

**HAMILTON COUNTY
Webster City, Iowa**

**FINANCIAL STATEMENTS
June 30, 2013**

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HAMILTON COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wesley Sweedler	Board of Supervisors	December 2016
David Young	Board of Supervisors	December 2014
Doug Bailey	Board of Supervisors	December 2016
Kim Schaa	County Auditor	December 2016
Shari Vermett	County Treasurer	December 2014
Kim Anderson	County Recorder	December 2014
Denny Hagenson	County Sheriff	December 2016
Patrick Chambers	County Attorney	December 2014
Kevin Bahrenfuss	County Assessor	December 2015

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hamilton County
Webster City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 standard applicable to financial audits contained in *Government Audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis), the Budgetary Comparison Schedule - Budget to GAAP Reconciliation, and the Schedule of Funding Progress for the Retiree Health Plan on pages 47-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamilton County's basic financial statements. The combining Schedule of Revenues, Expenditures and changes in Fund Balances and Combining Balance Sheet for both the governmental and agency funds and the Schedule of Revenue by Source and Expenditures by Function - All are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules and the Schedule of Revenue by Source and Expenditures by Function - All Governmental Funds, as listed in the table of contents, collectively, the supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014, on our consideration of Hamilton County's internal control over financial reporting and on 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamilton County's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
February 28, 2014

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, 2013 (FY13). We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Governmental activities revenue was approximately \$15.5 million in FY13, compared to \$16.2 million in FY12.
- Program expenses were approximately \$15.6 million, compared to \$15.5 million in FY12.
- Net position decreased approximately \$64,000 for FY13.

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 Position 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.

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 Position 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position 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, and 3) Debt Service Funds. 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 position, a statement of revenues, expenses and changes in fund net position 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 position may serve over time as a useful indicator of financial position. Hamilton County's net position for FY13 totaled approximately \$28.29 million. This compares to FY12 at approximately \$28.34 million. The analysis that follows focuses on the changes of the net position for our governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)

	June 30, <u>2013</u>	June 30, <u>2012</u>
Current and other assets	\$ 50,139	\$ 55,627
Capital assets	<u>28,548</u>	<u>27,939</u>
Total assets	<u>78,687</u>	<u>83,566</u>
Long-term debt outstanding	40,353	26,000
Other liabilities	<u>10,051</u>	<u>29,219</u>
Total liabilities	<u>50,404</u>	<u>55,219</u>
Net assets:		
Net investment in capital assets	23,831	23,068
Restricted	3,926	4,024
Unrestricted	<u>526</u>	<u>1,255</u>
Total net position	<u>\$ 28,283</u>	<u>\$ 28,347</u>

FY13 net position of Hamilton County's governmental activities decreased by \$53,000 from FY12. The largest portion of the County's net position 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 position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements, is approximately \$597,000.

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

	Year ended June 30,	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 2,249	\$ 1,689
Operating grants and contributions	4,974	5,911
Capital grants and contributions	6	113
General revenues:		
Property taxes	7,070	7,159
TIF collections	390	435
Local option sales tax	504	477
Investment earnings	(34)	57
Other general revenues	365	315
Total revenues	15,524	16,156
Program expenses:		
Public safety and legal services	2,692	2,697
Physical health and social services	1,669	1,607
Mental health	1,914	1,739
County environment and education	1,496	1,182
Roads and transportation	4,192	5,652
Government services to residents	485	438
Administration	1,310	1,254
Non-program	722	776
Interest on long-term debt	1,108	162
Total expenses	15,588	15,507
Increase (decrease) in net position	\$ (64)	\$ 649

Hamilton County's county-wide levy rate decreased slightly from 10.52378 per \$1,000 of valuation in FY12 to 10.13287 in FY13. The rural assessed property taxable valuation increased by \$24.4 million for a total of \$538,120,534 and countywide assessed property valuation increased by \$54.7 million for a total of \$858,951,665.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hamilton County completed the year, its governmental funds reported a combined fund balance of \$21,292,704, compared to \$6,760,472 combined fund balance for FY12. This is an increase of \$13,974,932.

The General Fund, the operating fund for Hamilton County, ended FY13 with a fund balance totaling \$1,812,984 whereas FY12 ended with a \$2,006,291 balance, an decrease of \$193,307. Taxable property valuations increased from \$804,276,498 in FY12 to \$858,951,665 in FY13, an increase of \$54,675,167. The levy rate decreased by .39091 to \$6.42297 for FY13.

The Mental Health Fund ended with a \$496,555 fund balance for FY13, whereas FY12 ended with a \$760,727, a decrease of \$264,172. The levy rate decreased from 1.06085 in FY12 to 1.03248 in FY13, a decrease of .02837. 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 \$397,082 fund balance for FY13 compared to the prior year balance of \$376,085, an increase of \$20,997. The levy rate remained consistent with the prior year at 3.70990 for FY13. Property valuations increased from \$513,740,131 in FY12 to \$538,120,534 in FY13. 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 FY13 with a \$2,758,383 fund balance compared to the prior year balance of \$2,290,976, an increase of \$467,407. FY13 expenditures increased \$57,831 to \$4,492,435 from \$4,434,604 in FY12. In FY12, the Secondary Roads Department maintained 715 miles of aggregate-surfaced roads and 235 miles of paved roads during the year.

The Drainage Fund ended FY13 with a \$589,460 fund balance compared to the prior year balance of \$589,498.

The Hospital Debt Service Fund, in prior years, was designed for the purpose of flowing through payments collected from the Hospital to pay for debt and as such, was not intended to accumulate a fund balance. In FY13, the County executed a crossover refunding of the General Obligation Hospital Bonds, Series 2009 originally issued in the amount of \$21,820,000, with an outstanding balance of \$18,445,000 as of June 30, 2013. The County issued General Obligation County Purpose and Refunding Series 2012A, in the amount of \$7.8 million and General Obligation Refunding Bonds, Series 2013A, in the amount of \$6.525 million for refunding purposes. The crossover refunding results in the future refunding of the General Obligation Hospital Bonds, Series 2009 debt scheduled to occur during the FY17. As a result, the Hospital Debt Service Fund is currently reflecting a fund balance of \$14,271,530 for the FY13, restricted for debt service.

BUDGETARY HIGHLIGHTS

Hamilton County amended the budget once on December 11, 2012 through Resolution 2012-33 for the fiscal year ending June 30, 2013, as originally adopted March 13, 2012. The budget amendment primarily resulted in an increase to general long-term debt proceeds of \$800,000 and transfers of \$200,000 to fund a capital projects budget increase of \$1.1 million. The increase in the Capital Projects budget was to fund work within Conservation for the rehabilitation and reconstruction of cabins in Briggs-Woods.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY13, the County had approximately \$28.9 million invested in capital assets, compared to \$27.9 million for FY12. This is a decrease of \$1.0 million from FY12.

Capital Assets, Net of Depreciation (Expressed in Thousands)

	<u>2013</u>	<u>2012</u>
Land	\$ 3,864	\$ 3,864
Construction in progress	243	601
Buildings and improvements	5,917	6,087
Machinery and Equipment	2,132	2,149
Infrastructure	<u>16,392</u>	<u>15,237</u>
Total	<u>\$ 28,548</u>	<u>\$ 27,938</u>

Long-Term Debt

At June 30, 2013, Hamilton County had approximately \$40.4 million in capital notes and other debt outstanding compared to \$26.2 million at June 30, 2012. The majority of the long term debt is Hospital general obligation bonds and TIF revenue bonds for the ethanol project.

Outstanding Long-term Obligations (Expressed in Thousands)

	<u>2013</u>	<u>2012</u>
General obligation bonds and notes	\$ 35,086	\$ 20,974
Urban renewal tax increment revenue bonds	2,752	3,002
Capital lease purchase agreements	371	480
Drainage warrants and improvement certificates	1,350	1,017
Compensated absences	463	464
Net OPEB	<u>331</u>	<u>262</u>
Total	<u>\$ 40,353</u>	<u>\$ 26,199</u>

Outstanding debt at June 30, 2013 includes \$13.8 million of refunding bonds. During the year, the County issued this debt to accomplish a crossover refunding. Accordingly, the debt and the related refunding escrow investments are included in the County's financial statements at June 30, 2013.

The Constitution of the State of Iowa limits the general obligation debt a county can issue and have outstanding to five percent of the assessed value of all taxable property within the County's corporate limits. Hamilton County's outstanding general obligation debt is below this limit.

