

**HAMILTON COUNTY
WEBSTER CITY, IOWA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2015

**HAMILTON COUNTY
WEBSTER CITY, IOWA
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WEBSTER CITY, IOWA
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(A-133)**

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INTRODUCTORY SECTION

**HAMILTON COUNTY
WEBSTER CITY, IOWA
ORGANIZATION
JUNE 30, 2015**

Name	Title	Term Expires
Wesley Sweedler	Board of Supervisors	December 2016
David Young	Board of Supervisors	December 2018
Doug Bailey	Board of Supervisors	December 2016
Kim Schaa	County Auditor	December 2016
Joni Hilpipre	County Treasurer	December 2018
Kim Anderson	County Recorder	December 2018
Denny Hagenson	County Sheriff	December 2016
Patrick Chambers	County Attorney	December 2018
Kevin Bahrenfuss	County Assessor	December 2021

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FINANCIAL SECTION

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 (the County), Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County'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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 County'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 County'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, 2015, 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.

Emphasis-of-Matters

During fiscal year ended June 30, 2015, Hamilton County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of GASBS No. 68 and No. 71, Hamilton County reported a restatement for the change in accounting principle (see Note 15.) Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis), the Budgetary Comparison Schedule - Budget to GAAP Reconciliation, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan, as listed on the table of contents, 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 Supplementary 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 Nonmajor Governmental Funds Combining Balance Sheet, The Nonmajor Governmental Fund Combining Schedule of Revenues, Expenditures and Changes in Fund Balances, the Agency Combining Statement Of Changes In Assets And Liabilities and the Schedule of Revenues by Source and Expenditures by Function – all governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters (Continued)

Other Supplementary Information (Continued)

The Nonmajor Governmental Funds Combining Balance Sheet, the Nonmajor Governmental Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances, the Agency Combining Statement Of Changes in Assets and Liabilities and the Schedule of Revenues by Source and Expenditures by function – All Governmental Funds, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards 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 other 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 29, 2016, 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 29, 2016

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REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015 (FY15). We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Governmental activities revenue was approximately \$19.5 million in FY15, compared to \$18.1 million in FY14.
- Program expenses were approximately \$17.4 million, compared to \$17.8 million in FY14.
- Net position increased approximately \$2.1 million for FY15.

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, the Schedule of the County's Proportionate Share of the Net Pension Liability, Schedule of the County Contributions to the Employee Retirement System, 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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statements (Continued)

- 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 FY15 totaled approximately \$28.12 million. This compares to FY14 at approximately \$29.92 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, 2015	June 30, 2014
Current and other assets	\$ 47,990	\$ 48,811
Capital assets	29,034	29,314
Total assets	77,024	78,125
Deferred outflows of resources	711	-
Long-term debt outstanding	39,728	39,728
Other liabilities	791	1,051
Total liabilities	40,519	40,779
Deferred inflows of resources	9,101	7,422
Net position:		
Net investment in capital assets	23,346	23,248
Restricted	5,433	3,960
Unrestricted	(664)	2,716
Total net position	\$ 28,115	\$ 29,924

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental activities net position increased by \$2.1 million from FY14. 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 a deficit \$630,000 due to the recognition of the County's proportionate share of the net pension liability and related inflows and outflows of resources.

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

	Year ended June 30,	
	2015	2014
Revenues:		
Program revenues:		
Charges for service	\$ 3,617	\$ 3,213
Operating grants and contributions	5,320	5,653
Capital grants and contributions	53	359
General revenues:		
Property taxes	7,365	7,343
TIF collections	428	397
Local option sales tax	500	516
Investment earnings	886	253
Other general revenues	1,373	387
Total revenues	19,543	18,121
Program expenses:		
Public safety and legal services	2,753	2,768
Physical health and social services	1,617	1,524
Mental health	1,826	1,837
County environment and education	1,366	1,436
Roads and transportation	6,323	6,097
Government services to residents	440	506
Administration	1,237	1,274
Non-program	1,007	2,144
Interest on long-term debt	890	235
Total expenses	17,460	17,821
Increase in net position	\$ 2,083	\$ 300

Hamilton County's county-wide levy rate decreased slightly from 9.995756 per \$1,000 of valuation in FY14 to 9.98085 in FY15. The rural assessed property taxable valuation decreased by \$5.6 million for a total of \$550,915,623 and countywide assessed property valuation decreased by \$8.9 million for a total of \$850,848,338.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

INDIVIDUAL MAJOR FUND ANALYSIS

As Hamilton County completed the year, its governmental funds reported a combined fund balance of \$38,126,934, compared to \$38,706,590 combined fund balance for FY14. This is a decrease of \$579,656 (including the decrease in inventory).

The General Fund, the operating fund for Hamilton County, ended FY15 with a fund balance totaling \$3,386,097 whereas FY14 ended with a \$2,391,126 balance, an increase of \$994,971. Taxable property valuations decreased from \$859,782,710 in FY14 to \$850,848,338 in FY15, a decrease of \$8,934,372. The levy rate increased by .06632 to 6.31398 for FY15.

The Mental Health Fund ended with a \$367,041 fund balance for FY15, whereas FY14 ended with a \$362,709 an increase of \$4,332. The levy rate decreased from 0.83686 in FY14 to 0.83448 in FY15, a decrease of 0.00238. 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 \$421,867 fund balance for FY15 compared to the prior year balance of \$425,277, a decrease of \$3,410. The levy rate remained consistent with the prior year at 3.70990 for FY15. Property valuations increased from \$556,538,396 in FY14 to \$550,915,623 in FY15.

The Secondary Roads Fund ended FY15 with a \$2,060,938 fund balance compared to the prior year balance of \$2,425,082, a decrease of \$364,144. FY15 revenues increased \$314,299 to \$3,553,348 from \$3,239,049 in FY14. In FY15, the Secondary Roads Department maintained 715 miles of aggregate-surfaced roads and 235 miles of paved roads during the year.

The Drainage Fund ended FY15 with a \$681,658 fund balance compared to the prior year balance of \$744,867, a decrease of \$63,209.

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 \$30,079,116 for the FY15, restricted for debt service.

BUDGETARY HIGHLIGHTS

Hamilton County amended the budget at various times during fiscal year end June 30, 2015. In total, the budgeted revenues were increased by approximately \$860,000. The primary revenue source adjusted through these amendments was in intergovernmental revenues which increased by approximately \$770,000. The expenditure budget was increased by approximately \$2,100,000 in fiscal year 2015. The largest increase in budgeted expenditures related to capital outlay expenditures. The capital outlay budget amendments accounted for \$1,200,000 of the budget amendments.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY15, the County had approximately \$29.0 million invested in capital assets, compared to \$29.3 million for FY14. This is a decrease of \$0.3 million from FY14.

