
Drainage warrant/drainage improvement certificates issued	-	-	-	-
	(167,564)	-	(1,158,000)	1,320,000

Hospital		
Debt		
Service	Nonmajor	Total
\$ -	\$ 565,918	\$ 7,166,856
-	438,837	438,837
-	-	39,895
-	744,711	6,426,294
-	-	12,990
-	3,094	1,088,828
501	13,775	111,782
-	144,982	277,272
<u>501</u>	<u>1,911,317</u>	<u>15,562,754</u>
-	55,272	2,417,356
-	54,527	1,882,099
-	-	2,152,328
-	151,017	1,230,025
-	-	4,581,173
-	-	406,190
-	1,379	1,141,661
-	853,506	932,632
1,855,165	649,332	2,504,497
-	234,494	798,292
<u>1,855,165</u>	<u>1,999,527</u>	<u>18,046,253</u>
<u>(1,854,664)</u>	<u>(88,210)</u>	<u>(2,483,499)</u>
-	-	28,563
-	114,557	1,775,706
-	(80,430)	(1,775,706)
1,669,074	-	1,669,074
-	415,414	415,414
<u>1,669,074</u>	<u>449,541</u>	<u>2,113,051</u>

(continued)

HAMILTON COUNTY

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

Year ended June 30, 2011

		<u>Special Revenue</u>		
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	7,024	(432,273)	17,739	(138,679)
Fund balances, beginning of year, as restated	1,455,298	795,293	330,451	2,420,807
Decrease in reserve for inventories	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,618)</u>
Fund balances, end of year	<u>\$ 1,462,322</u>	<u>\$ 363,020</u>	<u>\$ 348,190</u>	<u>\$ 2,210,510</u>

Hospital		
<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
(185,590)	361,331	(370,448)
185,590	1,532,222	6,719,661
<u>-</u>	<u>-</u>	<u>(71,618)</u>
<u>\$ -</u>	<u>\$ 1,893,553</u>	<u>\$ 6,277,595</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, 2011

Net change in fund balances - total governmental funds (page 24) \$ (370,448)

***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 and depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,457,006	
Depreciation expense	<u>(1,987,872)</u>	(530,866)

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. (16,380)

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 principal payments, as follows:

Principal payments - bonds and leases	<u>1,632,080</u>	1,632,080
---------------------------------------	------------------	-----------

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	(415,414)	
Payments of certificates and warrants	<u>276,014</u>	(139,400)

Exhibit F

Interest Revenue reported in the Statement of Activities are not considered current financial resources and, therefore, are not reported as revenues in the governmental funds		60,828
Disbursements when issuing long term receivables are a use of current financial resources to governmental funds, but funding the issuance of debt increases long term receivables in the Statement of Net Assets. Receipt of long term receivables are revenues in the governmental funds, but the receipt reduces long-term receivables in the Statement of Net Assets.		(1,110,000)
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	(64,307)	
Compensated absences	17,378	
Interest on deferred revenue	182,740	
Interest on long-term debt	<u>44,171</u>	179,982
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.		(71,618)
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>48,765</u>
Change in net assets of governmental activities (page 17)		<u>\$ (317,057)</u>

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

HAMILTON COUNTY

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2011

	Internal Service - Hamilton County PSF
ASSETS	
Cash and cash equivalents	\$ 225,873
Prepaid insurance	<u>102,592</u>
Total assets	<u>328,465</u>
LIABILITIES	
Accounts payable	1,166
Due to other governments	<u>30,134</u>
Total liabilities	<u>31,300</u>
NET ASSETS	
Designated	<u><u>\$ 297,165</u></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, 2011

	Internal Service - Hamilton County PSF
OPERATING REVENUE:	
Intra-county reimbursements	\$ 1,332,191
OPERATING EXPENSES:	
Medical claims	1,269,875
Administrative fees	<u>13,551</u>
Total operating expenses	<u>1,283,426</u>
Operating income	48,765
NET ASSETS, BEGINNING OF YEAR	<u>248,400</u>
NET ASSETS, END OF YEAR	<u>\$ 297,165</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, 2011

	<u>Internal Service- Hamilton County PSF</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,332,191
Cash paid to suppliers for services	<u>(1,291,044)</u>
Net cash provided by operating activities	41,147
Cash and cash equivalents, beginning of year	<u>184,726</u>
Cash and cash equivalents, end of year	<u>\$ 225,873</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 48,765
Increase in due to other governments	(5,609)
Decrease in accounts payable	1,166
Increase in prepaid insurance	<u>(3,175)</u>
Net cash provided by operating activities	<u>\$ 41,147</u>

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

HAMILTON COUNTY

Exhibit J

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

ASSETS

Cash and pooled investments:	
County treasurer	\$ 1,041,206
Other county officials	54,493
Receivables:	
Accounts receivable	1,484
Property tax:	
Delinquent	17,927
Succeeding year	17,822,551
Due from other funds	<u>803</u>
Total assets	<u>18,938,464</u>

LIABILITIES

Accounts payable	2,412
Salaries and benefits payable	4,040
Due to other funds	18,724
Due to other governments	1,071,934
Deferred revenue:	
Succeeding year property tax	17,822,551
Other	17,446
Compensated absences	<u>1,357</u>
Total liabilities	<u>18,938,464</u>

NET ASSETS \$ -

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

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(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, 2011

(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, 2011

(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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

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

B. Basis of Presentation (continued)

The Hospital Debt Service Fund is utilized to account for the receipt of principal and interest payments and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

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.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

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

C. Measurement Focus and Basis of Accounting (continued)

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then unassigned fund balances.

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.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

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

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.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are 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.

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, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned - All amounts not included in other classifications.