ECONOMIC 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 2014 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 Position
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 5,007,087
Investments	15,621,759
Receivables:	
Property tax:	
Delinquent	6,915
Succeeding year	7,441,712
Interest and penalty on property tax	24,132
Accounts	74,123
Accrued interest	58,849
Drainage assessments	1,310,648
Note	1,165,000
Due from other governments	173,564
Inventories	1,855,934
Prepaid insurance	119,211
Note receivable-long term	17,280,000
Capital assets, net of accumulated depreciation	<u>28,548,035</u>
Total assets	<u>78,686,969</u>
LIABILITIES	
Accounts payable	351,490
Accrued interest payable	91,457
Salaries and benefits payable	198,063
Due to other governments	627,132
Unearned revenue:	
Succeeding year property tax	7,441,712
Other	1,341,360
Long-term liabilities:	
Due within one year	2,067,488
Due in more than one year	<u>38,285,412</u>
Total liabilities	<u>50,404,114</u>
NET POSITION	
Net investment in capital assets	23,830,570
Restricted	3,925,984
Unrestricted	<u>526,301</u>
TOTAL NET POSITION	<u>\$ 28,282,855</u>

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

HAMILTON COUNTY
Statement of Activities
Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:					
Public safety and legal services	\$ 2,691,890	\$ 253,770	\$ 13,812	\$ -	\$ (2,424,308)
Physical health and social services	1,669,207	146,092	1,001,155	-	(521,960)
Mental health	1,914,154	29,986	1,035,972	-	(848,196)
County environment and education	1,496,122	699,209	30,789	-	(766,124)
Roads and transportation	4,191,802	51,308	2,876,947	-	(1,263,547)
Governmental services to residents	484,514	265,286	-	-	(219,228)
Administration	1,310,531	29,293	15,277	5,524	(1,260,437)
Non-program	721,773	774,015	-	-	52,242
Interest on long-term debt	1,107,197	-	-	-	(1,107,197)
Total	\$ 15,587,190	\$ 2,248,959	\$ 4,973,952	\$ 5,524	(8,358,755)
GENERAL REVENUES:					
Property tax levied for general purposes					7,069,889
Penalty and interest on property tax					43,020
State tax credits					321,425
Tax increment financing collections					389,485
Local option sales tax					504,393
Investment earnings					(33,584)
Miscellaneous					(23)
Total general revenues					8,294,605
Change in net position					(64,150)
Net position, beginning of year					28,347,005
Net position, end of year					\$ 28,282,855

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

HAMILTON COUNTY
Balance Sheet
Governmental Funds
June 30, 2013

	<u>Special Revenue</u>							<u>Total</u>
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Drainage</u>	<u>Hospital Debt Service</u>	<u>Nonmajor</u>	
ASSETS								
Cash and cash equivalents	\$ 587,464	\$ 804,935	\$ 375,842	\$ 1,027,077	\$ 589,460	\$ -	\$ 1,340,512	\$ 4,725,290
Investments	1,350,229	-	-	-	-	14,271,530	-	15,621,759
Receivables:								
Property tax:								
Delinquent	5,227	839	645	-	-	-	204	6,915
Succeeding year	4,480,886	719,518	2,064,702	-	-	-	176,606	7,441,712
Interest and penalty on property tax	24,132	-	-	-	-	-	-	24,132
Accounts	69,735	-	-	4,063.00	-	-	325	74,123
Accrued interest	671	-	-	-	-	57,428	750	58,849
Drainage assessments	-	-	-	-	1,310,648	-	-	1,310,648
Note	-	-	-	-	-	18,445,000	-	18,445,000
Due from other governments	42,636	-	30,150	973	-	-	99,805	173,564
Inventories	-	-	-	1,855,934	-	-	-	1,855,934
Total assets	\$ 6,560,980	\$ 1,525,292	\$ 2,471,339	\$ 2,888,047	\$ 1,900,108	\$ 32,773,958	\$ 1,618,202	\$ 49,737,926
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 104,548	\$ 46,934	\$ 643	\$ 79,189	\$ -	\$ -	\$ 114,774	\$ 346,088
Salaries and benefits payable	103,194	20,018	8,185	50,048	-	-	16,618	198,063
Due to other governments	30,265	241,448	135	427	-	-	354,857	627,132
Deferred revenue:								
Succeeding year property tax	4,480,886	719,518	2,064,702	-	-	-	176,606	7,441,712
Other	29,103	819	592	-	1,310,648	18,502,428	198	19,843,788
Total liabilities	<u>4,747,996</u>	<u>1,028,737</u>	<u>2,074,257</u>	<u>129,664</u>	<u>1,310,648</u>	<u>18,502,428</u>	<u>663,053</u>	<u>28,456,783</u>
Fund balances:								
Nonspendable for inventories	-	-	-	1,855,934	-	-	-	1,855,934
Restricted for:								
Supplemental levy purposes	436,541	-	-	-	-	-	-	436,541
Mental health purposes	-	496,555	-	-	-	-	-	496,555
Rural services purposes	-	-	397,082	-	-	-	-	397,082
Secondary roads purposes	-	-	-	902,449	-	-	-	902,449
Drainage warrants and certificates	-	-	-	-	589,460	-	-	589,460
Conservation land and capital improvements	13,683	-	-	-	-	-	-	13,683
Debt service	-	-	-	-	-	14,271,530	13,078	14,284,608
Other purposes	-	-	-	-	-	-	1,078,653	1,078,653
Unassigned	<u>1,362,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(136,582)</u>	<u>1,226,178</u>
Total fund balances	<u>1,812,984</u>	<u>496,555</u>	<u>397,082</u>	<u>2,758,383</u>	<u>589,460</u>	<u>14,271,530</u>	<u>955,149</u>	<u>21,281,143</u>
Total liabilities and fund balances	\$ 6,560,980	\$ 1,525,292	\$ 2,471,339	\$ 2,888,047	\$ 1,900,108	\$ 32,773,958	\$ 1,618,202	\$ 49,737,926

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

HAMILTON COUNTY
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2013

Total governmental fund balances \$ 21,281,143

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. 28,548,035

Long-term note receivable for pass through monies related to general obligation hospital bonds is deferred in the funds but is revenue in the statement of activities 18,445,000

Long-term interest receivable on pass through note receivable for pass through monies related to the general obligation hospital bonds 57,428

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 (40,352,900)
 Accrued interest payable (91,457)

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 Position. 395,606

Net position of governmental activities \$ 28,282,855

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, 2013

	<u>Special Revenue</u>							<u>Total</u>
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Drainage</u>	<u>Hospital Debt Service</u>	<u>Nonmajor</u>	
Revenues:								
Property and other county tax	\$ 4,110,457	\$ 822,632	\$ 2,029,616	\$ -	\$ -	\$ -	\$ 602,334	\$ 7,565,039
Tax increment financing collections	-	-	-	-	-	-	389,485	389,485
Interest and penalty on property tax	43,020	-	-	-	-	-	-	43,020
Intergovernmental	1,356,199	724,268	88,811	2,876,947	4,885	-	349,852	5,400,962
Licenses and permits	12,566	-	-	5,680	-	-	-	18,246
Charges for services	1,177,019	6,556	-	1,306	646,849	-	5,334	1,837,064
Use of money and property	61,919	22,800	-	-	2,296	(85,899)	9,841	10,957
Miscellaneous	69,156	11,448	1,231	48,609	119,986	-	9,737	260,167
Total revenues	<u>6,830,336</u>	<u>1,587,704</u>	<u>2,119,658</u>	<u>2,932,542</u>	<u>774,016</u>	<u>(85,899)</u>	<u>1,366,583</u>	<u>15,524,940</u>
Expenditures:								
Current:								
Public safety and legal services	2,289,004	-	247,265	-	-	-	9,339	2,545,608
Physical health and social services	1,676,473	-	-	-	-	-	-	1,676,473
Mental health	6,586	1,851,876	-	-	-	-	-	1,858,462
County environment and education services	1,124,664	-	130,259	-	-	-	177,123	1,432,046
Roads and transportation	-	-	297,331	4,115,484	-	-	-	4,412,815
Governmental services to residents	475,050	-	-	-	-	-	888	475,938
Administration	1,196,145	-	53,806	-	-	-	36,657	1,286,608
Non-program	-	-	-	3,181	1,033,254	-	385,306	1,421,741
Debt service	1,215	-	-	-	774,054	2,196,112	1,967,892	4,939,273
Capital outlay	88,045	-	75,000	373,770	-	-	743,610	1,280,425
Total expenditures	<u>6,857,182</u>	<u>1,851,876</u>	<u>803,661</u>	<u>4,492,435</u>	<u>1,807,308</u>	<u>2,196,112</u>	<u>3,320,815</u>	<u>21,329,389</u>
Excess (deficiency) of revenues over expenditures	<u>(26,846)</u>	<u>(264,172)</u>	<u>1,315,997</u>	<u>(1,559,893)</u>	<u>(1,033,292)</u>	<u>(2,282,011)</u>	<u>(1,954,232)</u>	<u>(5,804,449)</u>
Other financing sources (uses):								
Transfers in	1,372,917	-	80,000	1,470,000	-	-	285,700	3,208,617
Transfers out	(1,539,378)	-	(1,375,000)	-	-	-	(294,239)	(3,208,617)
Bond Proceeds	-	-	-	-	-	14,343,975	2,181,025	16,525,000
Premium on bond issuance	-	-	-	-	-	356,534	-	356,534
Payments received on long term receivable	-	-	-	-	-	1,853,032	-	1,853,032
Drainage warrant/drainage improvement certificates issued	-	-	-	-	1,033,254	-	-	1,033,254
Total other financing sources (uses)	<u>(166,461)</u>	<u>-</u>	<u>(1,295,000)</u>	<u>1,470,000</u>	<u>1,033,254</u>	<u>16,553,541</u>	<u>2,172,486</u>	<u>19,767,820</u>

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, 2013

	<u>Special Revenue</u>							<u>Total</u>
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Drainage</u>	<u>Hospital Debt Service</u>	<u>Nonmajor</u>	
Net change in fund balances	\$ (193,307)	\$ (264,172)	\$ 20,997	\$ (89,893)	\$ (38)	\$ 14,271,530	\$ 218,254	\$ 13,963,371
Fund balances, beginning of year	2,006,291	760,727	376,085	2,290,976	589,498	-	736,895	6,760,472
Increase in reserve for inventories	-	-	-	557,300	-	-	-	557,300
Fund balances, end of year	\$ 1,812,984	\$ 496,555	\$ 397,082	\$ 2,758,383	\$ 589,460	\$ 14,271,530	\$ 955,149	\$ 21,281,143

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, 2013

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds **\$ 13,963,371**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Expenditures for capital assets	2,333,955
Depreciation expense	(1,724,756)

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.