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

	2015	2014
Land	\$ 3,718	\$ 3,718
Construction in progress	821	1,016
Buildings and improvements	5,893	6,052
Machinery and Equipment	2,175	2,338
Infrastructure	16,426	16,190
 Total	 \$ 29,033	 \$ 29,314

Long-Term Debt

At June 30, 2015, Hamilton County had approximately \$37.2 million in capital notes and other debt outstanding compared to \$39.7 million at June 30, 2014. 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)**

	2015	2014
General obligation bonds and notes	\$ 33,042	\$ 34,613
Urban renewal tax increment revenue bonds	2,204	2,489
Capital lease purchase agreements	142	258
Drainage warrants and improvement certificates	802	1,480
Compensated absences	493	495
Net OPEB	546	394
 Total	 \$ 37,227	 \$ 39,729

Outstanding debt at June 30, 2015 includes \$14.8 million of refunding bonds. During the fiscal year ending June 30, 2013, 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, 2015.

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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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 2016 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.

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BASIC FINANCIAL STATEMENTS

**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,463,759
Investments	14,808,560
Receivables:	
Property tax:	
Delinquent	6,194
Succeeding year	7,400,470
Interest and penalty on property tax	31,988
Accounts	75,301
Accrued interest	53,289
Drainage assessments	1,016,459
Note	16,090,000
Due from other governments	530,595
Inventories	1,395,214
Prepaid insurance	118,301
Capital assets not being depreciated	4,538,662
Capital assets being depreciated, net	24,495,133
Total assets	77,023,925
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	710,838
LIABILITIES	
Accounts payable	474,301
Accrued interest payable	82,007
Salaries and benefits payable	36,234
Due to other governments	49,508
Unearned revenue	147,777
Net pension liability	2,500,458
Long-term liabilities:	
Due within one year	2,753,100
Due in more than one year	34,474,364
Total liabilities	40,517,749
DEFERRED INFLOWS OF RESOURCES	
Pension related	1,700,970
Succeeding year property tax	7,400,470
Total deferred inflows of resources	9,101,440
NET POSITION	
Net investment in capital assets	23,346,203
Restricted for:	
Supplemental levy purposes	594,340
Mental health purposes	367,559
Rural services purposes	433,885
Secondary roads purposes	726,934
Drainage warrants and certificates	1,698,117
Conservation land and capital improvements	59,445
Debt service	52,784
Other purposes	1,500,219
Unrestricted	(663,912)
TOTAL NET POSITION	\$ 28,115,574

The Accompanying Notes are an Integral Part of the Financial Statements.

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Public safety and legal services	\$ 2,753,220	\$ 417,215	\$ 599	\$ 2,433	\$ (2,332,973)
Physical health and social services	1,617,080	179,063	939,371	-	(498,646)
Mental health	1,826,088	252,687	832,862	-	(740,539)
County environment and education	1,365,920	982,496	46,386	13,980	(323,058)
Roads and transportation	6,323,283	54,076	3,497,533	-	(2,771,674)
Governmental services to residents	440,143	284,788	-	-	(155,355)
Administration	1,237,323	26,069	2,982	-	(1,208,272)
Non-program	1,007,055	1,420,591	-	36,390	449,926
Interest on long-term debt	889,520	-	-	-	(889,520)
Total	\$ 17,459,632	\$ 3,616,985	\$ 5,319,733	\$ 52,803	(8,470,111)

GENERAL REVENUES:

Property tax levied for general purposes	7,365,158
Penalty and interest on property tax	40,994
State tax credits	433,882
Tax increment financing collections	428,046
Local option sales tax	500,159
Investment earnings	886,402
Gain on dispositions	570,930
Miscellaneous	327,577
Total general revenues	10,553,148
Change in net position	2,083,037
Net position - beginning of year, as originally stated	29,923,906
Change in accounting principle (See Note 15)	(3,891,369)
Net Position - beginning of year, as restated	26,032,537
Net position, end of year	\$ 28,115,574

The Accompanying Notes are an Integral Part of the Financial Statements.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
ASSETS				
Cash and cash equivalents	\$ 2,562,249	\$ 334,476	\$ 402,390	\$ 1,073,376
Investments	819,444	-	-	-
Receivables:				
Property tax:				
Delinquent	4,768	527	729	-
Succeeding year	4,515,818	498,945	2,226,912	-
Interest and penalty on property tax	31,988	-	-	-
Accounts	37,129	35,772	-	1,935
Accrued interest	672	-	-	-
Drainage assessments	-	-	-	-
Note	-	-	-	-
Due from other governments	314,846	-	33,112	61,210
Inventories	-	-	-	1,395,214
Total assets	<u>\$ 8,286,914</u>	<u>\$ 869,720</u>	<u>\$ 2,663,143</u>	<u>\$ 2,531,735</u>
LIABILITIES				
Accounts payable	\$ 149,907	\$ 2,864	\$ 572	\$ 314,692
Salaries and benefits payable	24,229	352	1,264	10,389
Due to other governments	47,790	-	510	1,208
Unearned revenue	64,479	-	-	83,298
Total liabilities	<u>286,405</u>	<u>3,216</u>	<u>2,346</u>	<u>409,587</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	4,515,818	498,945	2,226,912	-
Unavailable revenue - other	98,594	518	12,018	61,210
Total deferred inflows of resources	<u>4,614,412</u>	<u>499,463</u>	<u>2,238,930</u>	<u>61,210</u>
FUND BALANCES				
Nonspendable	-	-	-	1,395,214
Restricted for:				
Supplemental levy purposes	760,038	-	-	-
Mental health purposes	-	367,041	-	-
Rural services purposes	-	-	421,867	-
Secondary roads purposes	-	-	-	665,724
Drainage warrants and certificates	-	-	-	-
Conservation land and capital improvements	58,277	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	2,567,782	-	-	-
Total fund balances	<u>3,386,097</u>	<u>367,041</u>	<u>421,867</u>	<u>2,060,938</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,286,914</u>	<u>\$ 869,720</u>	<u>\$ 2,663,143</u>	<u>\$ 2,531,735</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