Net Assets - The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the non-program and debt service functions.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 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, 2011 are as follows:

Drainage warrants, at fair value	<u>\$ 592,775</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 \$1,084,037 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, 2011

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Agency - County Recorder	\$ 17,153
Special Revenue: County Recorder's Records Management	Agency - County Recorder	768
Agency: Recorder's Electronic File	Agency - County Recorder	<u>803</u>
Total		<u>\$ 18,724</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, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Rural Services	General Supplemental (General)	\$ 80,000
Secondary Roads	Special Revenue: Rural Services	1,238,000
Secondary Roads	General	82,000
RSVP	General	6,000
Prisoner Room and Board	General	11,564
Debt Service: Debt Service	General	27,712
Ag Partners	Special Revenue: Ag Partners TIF	69,281

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(4) Interfund Transfers (continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Permanent:	
	Conservation Legacy	
	Endowment Fund	11,000
	Recorder Records Management	149
General Supplemental (General)	General	<u>250,000</u>
		<u>\$ 1,775,706</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, 2011 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>323,027</u>	<u>951,306</u>	<u>752,882</u>	<u>521,451</u>
Total capital assets not being depreciated	<u>4,186,723</u>	<u>951,306</u>	<u>752,882</u>	<u>4,385,147</u>
Capital assets being depreciated:				
Buildings and building improvements	8,435,815	-	-	8,435,815
Buildings under capital lease	1,211,583	-	-	1,211,583
County equipment	1,687,236	158,921	143,651	1,702,506
County equipment under capital lease	51,130	-	-	51,130
Secondary roads equipment	6,792,455	414,105	385,859	6,820,701
Secondary roads office equipment	171,705	5,177	-	176,882
Infrastructure	<u>33,781,920</u>	<u>680,379</u>	<u>-</u>	<u>34,462,299</u>
Total capital assets being depreciated	<u>52,131,844</u>	<u>1,258,582</u>	<u>529,510</u>	<u>52,860,916</u>

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(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	3,234,310	154,104	-	3,388,414
County equipment	1,102,723	182,285	127,271	1,157,737
Secondary roads equipment	5,439,912	471,169	385,859	5,525,222
Secondary roads office equipment	144,665	9,009	-	153,674
Infrastructure	<u>17,616,031</u>	<u>1,171,305</u>	<u>-</u>	<u>18,787,336</u>
Total accumulated depreciation	<u>27,537,641</u>	<u>1,987,872</u>	<u>513,130</u>	<u>29,012,383</u>
Total capital assets being depreciated, net	<u>24,594,203</u>	<u>(729,290)</u>	<u>16,380</u>	<u>23,848,533</u>
Governmental activities capital assets, net	<u>\$28,780,926</u>	<u>\$ 222,016</u>	<u>\$ 769,262</u>	<u>\$28,233,680</u>

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

Governmental activities:	
Public safety and legal services	\$ 74,553
Physical health and social services	6,558
Mental health	6,563
County environment and education	34,369
Roads and transportation	1,651,483
Administration	33,874
Unallocated	<u>180,472</u>
Total depreciation expense - governmental activities	<u>\$ 1,987,872</u>

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(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	\$ 18,772
Special Revenue:		
Rural Services	Services	597
Secondary Roads	Services	427
Mental Health	Services	216,866
Permanent:		
Conservation Legacy Endowment	Services	<u>459,215</u>
Total for governmental funds		<u>\$ 695,877</u>
Agency:		
Recorder		\$ 16,425
Sheriff		20,670
Townships		2,955
Corporations		53,984
District Schools		113,990
Area Schools		8,147
County Assessor		60,894
County Agricultural Extension		1,934
County Hospital		5,172
Auto Registration and Use Tax		362,048
E911 Surcharge		5,269
Special Appraisers		350,575
All Others		<u>69,871</u>
Total for agency funds		<u>\$ 1,071,934</u>

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 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>Compen- sated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance, beginning of year	\$ 706,805	\$ 23,480,000	\$ 3,850,729	\$ 202,601	\$ 451,893	\$ 426,842	\$ 126,075	\$ 29,244,945
Increases	-	-	-	-	415,414	213,050	64,307	692,771
Decreases	<u>111,415</u>	<u>1,278,000</u>	<u>167,559</u>	<u>75,106</u>	<u>276,014</u>	<u>230,428</u>	<u>-</u>	<u>2,138,522</u>
Balance, end of year	<u>\$ 595,390</u>	<u>\$ 22,202,000</u>	<u>\$ 3,683,170</u>	<u>\$ 127,495</u>	<u>\$ 591,293</u>	<u>\$ 409,464</u>	<u>\$ 190,382</u>	<u>\$ 27,799,194</u>
Due within one year	<u>\$ 115,780</u>	<u>\$ 1,305,000</u>	<u>\$ 597,167</u>	<u>\$ 50,532</u>	<u>\$ -</u>	<u>\$ 241,161</u>	<u>\$ -</u>	<u>\$ 2,309,640</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, 2011 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, 2011:

<u>Year Ending June 30,</u>	<u>Building</u>	<u>Mower</u>	<u>Total</u>
2012	\$ 124,128	\$ 11,679	\$ 135,807
2013	124,128	-	124,128
2014	124,128	-	124,128
2015	124,128	-	124,128
2016	124,128	-	124,128
Thereafter	<u>20,686</u>	<u>-</u>	<u>20,686</u>
Total minimum lease payments	641,326	11,679	653,005
Less amount representing interest	<u>(56,909)</u>	<u>(706)</u>	<u>(57,615)</u>
Present value of net minimum lease payments	<u>\$ 584,417</u>	<u>\$ 10,973</u>	<u>\$ 595,390</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2011

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

Bonds Payable

A summary of the County's June 30, 2011, general obligation bond indebtedness is as follows:

General Obligation Refunding Note

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	4.80%	<u>\$ 27,078</u>	<u>\$ 1,431</u>	<u>\$ 28,509</u>

General Obligation Hospital Bonds

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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>\$ 20,710,000</u>	<u>\$ 7,077,551</u>	<u>\$ 27,787,551</u>

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(7) Long-Term Liabilities (continued)

In 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 were used by the County to loan such proceeds to the Hamilton County Hospital which was 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 amount outstanding at year end is the same amount as the corresponding note receivable, including the same terms. The bonds stated rates varies between 1.30% to 4.55%.