Drainage certificates and warrants issued	(1,033,254)
Drainage coupons issued	(39,580)
Repayments of certificates and warrants	740,399
Long-term debt issued	(16,525,000)
Principal repayments of bonds, notes and capital leases	3,103,685
Premium on long-term debt	(356,534)

Collection of long term receivables are other financing sources in the governmental funds, but reduce long-term receivables in the Statement of Net Position	(1,141,900)
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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	(69,377)
Compensated absences	790
Accrued interest on long-term debt	(10,108)
Amortization of premium	25,467

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities reports these items as expenses in the period that the corresponding net asset is exhausted.	557,300
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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.	111,392
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Change in net position of governmental activities **\$ (64,150)**

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

HAMILTON COUNTY
Statement of Net Position
Proprietary Fund
June 30, 2013

	Internal Service - Hamilton County PSF
ASSETS	
Cash and cash equivalents	\$ 281,797
Prepaid insurance	<u>119,211</u>
Total assets	401,008
LIABILITIES	
Accounts payable	<u>5,402</u>
NET POSITION	
Unrestricted	<u>\$ 395,606</u>

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

HAMILTON COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2013

	<u>Internal Service - Hamilton County PSF</u>
OPERATING REVENUE:	
Intra-county reimbursements	<u>\$ 1,378,706</u>
OPERATING EXPENSES:	
Medical claims	1,254,430
Administrative fees	<u>12,884</u>
Total operating expenses	<u>1,267,314</u>
Operating income	111,392
NET POSITION, BEGINNING OF YEAR	<u>284,214</u>
NET POSITION, END OF YEAR	<u><u>\$ 395,606</u></u>

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

HAMILTON COUNTY
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2013

	Internal Service - Hamilton County PSF
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,378,706
Cash paid to suppliers for services	<u>(1,351,182)</u>
Net cash provided by operating activities	27,524
Cash and cash equivalents, beginning of year	<u>254,273</u>
Cash and cash equivalents, end of year	<u>\$ 281,797</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 111,392
Increase in accounts payable	(69,428)
Increase in prepaid insurance	<u>(14,440)</u>
Net cash provided by operating activities	<u>\$ 27,524</u>

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

HAMILTON COUNTY
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

ASSETS

Cash and pooled investments	\$ 1,364,022
Receivables:	
Accounts receivable	2,517
Taxes receivable	19,855,859
Due from other governments	<u>9,582</u>
 Total assets	 <u>\$ 21,231,980</u>

LIABILITIES

Accounts payable	\$ 62,185
Salaries and benefits payable	4,734
Due to other governments	<u>21,165,061</u>
 Total liabilities	 <u>\$ 21,231,980</u>

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

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 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.

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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The County adopted GASB Statement No. 63, *Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of July 1, 2012. GASB Statement No. 63 impacted financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The impact of adoption of this statement resulted in the Statement of Net Assets becoming the Statement of Net Position.

The Statement of Net Position and the Statement of Activities report information about the government as a whole. These statements include all of the financial activity of the County except for the fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through property tax, intergovernmental revenues and other nonexchange revenues. The County does not report any business-type activities.

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 and contributions that are 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. Internally generated resources are reported as general revenues rather than program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which are considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditure/expenses.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

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 funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as other nonmajor funds. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the County believes is particularly important to financial statement users may be reported as a major fund.

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 Funds:

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 Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Drainage Fund is used to account for intergovernmental revenues and the issuance of drain warrants to fund the maintenance, repair, and improvement of drainage structures throughout the County.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (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.

The County reports the following nonmajor funds:

Recorder's Records Management	Ag Partners TIF Projects
Drug Forfeiture	Public Health Hospice
Prisoner Room and Board	Ethanol Plant
Property Forfeiture	Conservation Legacy Endowment
Hotel/Motel Tax	Waivered Drainage
REAP	Debt Service
RSVP	Ag Partners Debt Service
Central Iowa Recovery	Parking Lot Debt Service
Friends of Conservation Trust	Red Bull Debt Service
Local Option Sales Tax	Capital Projects

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. The County uses this fund to account for its health insurance program.

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.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred or an economic asset is used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property tax is recognized as revenue in the year for which it is levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

For the most part, the effect of interfund activity has been removed from these statements.

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.

The County reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the County has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The proprietary funds distinguish operating revenues and expenses from nonoperating 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 proprietary funds are charges to County departments. Operating expenses for proprietary funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Equity

Cash, Cash Equivalents and Investments

The cash balances of most County funds are pooled and invested. Interest earned on pooled investments is recorded in the General Fund, unless otherwise provided by law. Investment in the Iowa Public Agency Investment Trust is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Investments consist primarily of refunding escrow investments and are stated at fair value.

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 receivable is recognized in the 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 the 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Interest and Penalty on Property Taxes Receivable

Interest and penalty on property taxes receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable

Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due From Other Governments

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

Inventories and Prepaid Insurance

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.

Prepayments for insurance premiums reflect costs applicable to future periods and are recorded as prepaid insurance in the government-wide and fund financial statements.

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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Capital Assets (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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

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.

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, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities

In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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. Payments of principal and interest are reported as expenditures.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

Equity Classifications

The government-wide and proprietary fund Statement of Net Position presents the County's assets and liabilities, with the difference reported as net position. Net position is 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 position result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of net position that do not meet the definition of the two preceding categories. Unrestricted net position often have constraints on resources that are imposed by management, but can be removed or modified.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Unassigned - All amounts not included in other classifications.

It is the County's policy to use fund balance resources in the following manner: first, restricted, then committed, then assigned, and finally unassigned.

The net position of the Internal Service Fund is designated for catastrophic losses of the County related to employee health insurance.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the following functions:

- County environment and education services
- Administration
- Non-program
- Debt service

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 3 - CASH AND POOLED INVESTMENTS

Cash is presented in the financial statements as shown below:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Checking account	\$ 887,970	\$ 1,727,920
Money market and savings accounts	3,979,004	3,981,162
Certificates of deposit	625,000	625,000
Iowa Public Agency Trust	714,187	714,187
Cash on hand	<u>164,948</u>	
 Total	 <u>\$ 6,371,109</u>	

A reconciliation to the financial statements is shown below:

Statement of Net Position - governmental activities	\$ 5,007,087
Statement of Fiduciary Net Position	<u>1,364,022</u>
	 <u>\$ 6,371,109</u>

Custodial Credit Risk. The County's deposits in banks at June 30, 2013 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.

Investments are presented in the financial statements as shown below:

Investments in escrow for cross-over refunding	
US Treasury Securities	\$ 14,271,530
Drainage warrants	1,310,648
Drainage coupons	<u>39,581</u>
	 <u>\$ 15,621,759</u>

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.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 3 - CASH AND POOLED INVESTMENTS (continued)

Custodial Credit Risk. The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$714,187 pursuant to Rule 2a-7 under the Investment Company Act of 1940. No single portfolio investment may exceed 397 days and the weighted average maturity of the portfolio may never exceed 60 days.

The County had investments in the Bankers Trust which are valued at an amortized cost of \$14,271,530. Investments in accounts held with Bankers Trust hold funds deposited in Escrow for the cross-over refunding of the General Obligation Hospital Bonds, Series 2009. Proceeds are allowed to be invested in risk adverse fixed incomes securities (US Treasuries), with interest rates, that do not exceed that of the refunding bonds issued.

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. The US Treasury securities held in the refunding escrow account have maturities of less than one year for \$131,900 and one to five years of \$14,139,630.

Credit risk. The investments in the Iowa Public Agency Investment Trust and Drainage warrants are unrated. United States Treasury Securities currently hold a Standard and Poors rating of AA+.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer. The County's investments in United States Treasury securities are 91% of total investments.