<u>Drainage</u>	<u>Hospital Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 681,658	\$ -	\$ 1,057,910	\$ 6,112,059
-	13,989,116	-	14,808,560
-	-	170	6,194
-	-	158,795	7,400,470
-	-	-	31,988
-	-	465	75,301
-	52,617	-	53,289
1,016,459	-	-	1,016,459
-	16,090,000	-	16,090,000
-	-	121,427	530,595
-	-	-	1,395,214
<u>\$ 1,698,117</u>	<u>\$ 30,131,733</u>	<u>\$ 1,338,767</u>	<u>\$ 47,520,129</u>
\$ -	\$ -	\$ 3,498	\$ 471,533
-	-	-	36,234
-	-	-	49,508
-	-	-	147,777
-	-	3,498	705,052
-	-	158,795	7,400,470
1,016,459	52,617	46,257	1,287,673
1,016,459	52,617	205,052	8,688,143
-	-	20,000	1,415,214
-	-	-	760,038
-	-	-	367,041
-	-	-	421,867
-	-	-	665,724
681,658	-	-	681,658
-	-	-	58,277
-	30,079,116	16,069	30,095,185
-	-	1,094,148	1,094,148
-	-	-	2,567,782
<u>681,658</u>	<u>30,079,116</u>	<u>1,130,217</u>	<u>38,126,934</u>
<u>\$ 1,698,117</u>	<u>\$ 30,131,733</u>	<u>\$ 1,338,767</u>	<u>\$ 47,520,129</u>

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2015**

Total governmental fund balances \$ 38,126,934

***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. 29,033,795

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	(37,227,464)
Net pension liability	(2,500,458)
Accrued interest payable	(82,007)

Recognition of deferred inflows of resources as revenue on the government-wide financial statements:

Long-term interest receivable on pass through note receivable for pass through monies related to the general obligation hospital bonds	52,617
Drainage assessments earned by execution of the services performed	1,016,459
Delinquent property taxes outstanding from previous years assessments	37,990
Grant revenues earned upon expending the funding	180,607

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	710,838
Deferred inflows of resources related to pensions	(1,700,970)

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.

467,233

Net position of governmental activities **\$ 28,115,574**

**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:				
Property and other county tax	\$ 4,383,336	\$ 687,345	\$ 2,143,256	\$ -
Tax increment financing collections	-	-	-	-
Interest and penalty on property tax	40,994	-	-	-
Intergovernmental	2,092,464	130,379	87,501	3,497,533
Licenses and permits	10,153	-	-	8,441
Charges for services	1,508,972	1,971	-	414
Use of money and property	260,052	-	-	-
Miscellaneous	270,132	36,597	-	46,960
Total revenues	<u>8,566,103</u>	<u>856,292</u>	<u>2,230,757</u>	<u>3,553,348</u>
Expenditures:				
Current:				
Public safety and legal services	2,422,154	-	224,788	-
Physical health and social services	1,616,041	-	-	-
Mental health	1,012,770	851,960	-	-
County environment and education services	1,172,089	-	133,782	-
Roads and transportation	-	-	320,598	4,463,654
Governmental services to residents	490,981	-	-	-
Administration	1,150,976	-	35,999	-
Non-program	-	-	-	1,511
Debt service	2,287	-	-	-
Capital outlay	51,841	-	99,000	728,407
Total expenditures	<u>7,919,139</u>	<u>851,960</u>	<u>814,167</u>	<u>5,193,572</u>
Excess (deficiency) of revenues over expenditures	<u>646,964</u>	<u>4,332</u>	<u>1,416,590</u>	<u>(1,640,224)</u>
Other financing sources (uses):				
Transfers in	40,434	-	80,000	1,605,000
Transfers out	(267,129)	-	(1,500,000)	-
Proceeds from the sale of capital assets	574,702	-	-	-
Drainage warrant/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses)	<u>348,007</u>	<u>-</u>	<u>(1,420,000)</u>	<u>1,605,000</u>
Net change in fund balances	<u>994,971</u>	<u>4,332</u>	<u>(3,410)</u>	<u>(35,224)</u>
Fund balances, beginning of year	2,391,126	362,709	425,277	2,425,082
Decrease in inventories	-	-	-	(328,920)
Fund balances, end of year	<u>\$ 3,386,097</u>	<u>\$ 367,041</u>	<u>\$ 421,867</u>	<u>\$ 2,060,938</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

<u>Drainage</u>	<u>Hospital Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ -	\$ 575,284	\$ 7,789,221
-	-	428,046	428,046
-	-	-	40,994
-	-	116,554	5,924,431
-	-	-	18,594
1,474,002	-	3,995	2,989,354
2,196	793,707	(93)	1,055,862
158,118	-	167,982	679,789
<u>1,634,316</u>	<u>793,707</u>	<u>1,291,768</u>	<u>18,926,291</u>
-	-	26,573	2,673,515
-	-	-	1,616,041
-	-	-	1,864,730
-	-	27,060	1,332,931
-	-	-	4,784,252
-	-	2,165	493,146
-	-	9,718	1,196,693
1,019,385	-	-	1,020,896
1,678,426	2,112,686	751,342	4,544,741
-	-	345,822	1,225,070
<u>2,697,811</u>	<u>2,112,686</u>	<u>1,162,680</u>	<u>20,752,015</u>
<u>(1,063,495)</u>	<u>(1,318,979)</u>	<u>129,088</u>	<u>(1,825,724)</u>
-	-	207,269	1,932,703
-	-	(165,574)	(1,932,703)
-	-	-	574,702
<u>1,000,286</u>	<u>-</u>	<u>-</u>	<u>1,000,286</u>
<u>1,000,286</u>	<u>-</u>	<u>41,695</u>	<u>1,574,988</u>
<u>(63,209)</u>	<u>(1,318,979)</u>	<u>170,783</u>	<u>(250,736)</u>
744,867	31,398,095	959,434	38,706,590
-	-	-	(328,920)
<u>\$ 681,658</u>	<u>\$ 30,079,116</u>	<u>\$ 1,130,217</u>	<u>\$ 38,126,934</u>

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2015**

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

Net change in fund balances - total governmental funds \$ (250,736)

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	1,471,441
Depreciation expense	(1,747,942)
Gain on disposal of capital assets	(3,772)

Revenues in the statement of activities that do not provide current financial resources are reported as revenues in the governmental funds. 45,448

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 Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Drainage certificates and warrants issued	(1,000,286)
Repayments of certificates and warrants	1,678,426
Principal repayments of bonds, notes and capital leases	1,946,425

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	(151,957)
Compensated absences	1,930
Accrued interest on long-term debt	4,233
Amortization of premium	26,137

Governmental funds report County pension contributions as expenditures made. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.