General Obligation Highway Improvement Bonds

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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%	60,000	2,134	62,134
		<u>\$ 732,000</u>	<u>\$ 206,656</u>	<u>\$ 938,656</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2011

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

Urban Renewal Tax Increment Revenue Bond

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	2.35%	\$ 597,167	\$ 77,607	\$ 674,774
2013	2.35%	205,549	71,320	276,869
2014	2.35%	210,408	66,462	276,870
2015	2.35%	215,382	61,488	276,870
2016	2.35%	220,473	56,397	276,870
2017	2.35%	225,684	51,185	276,869
2018	2.35%	231,019	45,851	276,870
2019	2.35%	236,480	40,390	276,870
2020	2.35%	242,070	34,800	276,870
2021	2.35%	247,792	29,078	276,870
2022	2.35%	253,649	23,220	276,869
2023	2.35%	259,645	17,225	276,870
2024	2.35%	265,783	11,087	276,870
2025	2.35%	<u>272,071</u>	<u>4,804</u>	<u>276,873</u>
		<u>\$ 3,683,170</u>	<u>\$ 590,914</u>	<u>\$ 4,274,084</u>

2009 General Obligation County Bonds

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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>\$ 760,000</u>	<u>\$ 93,729</u>	<u>\$ 853,729</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2011

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

2009 General Obligation County Purpose Note

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	4.50%	\$ 23,454	\$ 4,258	\$ 27,712
2013	4.50%	24,522	3,191	27,713
2014	4.50%	25,638	2,075	27,713
2015	4.50%	<u>26,803</u>	<u>908</u>	<u>27,711</u>
		<u>\$ 100,417</u>	<u>\$ 10,432</u>	<u>\$ 110,849</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, 2011

(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, 2011, the amount implicitly contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 90,401
Interest on net OPEB obligation	3,152
Adjustment to annual required contribution	<u>(18,987)</u>
Annual OPEB cost	74,566
Contributions made	<u>(10,259)</u>
Increase in net OPEB obligation	64,307
Net OPEB obligation, beginning of year	<u>126,075</u>
Net OPEB obligation, end of year	<u>\$ 190,382</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, 2011.

For the year ended June 30, 2011, the County does not explicitly contribute to the medical plan. Plan members eligible for benefits contributed 100% of the premium costs.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(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, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 76,045	14.9%	\$ 64,756
June 30, 2010	75,482	17.1%	126,075
June 30, 2011	74,566	11.4%	190,382

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$595,298, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$595,298. As of June 30, 2011, 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 \$535 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, 2011

(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, 2011, 2010 and 2009 were \$415,054, \$401,336, and \$369,811, 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 645 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, 2011 were \$153,743.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(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, 2011, 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, 2011

(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, 2011 was \$1,324,872.

Amounts payable from the Hamilton County PSF Fund at June 30, 2011 total \$30,134, 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 \$297,165 at June 30, 2011 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	\$ 35,743
Incurred claims (including claims incurred but not reported at June 30, 2011):	
Current year events	<u>1,252,126</u>
Total incurred claims	<u>1,287,869</u>
Payments:	
Current year events	1,257,735
Prior year events	<u>24,525</u>
Total payments	<u>1,282,260</u>
Unpaid claims, end of year	<u>\$ 30,134</u>

(12) Construction Commitment

The County has entered into various contracts totaling \$625,615 for bridge and roadway construction projects. As of June 30, 2011, costs of \$503,305 on the project have been incurred. The balance of \$122,310 remaining on the contract at June 30, 2011 will be paid as work on the project progresses.

HAMILTON COUNTY

Notes to Financial Statements

June 30, 2011

(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) Accounting Change/Restatement

Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was required and was adopted at the beginning of fiscal year 2011. One aspect of the statement was to clarify the interpretation of certain aspects of the definitions of the governmental fund types.

Under GASB Statement No. 54, Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term “proceeds of specific revenue sources” establishes that one or more specific restricted or committed revenues should be the foundation for a Special Revenue Fund.

Under GASB Statement No. 54, two funds previously reported as Special Revenue Funds no longer qualify to be defined as Special Revenue Funds. Thereby, the County has discontinued reporting these as Special Revenue Funds, and instead is reporting the revenues in the General Fund. Fund balances have thereby been restated as follows:

	<u>General</u>	<u>Nonmajor Capital Projects Trust Fund</u>	<u>Nonmajor Supplemental Environmental Projects Fund</u>
Balances June 30, 2010, as previously reported	\$ 1,392,321	\$ 62,674	\$ 303
Change in fund type classification per implementation of GASB Statement No. 54	<u>62,977</u>	<u>(62,674)</u>	<u>(303)</u>
Balances July 1, 2010, as restated	<u>\$ 1,455,298</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2011