NOTE 4 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

	Transfers In						Total
	General Fund	Rural Services Fund	Secondary Roads Fund	Prisoner Room and Board	Local Options Sales Tax	Debt Service Funds	
Transfers out							
General Fund	\$ 1,342,917	\$ 80,000	\$ 95,000	\$ 11,080	\$ -	\$ 10,381	\$ 1,539,378
Rural Services Fund	-	-	1,375,000	-	-	-	1,375,000
Nonmajor Funds							
Local Options Sales Tax	-	-	-	-	-	922	922
Capital Projects	-	-	-	-	200,000	-	200,000
Public Health Hospice Fund	30,000	-	-	-	-	-	30,000
Ag Partners TIF Projects	-	-	-	-	-	63,317	63,317
	<u>\$ 1,372,917</u>	<u>\$ 80,000</u>	<u>\$ 1,470,000</u>	<u>\$ 11,080</u>	<u>\$ 200,000</u>	<u>\$ 74,620</u>	<u>\$ 3,208,617</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 3,863,696	\$ -	\$ -	\$ 3,863,696
Construction in progress	<u>600,883</u>	<u>443,719</u>	<u>801,689</u>	<u>242,913</u>
Total capital assets not being depreciated	<u>4,464,579</u>	<u>443,719</u>	<u>801,689</u>	<u>4,106,609</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	1,759,500	66,390	79,849	1,746,041
County equipment under capital lease	51,130	-	-	51,130
Secondary roads equipment	7,157,077	323,304	-	7,480,381
Secondary roads office equipment	183,194	16,190	7,848	191,536
Infrastructure	<u>35,093,688</u>	<u>2,286,041</u>	<u>-</u>	<u>37,379,729</u>
Total capital assets being depreciated	<u>53,891,987</u>	<u>2,691,925</u>	<u>87,697</u>	<u>56,496,215</u>
Less accumulated depreciation for:				
Buildings and building improvements	3,559,586	171,172	-	3,730,758
County equipment	1,226,926	136,163	79,849	1,283,240
Secondary roads equipment	5,611,736	276,343	-	5,888,079
Secondary roads office equipment	162,832	10,731	7,848	165,715
Infrastructure	<u>19,856,650</u>	<u>1,130,347</u>	<u>-</u>	<u>20,986,997</u>
Total accumulated depreciation	<u>30,417,730</u>	<u>1,724,756</u>	<u>87,697</u>	<u>32,054,789</u>
Total capital assets being depreciated, net	<u>23,474,257</u>	<u>967,169</u>	<u>-</u>	<u>24,441,426</u>
Governmental activities capital assets, net	<u>\$ 27,938,836</u>	<u>\$ 1,410,888</u>	<u>\$ 801,689</u>	<u>\$ 28,548,035</u>

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

Public safety and legal services	\$ 180,510
Physical health and social services	6,348
Mental health	31,547
County environment and education	55,853
Roads and transportation	1,417,424
Administration	<u>33,074</u>
Total depreciation expense - governmental activities	<u>\$1,724,756</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 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>Amount</u>
General	30,265
Mental Health	241,448
Rural Services	135
Secondary Roads	427
Nonmajor Funds	
Conservation Legacy Endowment	352,926
Capital Projects	<u>1,931</u>
 Total for governmental funds	 <u>\$ 627,132</u>
 Agency:	
County offices	
Recorder	49,334
Sheriff	23,355
Township	343,472
Corporation	4,814,311
District Schools	11,781,338
Area Schools	790,555
County Assessor	1,091,234
County Agricultural Extension	167,196
County Hospital	1,610,874
Auto Registration and Use Tax	423,762
All Others	<u>69,630</u>
	 <u>\$ 21,165,061</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due within One Year
General obligation bonds	\$ 20,973,963	\$ 16,525,000	\$ 2,743,963	\$ 34,755,000	\$ 1,455,000
Premium on general obligation bonds	-	356,534	25,467	331,067	25,467
General obligation bonds, net	\$ 20,973,963	\$ 16,881,534	\$ 2,769,430	\$ 35,086,067	\$ 1,480,467
Urban renewal Tax increment revenue bond	3,002,519	-	251,079	2,751,440	213,457
Drainage warrants and drainage improvement certificates	1,017,793	1,072,834	740,399	1,350,228	-
Capital leases purchase agreements	479,610	-	108,643	370,967	112,619
Compensated absences	463,828	265,668	266,458	463,038	260,945
OPEB liability	261,783	69,378	-	331,161	-
Total	<u>\$ 26,199,496</u>	<u>\$ 18,289,414</u>	<u>\$ 4,136,009</u>	<u>\$ 40,352,901</u>	<u>\$ 2,067,488</u>

Long-term Debt Payable

The details of the County's outstanding debt are as follows:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Outstanding Balance
General obligation debt						
Hospital bonds, series 2009	6/11/2009	2.00-4.55%	06/01/11 - 06/01/26	06/01 & 12/01	21,820,000	\$ 18,445,000
County purpose and refunding, series 2012A	12/27/2012	1.00-2.00%	06/01/13 - 06/01/26	06/01 & 12/01	10,000,000	9,785,000
Refunding bonds, series 2013A	02/28/2013	1.50-2.00%	06/01/18 - 06/01/22	06/01 & 12/01	6,525,000	6,525,000
Premium of general obligation debt						331,067
						<u>35,086,067</u>
Urban Renewal Tax Increment revenue bond	8/8/2006	2.35%	12/01/07 - 6/1/25	6/01 & 12/01	4,300,000	<u>2,751,440</u>
Total governmental activities						<u>\$ 37,837,507</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 7 - LONG-TERM LIABILITIES (continued)

Long-term Debt Payable (continued)

Payments to maturity on the County's June 30, 2013 indebtedness is as follows:

Year Ending June 30	General Obligation Bonds		Tax Increment Financing Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 1,455,000	\$ 1,004,667	\$ 213,457	\$ 63,412
2015	1,545,000	943,915	218,504	58,366
2016	1,565,000	909,425	223,668	53,202
2017	14,985,000	869,985	228,955	47,915
2018	1,595,000	273,425	234,367	42,503
2019-2023	8,360,000	983,800	1,257,602	126,746
2024-2026	5,250,000	209,100	374,887	8,469
	<u>\$ 34,755,000</u>	<u>\$ 5,194,317</u>	<u>\$ 2,751,440</u>	<u>\$ 400,613</u>

Conduit Debt

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 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%.

During the fiscal year 2013, the County issued General Obligation County Purpose and Refunding Bonds, Series 2012A in the amount of \$10,000,000 and General Obligation Refunding Bonds, Series 2013A in the amount of \$6,525,000. The County utilized the proceeds of the two issuances to crossover refund \$13,615,000 of the outstanding principal remaining on the General Obligation Hospital Bonds, Series 2009. The crossover refunding is structured, in a manner, that the County will continue to pay the principal and interest of the General Obligation Hospital Bonds, Series 2009 until they become callable on June 1, 2017. The General Obligation County Purpose and Refunding Bonds, Series 2012A and the General Obligation Refunding Bonds, Series 2013A debt service will be paid out the funds held in escrow, until the General Obligation Hospital Bonds, Series 2009 becomes callable on June 1, 2017. At the call date, the crossover refunding proceeds held in escrow will be utilized to refund the 2009 debt in full.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 7 - LONG-TERM LIABILITIES (continued)

Current and Crossover Refundings

On December 15, 2012, the County issued General Obligation County Purpose and Refunding Bonds, Series 2012A in the amount of \$10,000,000. The proceeds were used to crossover refund \$7,340,000 of the \$21,820,000 General Obligation Hospital Bonds, Series 2009, dated June 11, 2009. Additional proceeds were used to current refund \$620,000 of the \$1,000,000 General Obligation County Purpose Note, dated July 28, 2009; to current refund \$692,000 of the \$770,000 General Obligation Highway Improvement Note, dated May 13, 2009; and current refund \$64,839 of the \$122,851 General Obligation County Purpose Note, dated October 15, 1999. The remaining proceeds were utilized to finance the cost of remodeling a county building for use by the Public Health Department and constructing cabins and recreation facilities for the use by the County Conservation Department and to pay the costs associated with the bond issuance.

The debt service requirements on the old debt, other than the hospital debt totaled \$664,100. The debt service requirements of the refunding portion of the new debt balance totaled \$638,641. The economic gain on the refunding using a 1.668% effective interest rate was \$24,803.

On February 15, 2013, the County issued General Obligation Refunding Bonds, Series 2013A in the amount of \$6,525,000. The proceeds were used to crossover refund \$6,275,000 of the \$21,820,000 General Obligation Hospital Bonds Series, 2009, dated June 11, 2009.

Debt Limitation

The debt limit in accordance with the Code of Iowa includes all amounts for which the County is obligated in any manner. The debt limit as of June 30, 2013 is as follows:

Assessed value	<u>\$ 1,424,266,425</u>
Debt limit - 5% of assessed value	\$ 71,213,321
Debt outstanding	<u>34,755,000</u>
Debt margin	<u>\$ 36,458,321</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 7 - LONG-TERM LIABILITIES (continued)

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a building with a historical cost of \$1,211,583. Accumulated depreciation on the building as of June 30, 2013 is \$189,671. 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 agreement in effect at June 30, 2013:

Year ending June 30,

2014	\$ 124,128
2015	124,128
2016	124,128
2017	<u>20,686</u>
Total minimum lease payments	393,070
Less amount representing interest	<u>(22,103)</u>
Present value of net minimum lease payments	<u>\$ 370,967</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, 2013

NOTE 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, 2013, the amount implicitly contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 106,641
Interest on net OPEB obligation	6,544
Adjustment to annual required contribution	<u>(39,598)</u>
Annual OPEB cost	73,587
Contributions made	<u>(4,209)</u>
Increase in net OPEB obligation	69,378
Net OPEB obligation, beginning of year	<u>261,783</u>
Net OPEB obligation, end of year	<u>\$ 331,161</u>

For calculation of the net OPEB obligation, the actuary 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, 2013.