Pension contributions	561,851
Pension expense	(161,072)

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 asset is exhausted. (328,920)

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. (8,169)

Change in net position of governmental activities \$ 2,083,037

**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015**

	Internal Service - Hamilton County PSF
ASSETS	
Cash and cash equivalents	\$ 351,700
Prepaid insurance	118,301
	<hr/>
Total assets	470,001
 LIABILITIES	
Accounts payable	2,768
	<hr/>
 NET POSITION	
Unrestricted	\$ 467,233
	<hr/> <hr/>

The Accompanying Notes are an Integral Part of the Financial Statements.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015**

	Internal Service - Hamilton County PSF
OPERATING REVENUE	
Intra-county reimbursements	\$ 1,449,197
OPERATING EXPENSES	
Medical claims	1,444,212
Administrative fees	<u>13,154</u>
Total operating expenses	<u>1,457,366</u>
Operating loss	(8,169)
NET POSITION, BEGINNING OF YEAR	<u>475,402</u>
NET POSITION, END OF YEAR	<u><u>\$ 467,233</u></u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015**

	<u>Internal Service - Hamilton County PSF</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,449,197
Cash paid to suppliers for services	<u>(1,416,307)</u>
Net cash provided by operating activities	32,890
Cash and cash equivalents, beginning of year	<u>318,810</u>
Cash and cash equivalents, end of year	<u><u>\$ 351,700</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (8,169)
Decrease in accounts payable	(1,289)
Decrease in prepaid insurance	<u>42,348</u>
Net cash provided by operating activities	<u><u>\$ 32,890</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
FIDUCIARY FUNDS
JUNE 30, 2015**

ASSETS

Cash and pooled investments	\$ 1,392,469
Receivables:	
Accounts receivable	100,070
Taxes receivable	19,876,071
Due from other governments	<u>37,727</u>
Total assets	<u><u>\$ 21,406,337</u></u>

LIABILITIES

Accounts payable	\$ 7,303
Salaries and benefits payable	768
Due to other governments	<u>21,398,266</u>
Total liabilities	<u><u>\$ 21,406,337</u></u>

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hamilton County (the 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.

During the year ended June 30, 2015, the County adopted GASB No. 68 and GASB No.71. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, both of which provides financial reporting guidance for reporting pension liabilities and expenses.

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
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 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
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, deferred outflows of resources, liabilities and deferred inflows of resources, 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. It is used to account for all financial resources except those required to be accounted for in another fund. Sub funds of the General Fund include General Supplemental, Supplemental Environmental Projects and Conservation Capital Projects Expense.

Special Revenue Funds:

The Mental Health Fund is a special revenue fund, 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 a special revenue fund, 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 a special revenue fund, 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
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

Debt Service Funds:

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

Additionally, the County reports the following governmental fund types:

Permanent Fund – The Friends of Conservation Trust is a private-purpose trust fund that accounts for contributions made on behalf of the Hamilton County Conservation Department for the purpose of improving and maintaining the designated conservation areas of the County.

The County reports the following nonmajor funds:

Special Revenue Funds

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

Capital Projects Funds

Capital Projects
Van Diest TIF Project

Debt Service Funds

Debt Service
Ag Partners Debt Service
Parking Lot Debt Service
Red Bull Debt Service
Van Diest TIF Debt Service

Permanent Fund

Conservation Legacy Endowment

Additionally, The County reports the following proprietary and fiduciary fund types:

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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

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.

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 inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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 deferred inflow of resources 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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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, Deferred Outflows and Inflows of Resources and Net Position

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position (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 Position. 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
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position (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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

In addition to liabilities, the statement of financial position/balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and a note receivable. These amounts are deferred and recognized as an inflow of resources in the periods that the amounts become available. Reported amounts in the statement of net position are related to the requirements of accounting and financial reporting for pensions under GASB 68.

Due to Other Governments

Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position (continued)

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, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (System) and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position (continued)

Net Position 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:

Net investment in capital assets 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 results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has 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.

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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted for the following functional expense areas:

- Debt service

NOTE 3 - CASH AND POOLED INVESTMENTS

Cash is presented in the financial statements as shown below:

	Carrying Value	Bank Balance
Checking account	\$ 1,800,152	\$ 1,952,334
Money market and savings accounts	3,913,822	3,913,978
Certificates of deposit	625,000	625,000
Iowa Public Agency Trust	1,480,847	1,480,847
Cash on hand	36,407	-
Total	\$ 7,856,228	\$ 7,972,159

A reconciliation to the financial statements is shown below:

Statement of Net Position - governmental activities	\$ 6,463,759
Statement of Fiduciary Net Position	1,392,469
	\$ 7,856,228

Custodial Credit Risk. The County's deposits in banks at June 30, 2015 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	\$ 13,989,116
Drainage warrants	498,793
Drainage coupons	320,651
	\$ 14,808,560

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 - CASH AND POOLED INVESTMENTS (continued)

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.

Custodial Credit Risk. The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$779,051 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 \$13,989,116. 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 \$220,514 and one to five years of \$13,768,602.

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 94% of total investments.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

	Transfers In					Total
	General Fund	Rural Services Fund	Secondary Roads Fund	Prisoner Room and Board	Debt Service Funds	
<u>Transfers Out</u>						
General Fund	\$ -	\$ 80,000	\$ 105,000	\$ 18,589	\$ 63,540	\$ 267,129
Rural Services Fund	-	-	1,500,000	-	-	1,500,000
Nonmajor Funds						
Local Options Sales Tax	10,434	-	-	-	66,350	76,784
Public Health Hospice	30,000	-	-	-	-	30,000
Ag Partners TIF Projects	-	-	-	-	58,790	58,790
 Total	 <u>\$ 40,434</u>	 <u>\$ 80,000</u>	 <u>\$ 1,605,000</u>	 <u>\$ 18,589</u>	 <u>\$ 188,680</u>	 <u>\$ 1,932,703</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ending June 30, 2015, the County made the following significant transfers:

The General Fund and Rural Services Fund made transfers to Secondary Roads Fund in accordance with state statutes and through authorization of the Board of Supervisors as included in the approved budget and amendments in the amount of \$1,605,000.

The various transfers totaling \$188,680 to the Debt Service Fund were for the purpose of funding the payment of interest and principal on the County's general long-term debt, except for those obligations required to be paid from other funds.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 3,718,009	\$ -	\$ -	\$ 3,718,009
Construction in progress	1,015,555	1,182,014	1,376,916	820,653
Total capital assets not being depreciated	<u>4,733,564</u>	<u>1,182,014</u>	<u>1,376,916</u>	<u>4,538,662</u>
Capital assets being depreciated:				
Buildings and building improvements	8,694,419	-	-	8,694,419
Buildings under capital lease	1,211,583	-	-	1,211,583
County equipment	1,880,466	62,154	52,297	1,890,323
County equipment under capital lease	108,047	-	-	108,047
Secondary roads equipment	7,597,512	225,944	-	7,823,456
Secondary roads office equipment	183,994	1,329	9,115	176,208
Infrastructure	<u>38,226,488</u>	<u>1,376,916</u>	<u>-</u>	<u>39,603,404</u>
Total capital assets being depreciated	57,902,509	1,666,343	61,412	59,507,440
Less accumulated depreciation for:				
Buildings and building improvements	3,854,484	158,132	-	4,012,616
County equipment	1,294,770	151,468	48,525	1,397,713
Secondary roads equipment	5,987,199	288,435	-	6,275,634
Secondary roads office equipment	149,886	8,813	9,115	149,584
Infrastructure	<u>22,035,666</u>	<u>1,141,094</u>	<u>-</u>	<u>23,176,760</u>
Total accumulated depreciation	<u>33,322,005</u>	<u>1,747,942</u>	<u>57,640</u>	<u>35,012,307</u>
Total capital assets being depreciated, net	<u>24,580,504</u>	<u>(81,599)</u>	<u>3,772</u>	<u>24,495,133</u>
Governmental activities capital assets, net	<u>\$29,314,068</u>	<u>\$1,100,415</u>	<u>\$1,380,688</u>	<u>\$29,033,795</u>