	Fund Types <u>Actual</u>	Less Funds Not Required <u>Be Budgeted</u>	<u>Net</u>
RECEIPTS:			
Property and other county tax	\$ 7,137,566	\$ -	\$ 7,137,566
Tax increment financing collections	438,838	-	438,838
Interest and penalty on property tax	40,098	-	40,098
Intergovernmental	6,423,802	606,957	5,816,845
Licenses and permits	13,900	-	13,900
Charges for services	1,140,950	-	1,140,950
Use of money and property	112,437	2,727	109,710
Miscellaneous	700,876	415,414	285,462
	<u>16,008,467</u>	<u>1,025,098</u>	<u>14,983,369</u>
DISBURSEMENTS:			
Public safety and legal services	2,404,946	-	2,404,946
Physical health and social services	1,895,781	-	1,895,781
Mental health	2,083,244	-	2,083,244
County environment and education services	1,237,997	-	1,237,997
Roads and transportation	4,376,921	-	4,376,921
Governmental services to residents	406,204	-	406,204
Administration	1,140,779	-	1,140,779
Non-program	1,011,250	940,394	70,856
Debt service	2,504,497	-	2,504,497
Capital projects	782,962	-	782,962
	<u>17,844,581</u>	<u>940,394</u>	<u>16,904,187</u>
EXCESS OF DISBURSEMENTS OVER RECEIPTS	(1,836,114)	84,704	(1,920,818)
OTHER FINANCING SOURCES, NET	<u>1,697,637</u>	<u>-</u>	<u>1,697,637</u>
EXCESS OF DISBURSEMENTS OVER RECEIPTS AND OTHER FINANCING SOURCES	(138,477)	84,704	(223,181)
BALANCES, BEGINNING OF YEAR	<u>6,237,573</u>	<u>406,022</u>	<u>5,831,551</u>
BALANCES, END OF YEAR	<u>\$ 6,099,096</u>	<u>\$ 490,726</u>	<u>\$ 5,608,370</u>

Budgeted Amounts		Final to Net Variance - Positive/ (Negative)
Original	Final	
\$ 7,547,077	\$ 7,529,906	\$ (392,340)
-	-	438,838
30,400	30,400	9,698
6,210,679	6,368,190	(551,345)
12,475	16,475	(2,575)
1,047,421	1,112,141	28,809
98,869	103,510	6,200
<u>1,795,268</u>	<u>1,932,690</u>	<u>(1,647,228)</u>
<u>16,742,189</u>	<u>17,093,312</u>	<u>(2,109,943)</u>
2,351,936	2,548,114	143,168
1,972,014	1,978,778	82,997
2,410,197	2,363,300	280,056
1,294,634	1,361,754	123,757
4,248,750	4,448,750	71,829
439,860	440,510	34,306
1,229,773	1,271,097	130,318
-	-	(70,856)
2,502,248	2,504,393	(104)
<u>931,504</u>	<u>1,639,280</u>	<u>856,318</u>
<u>17,380,916</u>	<u>18,555,976</u>	<u>1,651,789</u>
(638,727)	(1,462,664)	(458,154)
<u>-</u>	<u>-</u>	<u>1,697,637</u>
(638,727)	(1,462,664)	1,239,483
<u>4,358,959</u>	<u>5,831,052</u>	<u>499</u>
<u>\$ 3,720,232</u>	<u>\$ 4,368,388</u>	<u>\$ 1,239,982</u>

See independent auditor's report.

HAMILTON COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 16,008,467	\$ (445,713)	\$ 15,562,754
Expenditures	<u>17,844,581</u>	<u>201,672</u>	<u>18,046,253</u>
Net change	(1,836,114)	(647,385)	(2,483,499)
Other financing sources, net	1,697,637	415,414	2,113,051
Beginning fund balances	6,237,573	482,088	6,719,661
Decrease in reserve for inventories	<u>-</u>	<u>(71,618)</u>	<u>(71,618)</u>
Ending fund balances	<u>\$ 6,099,096</u>	<u>\$ 178,499</u>	<u>\$ 6,277,595</u>

See independent auditor's report.

HAMILTON COUNTY

Notes to Required Supplementary Information- Budgetary Reporting

Year Ended June 30, 2011

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 \$1,175,060 and increased budget revenues by \$351,123. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the non-program and debt service functions.

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
2011	July 1, 2008	-	600	600	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, 2011

	<u>Recorder's Records Management</u>	<u>Drug Forfeiture</u>	<u>Prisoner Room & Board</u>	<u>Property Forfeiture</u>	<u>Hotel/ Motel Tax</u>	<u>REAP</u>	<u>RSVP</u>	<u>Drainage</u>	<u>Special Friends of Conservation Trust</u>
ASSETS									
Cash and pooled investments	\$ 18,520	\$ 13,944	\$ 6,531	\$ 66,162	\$ 8,899	\$ 11,259	\$ 24,572	\$ 491,867	\$ 79,074
Receivables:									
Property tax:									
Delinquent	-	-	-	-	-	-	-	-	-
Succeeding year	-	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	873	-	-
Drainage assessments	-	-	-	-	-	-	-	591,293	-
Due from other funds	768	-	-	-	-	-	-	-	-
Due from other governments	-	168	-	-	8,132	-	208	-	-
	<u>-</u>	<u>168</u>	<u>-</u>	<u>-</u>	<u>8,132</u>	<u>-</u>	<u>208</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 19,288</u>	<u>\$ 14,112</u>	<u>\$ 6,531</u>	<u>\$ 66,162</u>	<u>\$ 17,031</u>	<u>\$ 11,259</u>	<u>\$ 25,653</u>	<u>\$ 1,083,160</u>	<u>\$ 79,074</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,382	\$ 2,642	\$ 16	\$ -	\$ 199
Salaries and benefits payable	-	-	-	-	-	-	350	-	-
Due to other governments	-	-	-	-	-	-	-	-	-
Deferred revenue:									
Succeeding year property tax	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	591,293	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591,293</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,382</u>	<u>2,642</u>	<u>366</u>	<u>591,293</u>	<u>199</u>
Fund balances:									
Restricted for:									
Drainage warrants/drainage improvement certificates	-	-	-	-	-	-	-	491,867	-
Debt service	-	-	-	-	-	-	-	-	-
Other purposes	19,288	14,112	6,531	66,162	15,649	8,617	25,287	-	78,875
Unassigned	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>19,288</u>	<u>14,112</u>	<u>6,531</u>	<u>66,162</u>	<u>15,649</u>	<u>8,617</u>	<u>25,287</u>	<u>491,867</u>	<u>78,875</u>
Total liabilities and fund balances	<u>\$ 19,288</u>	<u>\$ 14,112</u>	<u>\$ 6,531</u>	<u>\$ 66,162</u>	<u>\$ 17,031</u>	<u>\$ 11,259</u>	<u>\$ 25,653</u>	<u>\$ 1,083,160</u>	<u>\$ 79,074</u>