For the year ended June 30, 2013, 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, 2013

NOTE 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, 2013 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	74,566	11%	190,382
June 30, 2012	80,277	11%	261,783
June 30, 2013	73,587	6%	331,161

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$759,674, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$759,674. As of June 30, 2013, 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 \$588 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, 2013

NOTE 9 - NET POSITION

Net position at June 30, 2013 consist of the following:

Net Investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 28,548,035
Less outstanding long term debt	(37,837,507)
Debt not related to capital assets	<u>33,120,042</u>
Net investment in capital assets	<u>23,830,570</u>
Restricted	
Supplemental levy	436,541
Conservation land acquisition / capital improvements	13,683
Mental health	496,555
Rural services	397,082
Secondary roads	902,449
Drainage warrants and certificates	601,021
Other	<u>1,078,653</u>
Total restricted	<u>3,925,984</u>
Unrestricted	<u>526,301</u>
Total Governmental Activities Net Position	<u>\$ 28,282,855</u>

NOTE 10 - 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 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$535,389, \$465,266, and \$415,054, respectively, equal to the required contributions for each year.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 11 - 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, 2013 were \$153,489.

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, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 11 - RISK MANAGEMENT (continued)

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.

NOTE 12 - EMPLOYEE HEALTH INSURANCE PLAN

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

Monthly payments of service fees and plan contributions to the Hamilton County PSF Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payment of service fees and claims processed are paid to Blue-Cross Blue-Shield and Group Services from the Hamilton County PSF Fund. The County's contribution for the year ended June 30, 2013 was \$1,378,706.

Amounts payable from the Hamilton County PSF Fund at June 30, 2013 total \$5,402, 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 \$395,606 at June 30, 2013.

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.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2013

NOTE 12 - EMPLOYEE HEALTH INSURANCE PLAN (continued)

A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

	<u>2013</u>	<u>2012</u>
Unpaid claims, beginning of year	\$ 74,830	\$ 30,134
Incurred claims and changes in estimates	1,254,430	1,395,356
Claims paid	<u>(1,323,858)</u>	<u>(1,350,660)</u>
 Unpaid claims, end of year	 <u>\$ 5,402</u>	 <u>\$ 74,830</u>

NOTE 13 - CONSTRUCTION COMMITMENT

The County has entered into various contracts totaling \$1,221,852 for bridge and roadway construction projects and the renovation and restoration of Conservation cabins. As of June 30, 2013, costs of \$792,270 on the projects have been incurred. The balance of \$429,582 remaining on the contracts at June 30, 2013 will be paid as work on the project progresses.

NOTE 14 - 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.

NOTE 15 - SUBSEQUENT EVENTS

On September 24, 2013, the County authorized the issuance general obligation highway improvement bonds, series 2013B of \$995,000 dated October 1, 2013 with interest ranging from 1.05% to 4.00%. The bonds mature from June 1, 2016 through June 1, 2032.

Management evaluated subsequent events through February 28, 2014, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to February 28, 2014, that provided additional evidence about conditions that existed at June 30, 2013, have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2013.

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, 2013

	Cash Basis	Less Funds	Net	Budgeted Amounts		Final to Net Variance - Positive/ (Negative)
	Fund Types	Not Required to		Original	Final	
	Actual	Be Budgeted				
RECEIPTS:						
Property and other county tax	\$ 7,922,258	\$ -	\$ 7,922,258	\$ 8,050,544	\$ 8,034,723	\$ (112,465)
Interest and penalty on property tax	45,161	-	45,161	26,400	27,755	17,406
Intergovernmental	5,072,574	4,885	5,067,689	5,635,078	5,234,571	(166,882)
Licenses and permits	18,216	-	18,216	17,475	17,475	741
Charges for services	1,871,569	646,849	1,224,720	1,175,746	1,193,585	31,135
Use of money and property	10,359	2,296	8,063	104,581	105,440	(97,377)
Miscellaneous	2,110,230	119,986	1,990,244	1,953,463	1,956,522	33,722
Total receipts	<u>17,050,367</u>	<u>774,016</u>	<u>16,276,351</u>	<u>16,963,287</u>	<u>16,570,071</u>	<u>(293,720)</u>
DISBURSEMENTS:						
Public safety and legal services	2,556,584	-	2,556,584	2,677,155	2,702,705	146,121
Physical health and social services	1,663,561	-	1,663,561	1,798,542	1,859,004	195,443
Mental health	1,636,648	-	1,636,648	2,642,270	1,787,902	151,254
County environment and education services	1,466,538	-	1,466,538	1,470,140	1,551,090	84,552
Roads and transportation	4,487,851	-	4,487,851	4,508,500	4,508,500	20,649
Governmental services to residents	482,767	-	482,767	494,807	529,244	46,477
Administration	1,289,591	-	1,289,591	1,303,413	1,396,114	106,523
Non-program	1,033,254	1,033,254	-	-	-	-
Debt service	4,939,273	774,054	4,165,219	2,484,084	3,859,544	(305,675)
Capital projects	1,223,440	-	1,223,440	1,075,173	2,147,182	923,742
Total disbursements	<u>20,779,507</u>	<u>1,807,308</u>	<u>18,972,199</u>	<u>18,454,084</u>	<u>20,341,285</u>	<u>1,369,086</u>
EXCESS OF DISBURSEMENTS OVER RECEIPTS	(3,729,140)	(1,033,292)	(2,695,848)	(1,490,797)	(3,771,214)	1,075,366

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, 2013

	Cash Basis	Less Funds	Net	Budgeted Amounts		Final to Net Variance - Positive/ (Negative)
	Fund Types	Not Required to		Original	Final	
	Actual	Be Budgeted				
OTHER FINANCING SOURCES, NET	\$ 17,914,788	\$ 1,033,254	\$ 16,881,534	\$ 4,000	\$ 2,185,221	\$ 14,696,313
EXCESS OF DISBURSEMENTS OVER RECEIPTS AND OTHER FINANCING SOURCES	14,185,648	(38)	14,185,686	(1,486,797)	(1,585,993)	15,771,679
BALANCES, BEGINNING OF YEAR	6,055,797	589,498	5,466,299	3,794,767	5,466,299	-
BALANCES, END OF YEAR	\$ 20,241,445	\$ 589,460	\$ 19,651,985	\$ 2,307,970	\$ 3,880,306	\$ 15,771,679

HAMILTON COUNTY
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Modified Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 17,050,367	\$ (1,525,427)	\$ 15,524,940
Expenditures	<u>20,779,507</u>	<u>549,882</u>	<u>21,329,389</u>
Net change	(3,729,140)	(2,075,309)	(5,804,449)
Other financing sources, net	17,914,788	1,853,032	19,767,820
Beginning fund balances	6,055,797	704,675	6,760,472
Decrease in reserve for inventories	<u>-</u>	<u>557,300</u>	<u>557,300</u>
Ending fund balances	<u>\$ 20,241,445</u>	<u>\$ 1,039,698</u>	<u>\$ 21,281,143</u>

HAMILTON COUNTY
Notes to Required Supplementary Information -
Budgetary Reporting
Year Ended June 30, 2013

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, one budget amendment increased budgeted disbursements by \$1,107,337 and decreased budget revenues by \$14,306. The budget amendment is 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, 2013, disbursements exceeded the amount budgeted in the following functions:

- County environment and education services
- Administration
- Non-program
- Debt service

HAMILTON COUNTY

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2008	-	600,284	600,284	0%	N/A	N/A
2012	July 1, 2011	-	759,674	759,674	0%	N/A	N/A
2013	July 1, 2011	-	705,000	705,000	0%	N/A	N/A

See Note 9 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, 2013

Special Revenue

	Recorder's Records Management	Drug Forfeiture	Prisoner Room & Board	Property Forfeiture	Hotel/ Motel Tax	REAP	RSVP	Central Iowa Recovery
ASSETS								
Cash and cash equivalents	\$ 18,471	\$ 10,158	\$ 9,382	\$ 23,249	\$ 25,892	\$ 53,169	\$ 4,043	\$ 105,604
Receivables:								
Property tax:								
Delinquent	-	-	-	-	-	-	-	-
Succeeding year	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-
Accrued Interest	-	-	-	-	-	-	-	-
Due from other governments	351	-	-	-	5,104	-	-	-
Total assets	<u>\$ 18,822</u>	<u>\$ 10,158</u>	<u>\$ 9,382</u>	<u>\$ 23,249</u>	<u>\$ 30,996</u>	<u>\$ 53,169</u>	<u>\$ 4,043</u>	<u>\$ 105,604</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,642
Salaries and benefits payable	-	-	-	-	-	-	-	16,618
Due to other governments	-	-	-	-	-	-	-	-
Succeeding year property tax	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,260</u>
Fund balances:								
Restricted for:								
Debt service	-	-	-	-	-	-	-	-
Other purposes	18,822	10,158	9,382	23,249	30,996	53,169	4,043	84,344
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>18,822</u>	<u>10,158</u>	<u>9,382</u>	<u>23,249</u>	<u>30,996</u>	<u>53,169</u>	<u>4,043</u>	<u>84,344</u>
Total liabilities and fund balances	<u>\$ 18,822</u>	<u>\$ 10,158</u>	<u>\$ 9,382</u>	<u>\$ 23,249</u>	<u>\$ 30,996</u>	<u>\$ 53,169</u>	<u>\$ 4,043</u>	<u>\$ 105,604</u>