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

Public safety and legal services	\$ 159,504
Physical health and social services	11,134
Mental health	24,232
County environment and education	66,968
Roads and transportation	1,445,387
Administration	<u>40,717</u>
Total depreciation expense - governmental activities	<u>\$ 1,747,942</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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:

Fund	Amount
Governmental funds	
General Fund	\$ 47,790
Rural Services	510
Secondary Roads	1,208
Total for governmental funds	\$ 49,508
Agency:	
County offices	
Recorder	\$ 53,231
Sheriff	12,453
Township	356,264
Corporation	4,752,297
District Schools	11,627,088
Area Schools	743,861
County Assessor	1,166,357
County Agricultural Extension	219,954
County Hospital	1,816,012
Auto Registration and Use Tax	396,084
E911 Surcharge	188,602
All Others	66,063
	\$ 21,398,266

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due within One Year
General obligation bonds					
General obligation bonds	\$ 34,295,000	\$ -	\$ 1,545,000	\$ 32,750,000	\$ 1,615,000
Premium on general obligation bonds	317,674	-	26,137	291,537	26,137
General obligation bonds, net	34,612,674	-	1,571,137	33,041,537	1,641,137
Urban renewal Tax increment revenue bond	2,488,765	-	284,684	2,204,081	201,781
Drainage warrants and drainage improvement certificates	1,479,778	1,000,286	1,678,426	801,638	496,042
Capital leases purchase agreements	258,348	-	116,741	141,607	121,014
Compensated absences	494,969	293,126	295,056	493,039	293,126
OPEB liability	393,605	162,366	10,409	545,562	-
Total	\$ 39,728,139	\$ 1,455,778	\$ 3,956,453	\$ 37,227,464	\$ 2,753,100

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	\$ 16,090,000
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	9,140,000
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
Highway improvement bonds, series 2013B	10/9/2013	1.05-4.00%	06/01/16 - 06/01/32	06/01 & 12/01	995,000	995,000
Premium of general obligation debt						291,537
						<u>33,041,537</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>2,204,081</u>
Total governmental activities						<u><u>\$ 35,245,618</u></u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - LONG-TERM LIABILITIES (continued)

Long-Term Debt Payable (continued)

Payments to maturity on the County's June 30, 2015 indebtedness is as follows:

Year Ending June 30	<u>General Obligation Bonds</u>		<u>Tax Increment Financing Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,615,000	\$ 940,750	\$ 201,781	\$ 46,481
2017	15,035,000	900,785	202,165	46,099
2018	1,645,000	303,700	206,967	41,296
2019	1,665,000	279,875	211,884	36,380
2020	1,690,000	255,725	216,917	31,347
2021-2025	8,900,000	802,175	1,164,367	76,947
2026-2030	2,050,000	104,000	-	-
2031-2032	150,000	9,000	-	-
Total	<u>\$ 32,750,000</u>	<u>\$ 3,596,010</u>	<u>\$ 2,204,081</u>	<u>\$ 278,550</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%.

In 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
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - LONG-TERM LIABILITIES (continued)

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, 2015 is as follows:

Assessed value	\$ <u>1,643,333,810</u>
Debt limit - 5% of assessed value	\$ 82,166,691
Debt outstanding	<u>32,750,000</u>
Debt margin	<u>\$ 49,416,691</u>

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, 2015 is \$213,902. 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, 2015:

Year ending June 30,		
2016	\$	124,126
2017		<u>20,686</u>
Total minimum lease payments		144,812
Less amount representing interest		<u>(3,205)</u>
Present value of net minimum lease payments	\$	<u>141,607</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - LONG-TERM LIABILITIES (continued)

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
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The County offers medical benefits for retirees and their spouses through its insurance plan. There are 108 active and 5 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, 2015, the amount implicitly contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 101,118
Interest on net OPEB obligation	11,790
Adjustment to annual required contribution	<u>49,458</u>
Annual OPEB cost	162,366
Contributions made	<u>(10,409)</u>
Increase in net OPEB obligation	151,957
Net OPEB obligation, beginning of year	<u>393,605</u>
Net OPEB obligation, end of year	<u>\$ 545,562</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, 2015.

For the year ended June 30, 2015, the County does not explicitly contribute to the medical plan. Plan members eligible for benefits contributed 100% of the premium costs.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015 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, 2013	\$ 73,587	6%	\$ 331,161
June 30, 2014	64,827	4%	393,605
June 30, 2015	162,366	6%	545,562

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2016, the actuarial accrued liability was \$720,910, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$720,910. As of June 30, 2015, 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, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include 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 \$502 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
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 - NET POSITION

Net position at June 30, 2015 consists of the following:

Net Investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 29,033,795
Less outstanding long term debt	(35,245,618)
Debt not related to capital assets	29,558,026
Net investment in capital assets	23,346,203
Restricted	
Supplemental levy	594,340
Conservation land acquisition / capital improvements	367,559
Mental health	433,885
Rural services	726,934
Secondary roads	1,698,117
Drainage warrants and certificates	59,445
Debt service	52,784
Other	1,500,219
Total restricted	5,433,283
Unrestricted	(663,912)
Total Governmental Activities Net Position	\$ 28,115,574

NOTE 10 - PENSION PLANS

Iowa Public Employees' Retirement System

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 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 - PENSION PLANS (continued)

Iowa Public employees Retirement System (IPERS)

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded a federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 - PENSION PLANS (continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County contributed 9.88 percent of pay for a total rate of 19.76 percent. Protective occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.80 percent.