Revenue				Debt Service				Permanent	
Local Option Sales Tax	Ag Partners TIF projects	Public Health Hospice Fund	Ethanol Plant	Debt Service	Ag Partners Debt Service	Parking Lot Debt Service	Red Bull Debt Service	Conservation Legacy Endowment	Total
\$ 575,750	\$ 24,518	\$ 116,060	\$ 397,905	\$ -	\$ -	\$ -	\$ -	\$ 460,283	\$ 2,295,344
-	-	-	-	22	-	82	54	-	158
-	-	-	-	194,544	-	-	-	-	194,544
-	-	-	-	-	-	-	-	-	873
-	-	-	-	-	-	-	-	-	591,293
-	-	-	-	-	-	-	-	-	768
68,983	-	-	-	-	-	-	-	-	77,491
<u>\$ 644,733</u>	<u>\$ 24,518</u>	<u>\$ 116,060</u>	<u>\$ 397,905</u>	<u>\$ 194,566</u>	<u>\$ -</u>	<u>\$ 82</u>	<u>\$ 54</u>	<u>\$ 460,283</u>	<u>\$ 3,160,471</u>
\$ 16,055	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,294
-	-	-	-	-	-	-	-	1,068	1,418
-	-	-	-	-	-	-	-	459,215	459,215
-	-	-	-	194,544	-	-	-	-	194,544
-	-	-	-	21	-	80	53	-	591,447
<u>16,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,565</u>	<u>-</u>	<u>80</u>	<u>53</u>	<u>460,283</u>	<u>1,266,918</u>
-	-	-	-	-	-	-	-	-	491,867
-	24,518	-	397,905	1	-	2	1	-	422,427
628,678	-	116,060	-	-	-	-	-	-	979,259
-	-	-	-	-	-	-	-	-	-
<u>628,678</u>	<u>24,518</u>	<u>116,060</u>	<u>397,905</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>1,893,553</u>
<u>\$ 644,733</u>	<u>\$ 24,518</u>	<u>\$ 116,060</u>	<u>\$ 397,905</u>	<u>\$ 194,566</u>	<u>\$ -</u>	<u>\$ 82</u>	<u>\$ 54</u>	<u>\$ 460,283</u>	<u>\$ 3,160,471</u>

HAMILTON COUNTY

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

Year ended June 30, 2011

	<u>Recorder's Records Management</u>	<u>Drug Forfeiture</u>	<u>Prisoner Room & Board</u>	<u>Property Forfeiture</u>	<u>Hotel/ Motel Tax</u>	<u>REAP</u>	<u>RSVP</u>	<u>Drainage</u>	<u>Special Friends of Conservation Trust</u>
Revenues:									
Property tax and other county tax	\$ -	\$ -	\$ -	\$ -	\$ 19,640	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	-	-	-	-
Intergovernmental	-	168	-	-	-	78,170	43,800	606,957	15,616
Charges for services	3,094	-	-	-	-	-	-	-	-
Use of money and property	12	-	-	70	3	28	38	2,727	43
Miscellaneous	-	-	-	-	-	-	2,073	-	21,040
Total revenues	3,106	168	-	70	19,643	78,198	45,911	609,684	36,699
Expenditures:									
Public safety and legal services	-	-	10,800	44,472	-	-	-	-	-
Physical health and social services	-	-	-	-	-	-	54,527	-	-
County environment and education	-	-	-	-	9,243	130,892	-	-	13,023
Administration	528	-	-	-	-	-	297	-	-
Non-program	-	-	-	-	-	-	-	853,506	-
Debt service	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Total expenditures	528	-	10,800	44,472	9,243	130,892	54,824	853,506	13,023
Excess (deficiency) of revenues over (under) expenditures	2,578	168	(10,800)	(44,402)	10,400	(52,694)	(8,913)	(243,822)	23,676
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	11,564	-	-	-	6,000	-	-
Operating transfers out	(149)	-	-	-	-	-	-	-	-
Drainage warrant/drainage improvement certificate proceeds	-	-	-	-	-	-	-	415,414	-
Total other financing sources (uses)	(149)	-	11,564	-	-	-	6,000	415,414	-
Net change in fund balances	2,429	168	764	(44,402)	10,400	(52,694)	(2,913)	171,592	23,676
Fund balances, beginning of year, as restated	16,859	13,944	5,767	110,564	5,249	61,311	28,200	320,275	55,199
Fund balances, end of year	\$ 19,288	\$ 14,112	\$ 6,531	\$ 66,162	\$ 15,649	\$ 8,617	\$ 25,287	\$ 491,867	\$ 78,875