HAMILTON COUNTY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue						
	Friends of Conservation Trust	Local Option Sales Tax	Ag Partners TIF projects	Public Health Hospice	Ethanol Plant	Conservation Legacy Endowment	Total Special Revenue
ASSETS							
Cash and cash equivalents	\$ 49,317	\$ 185,981	\$ 33,885	\$ 70,748	\$ -	\$ 215,594	\$ 805,493
Receivables:							
Property tax:							
Delinquent	-	-	-	-	-	-	-
Succeeding year	-	-	-	-	-	-	-
Accounts	325	-	-	-	-	-	325
Accrued Interest	-	-	-	-	-	750	750
Due from other governments	1,663	92,687	-	-	-	-	99,805
Total assets	<u>\$ 51,305</u>	<u>\$ 278,668</u>	<u>\$ 33,885</u>	<u>\$ 70,748</u>	<u>\$ -</u>	<u>\$ 216,344</u>	<u>\$ 906,373</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 225	\$ 19,037	\$ -	\$ -	\$ -	\$ -	\$ 23,904
Salaries and benefits payable	-	-	-	-	-	-	16,618
Due to other governments	-	-	-	-	-	352,926	352,926
Succeeding year property tax	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total liabilities	<u>225</u>	<u>19,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,926</u>	<u>393,448</u>
Fund balances:							
Restricted for:							
Debt service	-	-	-	-	-	-	-
Other purposes	51,080	259,631	33,885	70,748	-	-	649,507
Unassigned	-	-	-	-	-	(136,582)	(136,582)
Total fund balances	<u>51,080</u>	<u>259,631</u>	<u>33,885</u>	<u>70,748</u>	<u>-</u>	<u>(136,582)</u>	<u>512,925</u>
Total liabilities and fund balances	<u>\$ 51,305</u>	<u>\$ 278,668</u>	<u>\$ 33,885</u>	<u>\$ 70,748</u>	<u>\$ -</u>	<u>\$ 216,344</u>	<u>\$ 906,373</u>

HAMILTON COUNTY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	<u>Debt Service</u>						<u>Capital Projects</u>	<u>Total</u>
	<u>Debt Service</u>	<u>Ag Partners Debt Service</u>	<u>Parking Lot Debt Service</u>	<u>Red Bull Debt Service</u>	<u>Total Debt Service</u>			
ASSETS								
Cash and cash equivalents	\$ 1,538	\$ -	\$ 6,909	\$ 4,625	\$ 13,072	\$ 521,947	\$ 1,340,512	
Receivables:								
Property tax:								
Delinquent	23	-	109	72	204	-	204	
Succeeding year	176,606	-	-	-	176,606	-	176,606	
Accounts	-	-	-	-	-	-	325	
Accrued Interest	-	-	-	-	-	-	750	
Due from other governments	-	-	-	-	-	-	99,805	
Total assets	<u>\$ 178,167</u>	<u>\$ -</u>	<u>\$ 7,018</u>	<u>\$ 4,697</u>	<u>\$ 189,882</u>	<u>\$ 521,947</u>	<u>\$ 1,618,202</u>	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,870	\$ 114,774	
Salaries and benefits payable	-	-	-	-	-	-	16,618	
Due to other governments	-	-	-	-	-	1,931	354,857	
Succeeding year property tax	176,606	-	-	-	176,606	-	176,606	
Other	22	-	106	70	198	-	198	
Total liabilities	<u>176,628</u>	<u>-</u>	<u>106</u>	<u>70</u>	<u>176,804</u>	<u>92,801</u>	<u>663,053</u>	
Fund balances:								
Restricted for:								
Debt service	1,539	-	6,912	4,627	13,078	-	13,078	
Other purposes	-	-	-	-	-	429,146	1,078,653	
Unassigned	-	-	-	-	-	-	(136,582)	
Total fund balances	<u>1,539</u>	<u>-</u>	<u>6,912</u>	<u>4,627</u>	<u>13,078</u>	<u>429,146</u>	<u>955,149</u>	
Total liabilities and fund balances	<u>\$ 178,167</u>	<u>\$ -</u>	<u>\$ 7,018</u>	<u>\$ 4,697</u>	<u>\$ 189,882</u>	<u>\$ 521,947</u>	<u>\$ 1,618,202</u>	

HAMILTON COUNTY
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2013

	Special Revenue							
	Recorder's Records Management	Drug Forfeiture	Prisoner Room & Board	Property Forfeiture	Hotel/ Motel Tax	REAP	RSVP	Central Iowa Recovery
Revenues:								
Property tax and other county tax	\$ -	\$ -	\$ -	\$ -	\$ 21,001	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	10,789	-	314,564
Charges for services	2,709	-	-	-	-	-	-	-
Use of money and property	2	-	-	3	2	5	-	-
Miscellaneous	-	-	-	-	-	25	-	4,207
Total revenues	<u>2,711</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>21,003</u>	<u>10,819</u>	<u>-</u>	<u>318,771</u>
Expenditures:								
Public safety and legal services	-	1,394	5,823	2,122	-	-	-	-
County environment and education	-	-	-	-	12,951	3,229	-	-
Government services to residents	888	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	4,113	-
Non-program	-	-	-	-	-	-	-	385,306
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Total expenditures	<u>888</u>	<u>1,394</u>	<u>5,823</u>	<u>2,122</u>	<u>12,951</u>	<u>3,229</u>	<u>4,113</u>	<u>385,306</u>
Excess (deficiency) of revenues over expenditures	1,823	(1,394)	(5,823)	(2,119)	8,052	7,590	(4,113)	(66,535)
Other financing sources (uses):								
Transfers in	-	-	11,080	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-
Premium on bond issuance	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>11,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,823	(1,394)	5,257	(2,119)	8,052	7,590	(4,113)	(66,535)
Fund balances, beginning of year	<u>16,999</u>	<u>11,552</u>	<u>4,125</u>	<u>25,368</u>	<u>22,944</u>	<u>45,579</u>	<u>8,156</u>	<u>150,879</u>
Fund balances, end of year	<u>\$ 18,822</u>	<u>\$ 10,158</u>	<u>\$ 9,382</u>	<u>\$ 23,249</u>	<u>\$ 30,996</u>	<u>\$ 53,169</u>	<u>\$ 4,043</u>	<u>\$ 84,344</u>

HAMILTON COUNTY
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2013

	Special Revenue						
	Friends of Conservation Trust	Local Option Sales Tax	Ag Partners TIF projects	Public Health Hospice	Ethanol Plant	Conservation Legacy Endowment	Total Special Revenue
Revenues:							
Property tax and other county tax	\$ -	\$ 387,387	\$ -	\$ -	\$ -	\$ -	\$ 408,388
Tax increment financing collections	-	-	69,061	-	320,424	-	389,485
Intergovernmental	2,663	9,528	-	-	-	3,567	341,111
Charges for services	625	-	-	-	-	2,000	5,334
Use of money and property	5	28	-	38	-	9,758	9,841
Miscellaneous	5,492	13	-	-	-	-	9,737
Total revenues	<u>8,785</u>	<u>396,956</u>	<u>69,061</u>	<u>38</u>	<u>320,424</u>	<u>15,325</u>	<u>1,163,896</u>
Expenditures:							
Public safety and legal services	-	-	-	-	-	-	9,339
County environment and education	9,036	-	-	-	-	151,907	177,123
Government services to residents	-	-	-	-	-	-	888
Administration	-	32,544	-	-	-	-	36,657
Non-program	-	-	-	-	-	-	385,306
Debt service	-	-	-	-	320,424	-	320,424
Capital projects	-	573,858	-	-	-	-	573,858
Total expenditures	<u>9,036</u>	<u>606,402</u>	<u>-</u>	<u>-</u>	<u>320,424</u>	<u>151,907</u>	<u>1,503,595</u>
Excess (deficiency) of revenues over expenditures	(251)	(209,446)	69,061	38	-	(136,582)	(339,699)
Other financing sources (uses):							
Transfers in	-	200,000	-	-	-	-	211,080
Transfers out	-	(922)	(63,317)	(30,000)	-	-	(94,239)
Bond Proceeds	-	-	-	-	-	-	-
Premium on bond issuance	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>199,078</u>	<u>(63,317)</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>116,841</u>
Net change in fund balances	(251)	(10,368)	5,744	(29,962)	-	(136,582)	(222,858)
Fund balances, beginning of year	<u>51,331</u>	<u>269,999</u>	<u>28,141</u>	<u>100,710</u>	<u>-</u>	<u>-</u>	<u>735,783</u>
Fund balances, end of year	<u>\$ 51,080</u>	<u>\$ 259,631</u>	<u>\$ 33,885</u>	<u>\$ 70,748</u>	<u>\$ -</u>	<u>\$ (136,582)</u>	<u>\$ 512,925</u>