The County's total contributions to IPERS for the year ended June 30, 2015, were \$561,851.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County's liability for its proportionate share of the net pension liability totaled \$2,500,458. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.921308 percent which was a decrease of .007883 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$161,072. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,440	\$ 39,662
Changes of assumptions	119,547	28,111
Net difference between projected and actual earnings on pension plan investments	-	1,418,254
Changes in proportion and differences between County contributions and proportionate share of contributions	-	214,953
County contributions subsequent to the measurement date	561,851	-
Total	<u>\$ 710,838</u>	<u>\$ 1,700,980</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 - PENSION PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – \$561,851 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$ (385,811)
2017	(385,811)
2018	(385,811)
2019	(385,811)
2020	(8,749)
	<u>\$ (1,551,993)</u>

There were no non-employer contributing entries at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>IPERS</u>
Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of Salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 - PENSION PLANS (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15%	6.76%
Private Equity	13%	11.34%
Real Estate	8%	3.52%
Core Plus Fixed Income	28%	2.06%
Credit Opportunities	5%	3.67%
TIPS	5%	1.92%
Other Real Assets	2%	6.27%
Cash	1%	-0.69%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the contractually required rate and the contributions from the County will be made at contractually required rates, actuarially determined. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate of 7.5%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Discount Rate	1% Increase
IPERS Discount Rate	6.5%	7.5%	8.5%
County's proportionate share of the net pension liability	\$ 5,730,369	\$ 2,500,458	\$ (223,513)

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 - PENSION PLANS (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

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 official's 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, 2015 were \$164,584.

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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 - RISK MANAGEMENT (continued)

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, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$500,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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, 2015 was \$1,449,197.

Amounts payable from the Hamilton County PSF Fund at June 30, 2015 total \$2,768 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 \$467,233 at June 30, 2015.

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
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 - EMPLOYEE HEALTH INSURANCE PLAN (continued)

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

	2015	2014
Unpaid claims, beginning of year	\$ 4,057	\$ 5,402
Incurred claims and changes in estimates	1,298,657	1,292,955
Claims paid	(1,299,946)	(1,294,300)
Unpaid claims, end of year	\$ 2,768	\$ 4,057

NOTE 13 - CONSTRUCTION COMMITMENT

Hamilton County Secondary Roads has entered into various contracts totaling \$2,683,183 for bridge and roadway construction projects. The renovation and restoration of Conservation cabins is handled solely through the Conservation Department. As of June 30, 2015, costs of \$1,168,926 were paid on the projects. The balance of \$1,514,257 remaining on the contracts at June 30, 2015 will be paid as work on the project progresses.

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

Hamilton County Solid Waste Commission

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.

Central Iowa Community Services

Hamilton County participates in the Central Iowa Community Services, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The member counties entered into the agreement to create a mental health and disability service region as described in the Iowa Code Section 331.438E (2012) to provide local access to mental health and disability services as defined in the regional management plan and to engage in any other related activity in which an Iowa 28E organization may lawfully be engaged.

Hamilton County contributes, along with the other member counties, the member county's maximum maintenance of effort under the Mental Health and Disability (fund 10) property tax levy or alternative levels established by state law unless otherwise specified by the Governing Board. The County has contributed \$531,735 to the Central Iowa Community Services as of June 30, 2015.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 14 - JOINTLY GOVERNED ORGANIZATION (continued)

County Community Services Case Management

Hamilton County participates in the County Community Services Case Management (CCSCM), a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Hamilton County participates in the agreement with the counties of Boone and Madison. The joint venture has been established for the purpose of providing Case Management Services to Member Counties' residents. The Board of Supervisors for each of the Member Counties shall each appoint one County Supervisor member of designee to serve as the Case Management Board, to serve as the oversight of the joint venture's activities.

The Board is responsible for deciding what level of staffing is necessary in each Member County and shall indicate that to Member Counties. Each Member County is responsible for retaining the necessary staff and paying all costs associated with the employment of such individuals, including but not limited to wages, employment taxes, and benefits. Benefits shall be provided consistent with the employment policies of their employing Member County. During the fiscal year ending June 30, 2015, Hamilton County is responsible for staffing the case management worker.

The activity will be reported as an agency fund in the financial statements of the County for the year ending June 30. A copy of Boone County's financial statements can be obtained from the Office of the Auditor of the State website or from Boone County at 201 State Street, Boone, Iowa 50036.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2015, Hamilton County, adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. These pronouncements require the restatement of the June 30, 2014, net position of the governmental activities as follows:

	<u>Net Position as Previously Stated</u>	<u>Cumulative Affect of Application of GASB 68 Net Pension Liability</u>	<u>Cumulative Affect of Application of GASB 71 Deferred Outflow of Resources for County Contributions Made During 2013-2014</u>	<u>Net Position As Restated</u>
Governmental Activities	\$ 29,923,906	\$ (4,427,369)	\$ 536,000	\$ 26,032,537

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

**HAMILTON COUNTY
WEBSTER CITY, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
BALANCES – BUDGET AND ACTUAL (CASH BASIS)
ALL GOVERNMENT FUNDS
JUNE 30, 2015**

	Cash Basis Fund Types Actual	Less Funds Not Required to Be Budgeted	Net
RECEIPTS			
Property and other county tax	\$ 8,224,361	\$ -	\$ 8,224,361
Interest and penalty on property tax	41,094	-	41,094
Intergovernmental	5,594,651	-	5,594,651
Licenses and permits	18,899	-	18,899
Charges for services	3,007,929	1,474,002	1,533,927
Use of money and property	1,054,950	2,196	1,052,754
Miscellaneous	<u>294,293</u>	<u>158,118</u>	<u>136,175</u>
Total receipts	18,236,177	1,634,316	16,601,861
DISBURSEMENTS			
Public safety and legal services	2,709,448	-	2,709,448
Physical health and social services	1,594,148	-	1,594,148
Mental health	1,841,052	-	1,841,052
County environment and education services	1,364,904	-	1,364,904
Roads and transportation	4,713,721	-	4,713,721
Governmental services to residents	498,427	-	498,427
Administration	1,230,504	-	1,230,504
Non-program	1,697,525	1,697,525	-
Debt service	2,866,315	-	2,866,315
Capital projects	<u>862,513</u>	<u>-</u>	<u>862,513</u>
Total disbursements	<u>19,378,557</u>	<u>1,697,525</u>	<u>17,681,032</u>
EXCESS OF DISBURSEMENTS OVER RECEIPTS	(1,142,380)	(63,209)	(1,079,171)
OTHER FINANCING SOURCES, NET	<u>574,702</u>	<u>-</u>	<u>574,702</u>
EXCESS OF DISBURSEMENTS OVER RECEIPTS AND OTHER FINANCING SOURCES	(567,678)	(63,209)	(504,469)
BALANCES, BEGINNING OF YEAR	<u>19,157,987</u>	<u>744,867</u>	<u>18,413,120</u>
BALANCES, END OF YEAR	<u>\$ 18,590,309</u>	<u>\$ 681,658</u>	<u>\$ 17,908,651</u>