Schedule 2

Revenue				Debt Service				Permanent	Total
Local Option Sales Tax	Ag Partners TIF projects	Public Health Hospice Fund	Ethanol Plant	Debt Service	Ag Partners Debt Service	Parking Lot Debt Service	Red Bull Debt Service	Conservation Legacy Endowment	
\$ 380,540	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 99,503	\$ 66,234	\$ -	\$ 565,918
-	74,354	-	364,483	-	-	-	-	-	438,837
-	-	-	-	-	-	-	-	-	744,711
-	-	-	-	-	-	-	-	-	3,094
291	-	1,704	-	-	-	-	-	8,859	13,775
7,513	-	114,356	-	-	-	-	-	-	144,982
<u>388,344</u>	<u>74,354</u>	<u>116,060</u>	<u>364,483</u>	<u>1</u>	<u>-</u>	<u>99,503</u>	<u>66,234</u>	<u>8,859</u>	<u>1,911,317</u>
-	-	-	-	-	-	-	-	-	55,272
-	-	-	-	-	-	-	-	-	54,527
-	-	-	-	-	-	-	-	(2,141)	151,017
554	-	-	-	-	-	-	-	-	1,379
-	-	-	-	-	-	-	-	-	853,506
-	-	-	386,600	27,712	69,281	99,504	66,235	-	649,332
<u>234,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,494</u>
<u>235,048</u>	<u>-</u>	<u>-</u>	<u>386,600</u>	<u>27,712</u>	<u>69,281</u>	<u>99,504</u>	<u>66,235</u>	<u>(2,141)</u>	<u>1,999,527</u>
153,296	74,354	116,060	(22,117)	(27,711)	(69,281)	(1)	(1)	11,000	(88,210)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	27,712	69,281	-	-	-	114,557
-	(69,281)	-	-	-	-	-	-	(11,000)	(80,430)
-	-	-	-	-	-	-	-	-	415,414
<u>-</u>	<u>(69,281)</u>	<u>-</u>	<u>-</u>	<u>27,712</u>	<u>69,281</u>	<u>-</u>	<u>-</u>	<u>(11,000)</u>	<u>449,541</u>
153,296	5,073	116,060	(22,117)	1	-	(1)	(1)	-	361,331
<u>475,382</u>	<u>19,445</u>	<u>-</u>	<u>420,022</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>2</u>	<u>-</u>	<u>1,532,222</u>
<u>\$ 628,678</u>	<u>\$ 24,518</u>	<u>\$ 116,060</u>	<u>\$ 397,905</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,893,553</u>

HAMILTON COUNTY

**Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds**

Year ended June 30, 2011

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	\$ -	\$ 2,955	\$ 53,750	\$ 113,778	\$ 8,134	\$ 62,463
Other county officials	54,493	-	-	-	-	-
Receivables:						
Accounts receivable	1,326	-	-	-	-	-
Property tax:						
Delinquent	-	153	7,136	9,064	576	171
Succeeding year	-	309,182	4,269,179	11,333,532	717,641	204,974
Due from other funds	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 55,819</u>	 <u>\$ 312,290</u>	 <u>\$ 4,330,065</u>	 <u>\$ 11,456,374</u>	 <u>\$ 726,351</u>	 <u>\$ 267,608</u>
 LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-	-	1,572
Due to other funds	18,724	-	-	-	-	-
Due to other governments	37,095	2,955	53,984	113,990	8,147	60,894
Deferred revenue:						
Succeeding year property tax	-	309,182	4,269,179	11,333,532	717,641	204,974
Other	-	153	6,902	8,852	563	168
Compensated absences	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>\$ 55,819</u>	 <u>\$ 312,290</u>	 <u>\$ 4,330,065</u>	 <u>\$ 11,456,374</u>	 <u>\$ 726,351</u>	 <u>\$ 267,608</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>
\$ 1,930	\$ 5,163	\$ 362,048	\$ 7,503	\$ 353,022	\$ 182	\$ 70,278	\$ 1,041,206
-	-	-	-	-	-	-	54,493
-	-	-	-	-	158	-	1,484
155	415	-	-	255	-	2	17,927
184,726	496,266	-	-	304,527	-	2,524	17,822,551
-	-	-	-	-	-	803	803
<u>\$ 186,811</u>	<u>\$ 501,844</u>	<u>\$ 362,048</u>	<u>\$ 7,503</u>	<u>\$ 657,804</u>	<u>\$ 340</u>	<u>\$ 73,607</u>	<u>\$ 18,938,464</u>
\$ -	\$ -	\$ -	\$ 2,234	\$ -	\$ 150	\$ 28	\$ 2,412
-	-	-	-	2,453	15	-	4,040
-	-	-	-	-	-	-	18,724
1,934	5,172	362,048	5,269	350,575	(1,182)	71,053	1,071,934
184,726	496,266	-	-	304,527	-	2,524	17,822,551
151	406	-	-	249	-	2	17,446
-	-	-	-	-	1,357	-	1,357
<u>\$ 186,811</u>	<u>\$ 501,844</u>	<u>\$ 362,048</u>	<u>\$ 7,503</u>	<u>\$ 657,804</u>	<u>\$ 340</u>	<u>\$ 73,607</u>	<u>\$ 18,938,464</u>