HAMILTON COUNTY
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2013

	<u>Debt Service</u>						<u>Capital Projects</u>	<u>Total</u>
	<u>Debt Service</u>	<u>Ag Partners Debt Service</u>	<u>Parking Lot Debt Service</u>	<u>Red Bull Debt Service</u>	<u>Total Debt Service</u>			
Revenues:								
Property tax and other county tax	\$ 26,536	\$ -	\$ 100,442	\$ 66,968	\$ 193,946	\$ -	\$ 602,334	
Tax increment financing collections	-	-	-	-	-	-	389,485	
Intergovernmental	1,195	-	4,527	3,019	8,741	-	349,852	
Charges for services	-	-	-	-	-	-	5,334	
Use of money and property	-	-	-	-	-	-	9,841	
Miscellaneous	-	-	-	-	-	-	9,737	
Total revenues	<u>27,731</u>	<u>-</u>	<u>104,969</u>	<u>69,987</u>	<u>202,687</u>	<u>-</u>	<u>1,366,583</u>	
Expenditures:								
Public safety and legal services	-	-	-	-	-	-	9,339	
County environment and education	-	-	-	-	-	-	177,123	
Government services to residents	-	-	-	-	-	-	888	
Administration	-	-	-	-	-	-	36,657	
Non-program	-	-	-	-	-	-	385,306	
Debt service	104,561	757,367	471,324	314,216	1,647,468	-	1,967,892	
Capital projects	-	-	-	-	-	169,752	743,610	
Total expenditures	<u>104,561</u>	<u>757,367</u>	<u>471,324</u>	<u>314,216</u>	<u>1,647,468</u>	<u>169,752</u>	<u>3,320,815</u>	
Excess (deficiency) of revenues over expenditures	(76,830)	(757,367)	(366,355)	(244,229)	(1,444,781)	(169,752)	(1,954,232)	
Other financing sources (uses):								
Transfers in	11,303	63,317	-	-	74,620	-	285,700	
Transfers out	-	-	-	-	-	(200,000)	(294,239)	
Bond Proceeds	66,450	694,050	372,976	248,651	1,382,127	798,898	2,181,025	
Premium on bond issuance	-	-	-	-	-	-	-	
Total other financing sources (uses)	<u>77,753</u>	<u>757,367</u>	<u>372,976</u>	<u>248,651</u>	<u>1,456,747</u>	<u>598,898</u>	<u>2,172,486</u>	
Net change in fund balances	923	-	6,621	4,422	11,966	429,146	218,254	
Fund balances, beginning of year	<u>616</u>	<u>-</u>	<u>291</u>	<u>205</u>	<u>1,112</u>	<u>-</u>	<u>736,895</u>	
Fund balances, end of year	<u>\$ 1,539</u>	<u>\$ -</u>	<u>\$ 6,912</u>	<u>\$ 4,627</u>	<u>\$ 13,078</u>	<u>\$ 429,146</u>	<u>\$ 955,149</u>	

HAMILTON COUNTY
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
COUNTY OFFICES:				
ASSETS:				
Cash and cash equivalents	\$ 52,630	\$ 560,910	\$ 543,368	\$ 70,172
Accounts receivable	<u>2,749</u>	<u>2,517</u>	<u>2,749</u>	<u>2,517</u>
TOTAL ASSETS	<u>\$ 55,379</u>	<u>\$ 563,427</u>	<u>\$ 546,117</u>	<u>\$ 72,689</u>
LIABILITIES:				
Due to other funds	\$ 22,656	\$ -	\$ 22,656	\$ -
Due to other governments	<u>32,723</u>	<u>72,689</u>	<u>32,723</u>	<u>72,689</u>
TOTAL LIABILITIES	<u>\$ 55,379</u>	<u>\$ 72,689</u>	<u>\$ 55,379</u>	<u>\$ 72,689</u>
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
TOWNSHIP:				
ASSETS:				
Cash and cash equivalents	\$ 3,199	\$ 334,274	\$ 334,186	\$ 3,287
Taxes receivable	<u>321,608</u>	<u>340,185</u>	<u>321,608</u>	<u>340,185</u>
TOTAL ASSETS	<u>\$ 324,807</u>	<u>\$ 674,459</u>	<u>\$ 655,794</u>	<u>\$ 343,472</u>
LIABILITIES:				
Due to other governments	\$ 324,807	\$ 343,472	\$ 324,807	\$ 343,472
TOTAL LIABILITIES	<u>\$ 324,807</u>	<u>\$ 343,472</u>	<u>\$ 324,807</u>	<u>\$ 343,472</u>
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
CORPORATION:				
ASSETS:				
Cash and cash equivalents	\$ 58,675	\$ 4,725,525	\$ 4,730,856	\$ 53,344
Taxes receivable	<u>4,389,209</u>	<u>4,760,967</u>	<u>4,389,209</u>	<u>4,760,967</u>
TOTAL ASSETS	<u>\$ 4,447,884</u>	<u>\$ 9,486,492</u>	<u>\$ 9,120,065</u>	<u>\$ 4,814,311</u>
LIABILITIES:				
Due to other governments	\$ 4,447,884	\$ 4,814,311	\$ 4,447,884	\$ 4,814,311
TOTAL LIABILITIES	<u>\$ 4,447,884</u>	<u>\$ 4,814,311</u>	<u>\$ 4,447,884</u>	<u>\$ 4,814,311</u>

HAMILTON COUNTY
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	Balance	Additions	Deductions	Balance
	July 1, 2012			June 30, 2013
DISTRICT SCHOOLS:				
ASSETS:				
Cash and cash equivalents	\$ 123,737	\$ 11,490,111	\$ 11,494,763	\$ 119,085
Taxes receivable	<u>11,276,551</u>	<u>11,662,253</u>	<u>11,276,551</u>	<u>11,662,253</u>
TOTAL ASSETS	<u>\$ 11,400,288</u>	<u>\$ 23,152,364</u>	<u>\$ 22,771,314</u>	<u>\$ 11,781,338</u>
LIABILITIES:				
Due to other governments	\$ 11,400,288	\$ 11,781,338	\$ 11,400,288	\$ 11,781,338
TOTAL LIABILITIES	<u>\$ 11,400,288</u>	<u>\$ 11,781,338</u>	<u>\$ 11,400,288</u>	<u>\$ 11,781,338</u>
	Balance	Additions	Deductions	Balance
	July 1, 2012			June 30, 2013
AREA SCHOOLS:				
ASSETS:				
Cash and cash equivalents	\$ 7,757	\$ 715,222	\$ 715,615	\$ 7,364
Taxes receivable	<u>701,385</u>	<u>783,191</u>	<u>701,385</u>	<u>783,191</u>
TOTAL ASSETS	<u>\$ 709,142</u>	<u>\$ 1,498,413</u>	<u>\$ 1,417,000</u>	<u>\$ 790,555</u>
LIABILITIES:				
Due to other governments	\$ 709,142	\$ 790,555	\$ 709,142	\$ 790,555
TOTAL LIABILITIES	<u>\$ 709,142</u>	<u>\$ 790,555</u>	<u>\$ 709,142</u>	<u>\$ 790,555</u>
	Balance	Additions	Deductions	Balance
	July 1, 2012			June 30, 2013
COUNTY ASSESSOR:				
ASSETS:				
Cash and cash equivalents	\$ 73,150	\$ 921,304	\$ 432,988	\$ 561,466
Taxes receivable	<u>194,273</u>	<u>539,308</u>	<u>194,273</u>	<u>539,308</u>
TOTAL ASSETS	<u>\$ 267,423</u>	<u>\$ 1,460,612</u>	<u>\$ 627,261</u>	<u>\$ 1,100,774</u>
LIABILITIES:				
Accounts payable	\$ 3,457	\$ 72	\$ 3,457	\$ 72
Salaries and benefits payable	4,602	4,734	4,602	4,734
Due to other governments	<u>259,364</u>	<u>1,095,968</u>	<u>259,364</u>	<u>1,095,968</u>
TOTAL LIABILITIES	<u>\$ 267,423</u>	<u>\$ 1,100,774</u>	<u>\$ 267,423</u>	<u>\$ 1,100,774</u>

HAMILTON COUNTY
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
COUNTY AGRICULTURAL EXTENSION:				
ASSETS:				
Cash and cash equivalents	\$ 2,012	\$ 189,108	\$ 189,160	\$ 1,960
Taxes receivable	<u>185,628</u>	<u>165,236</u>	<u>185,628</u>	<u>165,236</u>
TOTAL ASSETS	<u>\$ 187,640</u>	<u>\$ 354,344</u>	<u>\$ 374,788</u>	<u>\$ 167,196</u>
LIABILITIES:				
Due to other governments	\$ 187,640	\$ 167,196	\$ 187,640	\$ 167,196
TOTAL LIABILITIES	<u>\$ 187,640</u>	<u>\$ 167,196</u>	<u>\$ 187,640</u>	<u>\$ 167,196</u>
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
COUNTY HOSPITAL:				
ASSETS:				
Cash and cash equivalents	\$ 5,404	\$ 867,894	\$ 864,303	\$ 8,995
Taxes receivable	<u>851,924</u>	<u>1,601,879</u>	<u>851,924</u>	<u>1,601,879</u>
TOTAL ASSETS	<u>\$ 857,328</u>	<u>\$ 2,469,773</u>	<u>\$ 1,716,227</u>	<u>\$ 1,610,874</u>
LIABILITIES:				
Due to other governments	\$ 857,328	\$ 1,610,874	\$ 857,328	\$ 1,610,874
TOTAL LIABILITIES	<u>\$ 857,328</u>	<u>\$ 1,610,874</u>	<u>\$ 857,328</u>	<u>\$ 1,610,874</u>
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
MOTOR VEHICLE TRUST:				
ASSETS:				
Cash and cash equivalents	\$ 333,041	\$ 4,909,787	\$ 4,819,066	\$ 423,762
TOTAL ASSETS	<u>\$ 333,041</u>	<u>\$ 4,909,787</u>	<u>\$ 4,819,066</u>	<u>\$ 423,762</u>
LIABILITIES:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Due to other governments	<u>333,041</u>	<u>423,762</u>	<u>333,041</u>	<u>423,762</u>
TOTAL LIABILITIES	<u>\$ 333,041</u>	<u>\$ 423,762</u>	<u>\$ 333,041</u>	<u>\$ 423,762</u>