Budgeted Amounts		Final to Net Variance - Positive/ (Negative)
Original	Final	
\$ 8,226,768	\$ 8,248,671	\$ (24,310)
26,500	26,500	14,594
5,040,987	5,810,548	(215,897)
18,475	19,475	(576)
1,441,310	1,457,281	76,646
222,961	234,041	818,713
<u>1,966,660</u>	<u>2,008,540</u>	<u>(1,872,365)</u>
16,943,661	17,805,056	(1,203,195)
2,950,324	3,016,774	307,326
1,702,630	1,769,968	175,820
1,579,976	1,893,372	52,320
1,498,390	1,679,228	314,324
4,451,100	4,730,500	16,779
551,233	553,983	55,556
1,343,825	1,390,302	159,798
-	-	-
2,828,202	2,864,028	(2,287)
<u>914,154</u>	<u>2,079,701</u>	<u>1,217,188</u>
<u>17,819,834</u>	<u>19,977,856</u>	<u>2,296,824</u>
(876,173)	(2,172,800)	1,093,629
<u>6,600</u>	<u>576,600</u>	<u>(1,898)</u>
(869,573)	(1,596,200)	1,091,731
<u>18,413,120</u>	<u>18,413,120</u>	<u>-</u>
<u>\$ 17,543,547</u>	<u>\$ 16,816,920</u>	<u>\$ 1,091,731</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
JUNE 30, 2015**

	Governmental Funds		
	Cash Basis	Modified Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 18,236,177	\$ 690,114	\$ 18,926,291
Expenditures	<u>19,378,557</u>	<u>1,373,458</u>	<u>20,752,015</u>
Net change	(1,142,380)	(683,344)	(1,825,724)
Other financing sources, net	574,702	1,000,286	1,574,988
Beginning fund balances	19,157,987	19,548,603	38,706,590
Decrease in inventories	<u>-</u>	<u>(328,920)</u>	<u>(328,920)</u>
Ending fund balances	<u>\$ 18,590,309</u>	<u>\$ 19,536,625</u>	<u>\$ 38,126,934</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
JUNE 30, 2015**

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, budget amendments increased budgeted disbursements and other financing uses by \$2,296,824, increased budget revenues, other financing sources by \$1,203,195 and increased the beginning fund balance by \$161,329. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the following functions:

- Debt service

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2015**

	Reporting Year (Measurement Date)
	2015 (2014)
County's Proportion of the Net Pension Liability	0.921308%
County's Proportionate Share of the Net Pension Liability	\$ 2,500,458
County's Covered-Employee Payroll	\$ 6,301,049
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	39.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
JUNE 30, 2015**

	Reporting Fiscal Year	
	2015	2014
Statutorily Required Contribution	\$ 561,851	\$ 536,000
County's Contribution in Relation to the Statutorily Required Contribution	561,851	536,000
County's Contribution Deficiency (Excess)	\$ -	\$ -
County's Covered-Employee Payroll	\$ 6,301,049	\$ 5,951,211
County's Contributions as a Percentage of Covered- Employee Payroll	8.92%	9.01%

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
JUNE 30, 2015**

Changes in Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
JUNE 30, 2015**

Changes of assumptions (continued)

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Information Prior to the Measurement Date

Information prior to the measurement date (June 30, 2014) was not available.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLANS
JUNE 30, 2015**

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)
2015	July 1, 2014	\$ -	\$720,910	\$720,910	- %	N/A	N/A
2014	July 1, 2011	-	705,000	705,000	-	N/A	N/A
2013	July 1, 2011	-	705,000	705,000	-	N/A	N/A

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

OTHER SUPPLEMENTARY INFORMATION

**HAMILTON COUNTY
WEBSTER CITY, IOWA
JUNE 30, 2015**

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds

The special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

- Recorder's Record Management
- Drug Forfeitures
- Prisoner Room & Board
- Property Forfeiture
- Hotel/Motel Tax
- REAP
- Local Options Sales Tax
- AG Partners TIF Projects
- Public Health Hospice
- Ethanol Plant
- Friends of Conservation Trust

Capital Projects

The capital projects funds account for resources designated to construct or acquire general capital assets, major improvements, vehicles, and equipment. Revenues are derived primarily from the sale of general obligation bonds and notes, intergovernmental revenues, transfers from other funds and earnings on investments.

- Van Diest TIF Capital Projects

Debt Service Funds

The debt service funds account for the payment of interest and principal on general obligation bonds and notes. Debt service revenues are principally derived from property taxes, special assessments and other operating revenues. These accounts are restricted in accordance with bond covenants.

- Debt Service
- Ag Partners Debt Service
- Parking Lot Debt Service
- Red Bull Debt Service
- Van Diest Debt Services

Permanent Fund

The permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the government's programs.

- Conservation Legacy Endowment

**HAMILTON COUNTY
WEBSTER CITY, IOWA
JUNE 30, 2015**

AGENCY FUNDS

Agency funds are clearing accounts that account for funds collected by the County on the behalf of individuals and other governmental entities.

- County Offices
- Township
- Corporation
- District Schools
- Area Schools
- County Assessor
- County Agricultural Extension
- County Hospital
- Motor Vehicle Trust
- E911 Surcharge
- Other

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Special Revenue Funds			
	Recorder's Records Management	Drug Forfeiture	Prisoner Room & Board	Property Forfeiture
ASSETS				
Cash and cash equivalents	\$ 21,851	\$ 7,148	\$ 11,743	\$ 23,253
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Due from other governments	310	-	-	-
Total assets	<u>\$ 22,161</u>	<u>\$ 7,148</u>	<u>\$ 11,743</u>	<u>\$ 23,253</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 3,250	\$ -
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - other	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Other purposes	22,161	7,148	8,493	23,253
Total fund balances	<u>22,161</u>	<u>7,148</u>	<u>8,493</u>	<u>23,253</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 22,161</u>	<u>\$ 7,148</u>	<u>\$ 11,743</u>	<u>\$ 23,253</u>

Special Revenue Funds

Hotel/ Motel Tax	REAP	Local Option Sales Tax	Ag Partners TIF Projects	Public Health Hospice	Ethanol Plant
\$ 54,800	\$ 82,541	\$ 607,627	\$ 57,944	\$ 40,762	\$ 610
-	-	-	-	-	-
-	-	-	-	-	-
-	455	-	-	-	-
6,754	12,217	102,146	-	-	-
<u>\$ 61,554</u>	<u>\$ 95,213</u>	<u>\$ 709,773</u>	<u>\$ 57,944</u>	<u>\$ 40,762</u>	<u>\$ 610</u>
\$ -	\$ 48	\$ 200	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	12,217	33,873	-	-	-
<u>-</u>	<u>12,217</u>	<u>33,873</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
61,554	82,948	675,700	57,944	40,762	610
<u>61,554</u>	<u>82,948</u>	<u>675,700</u>	<u>57,944</u>	<u>40,762</u>	<u>610</u>
<u>\$ 61,554</u>	<u>\$ 95,213</u>	<u>\$ 709,773</u>	<u>\$ 57,944</u>	<u>\$ 40,762</u>	<u>\$ 610</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015**