HAMILTON COUNTY

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

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	\$ 60,374	\$ 301,714	\$ 4,514,437	\$ 10,903,727	\$ 777,054	\$ 251,889
Additions:						
Property and other county tax	-	312,353	4,169,114	11,160,510	705,860	201,663
E911 surcharge	-	-	-	-	-	-
State tax credits	-	10,610	175,805	409,050	28,633	7,241
Federal grants	-	-	-	-	-	-
Office fees and collections	361,045	-	-	-	-	103
Electronic transaction fee	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	201,462	-	-	-	-	-
Miscellaneous	-	-	-	-	-	525
Total additions	<u>562,507</u>	<u>322,963</u>	<u>4,344,919</u>	<u>11,569,560</u>	<u>734,493</u>	<u>209,532</u>
Deductions:						
Agency remittances:						
To other funds	195,567	-	-	-	-	-
To other governments	163,632	312,387	4,529,291	11,016,913	785,196	193,813
Trusts paid out	207,863	-	-	-	-	-
Total deductions	<u>567,062</u>	<u>312,387</u>	<u>4,529,291</u>	<u>11,016,913</u>	<u>785,196</u>	<u>193,813</u>
Balances, end of year	<u>\$ 55,819</u>	<u>\$ 312,290</u>	<u>\$ 4,330,065</u>	<u>\$ 11,456,374</u>	<u>\$ 726,351</u>	<u>\$ 267,608</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>
\$ 187,540	\$ 501,838	\$ 371,064	\$ 22,998	\$ 540,932	\$ 15,587	\$ 87,397	\$ 18,536,551
181,391	487,344	-	-	299,684	-	2,483	17,520,402
-	-	-	77,049	-	-	-	77,049
6,954	18,601	-	35,803	10,153	-	97	702,947
-	-	-	-	-	-	32,466	32,466
-	-	-	-	-	-	-	361,148
-	-	-	-	-	-	9,204	9,204
-	-	4,345,495	-	-	-	-	4,345,495
-	-	-	-	-	-	4,939	4,939
-	-	-	-	-	-	-	201,462
-	-	-	835	5,351	46,465	273,327	326,503
<u>188,345</u>	<u>505,945</u>	<u>4,345,495</u>	<u>113,687</u>	<u>315,188</u>	<u>46,465</u>	<u>322,516</u>	<u>23,581,615</u>
-	-	163,939	-	-	-	-	359,506
189,074	505,939	4,190,572	129,182	198,316	61,712	336,306	22,612,333
-	-	-	-	-	-	-	207,863
<u>189,074</u>	<u>505,939</u>	<u>4,354,511</u>	<u>129,182</u>	<u>198,316</u>	<u>61,712</u>	<u>336,306</u>	<u>23,179,702</u>
\$ 186,811	\$ 501,844	\$ 362,048	\$ 7,503	\$ 657,804	\$ 340	\$ 73,607	\$ 18,938,464

HAMILTON COUNTY

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

For the Last Nine Years

				Modified
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES				
Property and other county tax	\$ 7,166,856	\$ 6,628,446	\$ 6,368,944	\$ 6,120,736
Tax increment financing collections	438,837	487,480	393,648	297,291
Interest and penalty on property tax	39,895	41,454	39,948	36,925
Intergovernmental	6,426,294	6,713,275	6,998,897	5,872,894
Licenses and permits	12,990	68,960	8,355	12,790
Charges for services	1,088,828	1,138,600	1,074,161	1,063,306
Use of money and property	111,782	105,659	169,893	370,256
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	<u>277,272</u>	<u>43,058</u>	<u>186,678</u>	<u>167,983</u>
Total	<u>\$ 15,562,754</u>	<u>\$ 15,226,932</u>	<u>\$ 15,240,524</u>	<u>\$ 13,942,181</u>
EXPENDITURES				
Current:				
Public safety and legal services	\$ 2,417,356	\$ 2,415,889	\$ 2,386,472	\$ 2,258,805
Physical health and social services	1,882,099	2,029,093	1,918,313	2,100,019
Mental health	2,152,328	1,891,221	2,070,701	2,170,686
County environment and education	1,230,025	1,161,085	1,216,662	1,094,572
Roads and transportation	4,581,173	4,136,876	4,140,465	4,422,287
Governmental services to residents	406,190	403,950	403,740	375,852
Administration	1,141,661	1,179,107	1,145,339	1,101,284
Non-program	932,632	797,475	601,438	455,675
Debt service	2,504,497	1,315,053	1,171,449	415,656
Capital projects	<u>798,292</u>	<u>1,796,991</u>	<u>1,401,766</u>	<u>369,008</u>
Total	<u>\$ 18,046,253</u>	<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	-
<u>203,584</u>	<u>184,337</u>	<u>223,643</u>	<u>89,668</u>	<u>377,469</u>
<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
<u>1,093,478</u>	<u>1,716,244</u>	<u>1,793,367</u>	<u>2,740,430</u>	<u>913,290</u>
<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, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
Corporation for National & Community Service			
Retired and Senior Volunteer Program (RSVP)	94.002	08SRNIA010	\$ <u>28,975</u>
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DR-IA	230,938
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1930-DR-IA	397,277
Emergency Management Performance Grant	97.042		15,755
Iowa Department of Natural Resources			
Water Recreation Access Cost-Share Program	97.012	10-547	<u>7,308</u>
Total U.S. Department of Homeland Security			<u>651,278</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness and Response Grant	93.069	5881BT40	22,076
Iowa Department of Human Services:			
Social Services Block Grant	93.667		<u>51,109</u>
Total U.S. Department of Health and Human Services			<u>73,185</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	410-31	<u>12,847</u>
U.S. Department of the Interior:			
Iowa Department of Natural Resources			
Land and Water Conservation Fund Program	15.916	19-01277	<u>31,229</u>
Total			\$ <u>797,514</u>

This information should be read only in connection with the notes to the schedule of expenditures of federal awards.

HAMILTON COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

NOTE 1 - 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.

NOTE 2 - SUBRECIPIENT PAYMENTS OF NONCASH ASSISTANCE

There were no payments passed through to subrecipient agencies during the year ended June 30, 2011. In addition, there were no noncash assistance, loans or loan guarantees outstanding as of and for the year ended June 30, 2011.

This information is an intergral part of the accompanying
schedule of expenditure of federal awards.