HAMILTON COUNTY
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
E911 SURCHARGE:				
ASSETS:				
Cash and cash equivalents	\$ 22,332	\$ 132,686	\$ 113,697	\$ 41,321
Due from other governments	-	9,231	-	9,231
TOTAL ASSETS	<u>\$ 22,332</u>	<u>\$ 141,917</u>	<u>\$ 113,697</u>	<u>\$ 50,552</u>
LIABILITIES:				
Accounts payable	\$ 4,051	\$ 50,552	\$ 4,051	\$ 50,552
Due to other governments	18,281	-	18,281	-
TOTAL LIABILITIES	<u>\$ 22,332</u>	<u>\$ 50,552</u>	<u>\$ 22,332</u>	<u>\$ 50,552</u>
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
EMPOWERMENT:				
ASSETS:				
Cash and cash equivalents	\$ 31	\$ 60,379	\$ 60,410	\$ -
Due from other funds	1,357	-	1,357	-
TOTAL ASSETS	<u>\$ 1,388</u>	<u>\$ 60,379</u>	<u>\$ 61,767</u>	<u>\$ -</u>
LIABILITIES:				
Salaries and benefits payable	\$ 31	\$ -	\$ 31	\$ -
Compensated absences	1,357	-	1,357	-
TOTAL LIABILITIES	<u>\$ 1,388</u>	<u>\$ -</u>	<u>\$ 1,388</u>	<u>\$ -</u>
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
OTHER:				
ASSETS:				
Cash and cash equivalents	\$ 531,283	\$ 266,299	\$ 724,316	\$ 73,266
Taxes receivable	272,193	2,840	272,193	2,840
Due from other governments	-	351	-	351
TOTAL ASSETS	<u>\$ 803,476</u>	<u>\$ 269,490</u>	<u>\$ 996,509</u>	<u>\$ 76,457</u>
LIABILITIES:				
Accounts payable	\$ 2,453	\$ 11,561	\$ 2,453	\$ 11,561
Due to other governments	801,023	64,896	801,023	64,896
TOTAL LIABILITIES	<u>\$ 803,476</u>	<u>\$ 76,457</u>	<u>\$ 803,476</u>	<u>\$ 76,457</u>

HAMILTON COUNTY
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
TOTAL:				
ASSETS:				
Cash and cash equivalents	\$ 1,213,251	\$ 25,173,499	\$ 25,022,728	\$ 1,364,022
Accounts receivable	2,749	2,517	2,749	2,517
Taxes receivable	18,192,771	19,855,859	18,192,771	19,855,859
Due from other funds	1,357	-	1,357	-
Due from other governments	-	9,582	-	9,582
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 19,410,128</u>	<u>\$ 45,041,457</u>	<u>\$ 43,219,605</u>	<u>\$ 21,231,980</u>
LIABILITIES:				
Accounts payable	\$ 9,961	\$ 62,185	\$ 9,961	\$ 62,185
Salaries and benefits payable	4,633	4,734	4,633	4,734
Due to other funds	22,656	-	22,656	-
Due to other governments	19,371,521	21,165,061	19,371,521	21,165,061
Compensated absences	1,357	-	1,357	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 19,410,128</u>	<u>\$ 21,231,980</u>	<u>\$ 19,410,128</u>	<u>\$ 21,231,980</u>

HAMILTON COUNTY
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
REVENUES										
Property and other county tax	\$ 7,565,039	\$ 7,627,527	\$ 6,628,446	\$ 6,628,446	\$ 6,368,944	\$ 6,120,736	\$ 6,225,587	\$ 6,664,672	\$ 6,388,172	\$ 6,818,244
Tax increment financing collections	389,485	434,488	487,480	487,480	393,648	297,291	-	-	-	-
Interest and penalty on property tax	43,020	46,452	41,454	41,454	39,948	36,925	43,245	38,692	49,598	49,078
Intergovernmental	5,400,962	6,442,144	6,713,275	6,713,275	6,998,897	5,872,894	6,491,387	6,277,899	5,467,793	5,091,955
Licenses and permits	18,246	17,013	68,960	68,960	8,355	12,790	7,980	9,635	7,755	5,968
Charges for services	1,837,064	1,324,354	1,138,600	1,138,600	1,074,161	1,063,306	1,040,163	1,164,288	1,114,385	1,000,698
Use of money and property	10,957	98,688	105,659	105,659	169,893	370,256	415,349	267,804	180,264	136,803
Fines, forfeitures and defaults	-	-	-	-	-	-	-	1,011	610	420
Miscellaneous	260,167	165,415	43,058	43,058	186,678	167,983	203,584	184,337	223,643	89,668
Total	\$ 15,524,940	\$ 16,156,081	\$ 15,226,932	\$ 15,226,932	\$ 15,240,524	\$ 13,942,181	\$ 14,427,295	\$ 14,608,338	\$ 13,432,220	\$ 13,192,834
EXPENDITURES										
Current:										
Public safety and legal services	\$ 2,545,608	\$ 2,596,698	\$ 2,417,356	\$ 2,415,889	\$ 2,386,472	\$ 2,258,805	\$ 2,112,944	\$ 2,005,919	\$ 1,852,983	\$ 1,417,397
Physical health and social services	1,676,473	1,616,685	1,882,099	2,029,093	1,918,313	2,100,019	2,168,916	2,037,501	2,059,738	2,073,148
Mental health	1,858,462	1,703,978	2,152,328	1,891,221	2,070,701	2,170,686	2,307,235	2,136,414	2,067,400	2,010,301
County environment and education	1,432,046	1,203,227	1,230,025	1,161,085	1,216,662	1,094,572	3,599,042	1,034,581	1,046,435	1,113,247
Roads and transportation	4,412,815	4,394,559	4,581,173	4,136,876	4,140,465	4,422,287	3,589,441	3,671,252	4,118,873	3,428,130
Governmental services to residents	475,938	422,847	406,190	403,950	403,740	375,852	356,504	496,744	390,064	381,527
Administration	1,286,608	1,253,877	1,141,661	1,179,107	1,145,339	1,101,284	1,219,890	1,025,400	934,016	915,889
Non-program	1,421,741	1,634,522	932,632	797,475	601,438	455,675	251,714	223,777	281,763	454,183
Debt service	4,939,273	2,881,721	2,504,497	1,315,053	1,171,449	415,656	339,399	1,377,342	669,180	48,458
Capital projects	1,280,425	1,160,924	798,292	1,796,991	1,401,766	369,008	1,093,478	1,716,244	1,793,367	2,740,430
Total	\$ 21,329,389	\$ 18,869,038	\$ 18,046,253	\$ 17,126,740	\$ 16,456,345	\$ 14,763,844	\$ 17,038,563	\$ 15,725,174	\$ 15,213,819	\$ 14,582,710

**INDEPENDENT AUDITORS' 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**

Hamilton County Officials
Hamilton County
Webster City, Iowa

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hamilton County's basic financial statements, and have issued our report thereon dated February 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hamilton County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamilton County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hamilton County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2013-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2013-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamilton County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item IV-A-13.

Hamilton County's Response to Findings

Hamilton County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Hamilton County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Cedar Rapids, Iowa
February 28, 2014

HAMILTON COUNTY
Schedule of Findings and Responses
June 30, 2013

Financial Statement Findings

2013-1 - Audit Adjustments - Significant Deficiency

Criteria:

The County should have adequate procedures to provide for the accuracy and reliability of the accounting records supporting the financial statements.

Condition:

During the course of the audit, journal entries were made to record year end accrual amounts to present the financial statements on the modified accrual basis of accounting in the governmental funds in accordance with accounting principles generally accepted in the United States of America (GAAP).

Context:

The County maintains its records using the cash basis of accounting during the year. The County identifies certain portions of the information to convert the financial statements to GAAP, however, the County has requested that the auditors identify and prepare other adjustments. 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 at year end.

Management Response:

Management will review financial statements and correct necessary accounts prior to the audit.

Conclusion:

Response accepted.

HAMILTON COUNTY
Schedule of Findings and Responses
June 30, 2013

Financial Statement Findings (continued)

2013-2 - Preparation of Financial Statements - Material Weakness

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 disclosure 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 Responses
June 30, 2013

Findings Related to Required Statutory Reporting

- IV-A-13 Certified Budget - Disbursements during the year ended June 30, 2013 did not exceed amounts budgeted, except for debt service. Debt service did exceed the amounts appropriated as a result of entries related to crossover refunding. Budget information is presented as Required Supplementary Information, the Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds.
- IV-B-13 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-13 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-13 Business Transactions - We noted the rental 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.
- IV-E-13 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- IV-F-13 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-13 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-13 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-13 Solid Waste Fees Retained - During the year ended June 30, 2013, 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-13 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, 2013 for the County Extension Office did not exceed the amount budgeted.