CliftonLarsonAllen

**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 (County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 30, 2012. 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

Management of Hamilton County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hamilton County, Iowa'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs as item II-B-11 to be a material weakness in internal control over financial reporting.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Hamilton County, Iowa 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*. However, we noted certain immaterial instances of non-compliance or other matters 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, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The 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 the 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, Iowa and other parties to whom Hamilton County, Iowa 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.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
April 30, 2012



CliftonLarsonAllen

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

To the Officials of
Hamilton County
Webster City, Iowa

Compliance

We have audited Hamilton County, Iowa's (County) compliance 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, 2011. The Hamilton County, Iowa major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of management of Hamilton County, Iowa. Our responsibility is to express an opinion on compliance of Hamilton County, Iowa 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 non-compliance 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 compliance of Hamilton County, Iowa with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on compliance of Hamilton County, Iowa with those requirements.

In our opinion, Hamilton County, Iowa 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, 2011. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-D-11 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of Hamilton County, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Hamilton County's internal control over compliance with 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 the Hamilton County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the County's internal control over compliance that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-11 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-11, III-C-11, and III-D-11 to be significant deficiencies.

The County's responses to the 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 the 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, Iowa and other parties to whom Hamilton County, Iowa 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 Larson Allen LLP

Cedar Rapids, Iowa
April 30, 2012

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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? X Yes 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? X Yes None Reported
- Deficiencies identified that are not considered to be material weaknesses? X Yes 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? X Yes 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, 2011

PART II - Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11: 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, 2011

PART II - Findings Related to the Financial Statements: (continued)

II-B-11: 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, 2011

PART II - Findings Related to the Financial Statements: (continued)

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART III – Findings and Questioned Costs For Federal Awards:

INTERNAL CONTROL OVER COMPLIANCE DEFICIENCIES:

All Programs
All Years
Questioned Costs: None

III-A-11: Audit Adjustments

As discussed at II-A-11, 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. As a result of this deficiency in internal control, there is a higher risk that errors or misstatements on the schedule of expenditures of federal awards could occur and not be detected. Sufficient financial review procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the County's activities and operations.

III-B-11: Preparation of Financial Statements

As discussed at II-B-11, 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.

CFDA Number 97.012: Water Recreation Access Cost-Share Program
Federal Award Year: 2011
U.S. Department of Homeland Security
Passed through the Iowa Department of Natural Resources
Questioned Costs: None

CFDA Number 93.667: Social Services Block Grant
Federal Award Year: 2011
U.S. Department of Health and Human Services
Passed through the Iowa Department of Human Services
Questioned Costs: None

CFDA Number 20.601: Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant
Federal Award Year: 2011
U.S. Department of Transportation

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

PART III – Findings and Questioned Costs For Federal Awards: (continued)

**Passed through the Iowa Department of Transportation
Questioned Costs: None**

**CFDA Number 15.916: Land and Water Conservation Fund Program
Federal Award Years: 2011
U.S. Department of the Interior
Passed through the Iowa Department of Natural Resources
Questioned Costs: None**

III-C-11: Completeness of Schedule of Expenditures of Federal Awards

Criteria:

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

Condition:

County management was unaware that certain awards passing through the state of Iowa were federal awards requiring disclosure on the Schedule of Expenditures of Federal Awards.

Context:

During the course of the audit it was discovered that federal awards that flowed through the state of Iowa were omitted from the Schedule of Expenditures of Federal Awards.

Effect:

As a result of this condition, awards were initially omitted from the Schedule of Expenditures of Federal Awards for the year ended June 30, 2011 and a correction was needed to include the omitted program.

Cause:

The award grantors did not inform the County that awards were of a federal source.

Recommendation:

We recommend that when a County department receives a grant, the department head should inquire from the grantor whether the grant received is of a federal source, in full or in part. Documentation of the inquiry, including name and title of person whom the inquiry was made and the federal percentage of grant, should be documented if not apparent in the grant contract.

Management Response:

The auditor recommendation will be implemented. In addition, the County Auditor will maintain copies of grant agreements in the grant tracking binder.

Conclusion:

Response accepted.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

PART III – Findings and Questioned Costs For Federal Awards: (continued)

INSTANCE OF NON-COMPLIANCE:

CFDA Number 97.036: Public Assistance Grants
Pass-through Agency Number: FEMA-1930-DR-IA
Federal Award Year: 2010
U.S. Department of Homeland Security
Passed through the Iowa Department of Public Defense
Questioned Costs: None

III-D-11: Internal Control and Compliance over Expenditure Reporting

Criteria:

The County is responsible for submitting to the Federal Emergency Management Agency (FEMA) accurate expenditure amounts for awarded federal projects.

Condition:

An expenditure summary report for a project in the secondary roads department contained data that did not agree with original source documents.

Context:

Data on reports submitted to FEMA should be substantiated by time cards and supporting source documentation. In the process of summarizing source data on an excel report, the information became scrambled during a filter process. This created inaccurate value calculations in regards to employee hours and equipment hours.

Effect:

As a result of this condition, expenditure amounts reported on the Federal Emergency Management Agency (FEMA) reports were understated by \$3,805.

Cause:

In the process of filtering an expenditure summary report in order to split a secondary roads project into two projects, the expenditure data was scrambled causing inaccurate expenditure amounts to be calculated.

Recommendation:

We recommend that internal review procedures be established to ensure that data on summary reports is accurate and agrees with reporting data such as manual time card hours, employee wages, and materials amounts.

Management Response:

Review procedures will be established.

Conclusion:

Response accepted.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

PART IV: Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the non-program and debt service functions. Disbursements in certain departments exceeded the amounts appropriated.

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

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response - We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion - Response accepted.

IV-B-11 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.

IV-C-11 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-11 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.

IV-E-11 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.

IV-F-11 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

PART IV: Findings Related to Required Statutory Reporting: (continued)

- IV-G-11 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.
- IV-H-11 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).
- IV-I-11 Solid Waste Fees Retainage - During the year ended June 30, 2011, 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.
- IV-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, 2011 for the County Extension Office did not exceed the amount budgeted.

HAMILTON COUNTY
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2011

II-A-10: 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-10: 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.