	Friends of Conservation Trust	Total Special Revenue	Capital Project Fund Van Diest TIF Capital Projects
ASSETS	\$ 46,096	\$ 954,375	\$ 66,469
Cash and cash equivalents			
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	10	465	-
Accounts	-	121,427	-
Due from other governments	-	-	-
Total assets	\$ 46,106	\$ 1,076,267	\$ 66,469
LIABILITIES			
Accounts payable	-	3,498	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	-	-
Unavailable revenue - other	-	46,090	-
Total deferred inflows of resources	-	46,090	-
FUND BALANCES (DEFICITS)			
Nonspendable	-	-	-
Restricted for:			
Debt service	-	-	-
Other purposes	46,106	1,026,679	66,469
Total fund balances	46,106	1,026,679	66,469
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 46,106	\$ 1,076,267	\$ 66,469

Debt Service Funds					Permanent Funds	
Debt Service	Parking Lot Debt Service	Red Bull Debt Service	Van Diest TIF Debt Service	Total Debt Service	Conservation Legacy Endowment	Total
\$ 1,086	\$ 8,115	\$ 5,422	\$ 1,443	\$ 16,066	\$ 21,000	\$ 1,057,910
-	102	68	-	170	-	170
158,795	-	-	-	158,795	-	158,795
-	-	-	-	-	-	465
-	-	-	-	-	-	121,427
<u>\$ 159,881</u>	<u>\$ 8,217</u>	<u>\$ 5,490</u>	<u>\$ 1,443</u>	<u>\$ 175,031</u>	<u>\$ 21,000</u>	<u>\$ 1,338,767</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,498
158,795	-	-	-	158,795	-	158,795
-	100	67	-	167	-	46,257
<u>158,795</u>	<u>100</u>	<u>67</u>	<u>-</u>	<u>158,962</u>	<u>-</u>	<u>205,052</u>
-	-	-	-	-	20,000	20,000
1,086	8,117	5,423	1,443	16,069	-	16,069
-	-	-	-	-	1,000	1,094,148
<u>1,086</u>	<u>8,117</u>	<u>5,423</u>	<u>1,443</u>	<u>16,069</u>	<u>21,000</u>	<u>1,130,217</u>
<u>\$ 159,881</u>	<u>\$ 8,217</u>	<u>\$ 5,490</u>	<u>\$ 1,443</u>	<u>\$ 175,031</u>	<u>\$ 21,000</u>	<u>\$ 1,338,767</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Special Revenue					
	Recorder's Records Management	Drug Forfeiture	Prisoner Room & Board	Property Forfeiture	Hotel/ Motel Tax	
REVENUES						
Property tax and other county tax	\$ -	\$ -	\$ -	\$ -	\$ 25,846	\$ -
Tax increment financing collections	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	24,431
Charges for services	3,215	-	-	-	-	-
Use of money and property	(280)	-	-	2	115	7
Miscellaneous	-	-	-	-	-	3,910
Total revenues	2,935	-	-	2	25,961	28,348
EXPENDITURES						
Public safety and legal services	-	3,010	23,563	-	-	-
County environment and education	-	-	-	-	4,196	48
Government services to residents	2,165	-	-	-	-	-
Administration	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total expenditures	2,165	3,010	23,563	-	4,196	48
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	770	(3,010)	(23,563)	2	21,765	28,300
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	18,589	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	18,589	-	-	-
NET CHANGE IN FUND BALANCES	770	(3,010)	(4,974)	2	21,765	28,300
FUND BALANCES, BEGINNING OF YEAR	21,391	10,158	13,467	23,251	39,789	54,648
FUND BALANCES, END OF YEAR	\$ 22,161	\$ 7,148	\$ 8,493	\$ 23,253	\$ 61,554	\$ 82,948

Special Revenue						Capital Project Fund
Local Option Sales Tax	Ag Partners TIF Projects	Public Health Hospice	Ethanol Plant	Friends of Conservation Trust	Total Special Revenue	Van Diest TIF Capital Projects
\$ 370,663	\$ -	\$ -	\$ -	\$ -	\$ 396,509	\$ -
-	70,121	-	325,220	-	395,341	-
16,530	1,079	-	17,277	9,000	68,317	36,390
-	-	-	-	780	3,995	-
51	-	7	-	5	(93)	-
-	-	-	-	11,848	15,758	-
<u>387,244</u>	<u>71,200</u>	<u>7</u>	<u>342,497</u>	<u>21,633</u>	<u>879,827</u>	<u>36,390</u>
-	-	-	-	-	26,573	-
-	-	-	-	22,816	27,060	-
-	-	-	-	-	2,165	-
9,718	-	-	-	-	9,718	-
-	-	-	341,887	-	341,887	-
97,663	-	-	-	-	97,663	248,159
<u>107,381</u>	<u>-</u>	<u>-</u>	<u>341,887</u>	<u>22,816</u>	<u>505,066</u>	<u>248,159</u>
279,863	71,200	7	610	(1,183)	374,761	(211,769)
-	-	-	-	-	18,589	-
<u>(76,784)</u>	<u>(58,790)</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>(165,574)</u>	<u>-</u>
<u>(76,784)</u>	<u>(58,790)</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>(146,985)</u>	<u>-</u>
203,079	12,410	(29,993)	610	(1,183)	227,776	(211,769)
472,621	45,534	70,755	-	47,289	798,903	278,238
<u>\$ 675,700</u>	<u>\$ 57,944</u>	<u>\$ 40,762</u>	<u>\$ 610</u>	<u>\$ 46,106</u>	<u>\$ 1,026,679</u>	<u>\$ 66,469</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015**

	Debt Service Funds					Total Debt Service
	Debt Service	Ag Partners Debt Service	Parking Lot Debt Service	Red Bull Debt Service	Van Diest TIF Debt Service	
REVENUES						
Property tax and other county tax	\$ 23,950	\$ -	\$ 92,898	\$ 61,927	\$ -	\$ 178,775
Tax increment financing collections	-	-	-	-	32,705	32,705
Intergovernmental	1,572	-	6,096	4,062	117	11,847
Charges for services	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>25,522</u>	<u>-</u>	<u>98,994</u>	<u>65,989</u>	<u>32,822</u>	<u>223,327</u>
EXPENDITURES						
Public safety and legal services	-	-	-	-	-	-
County environment and education	-	-	-	-	-	-
Government services to residents	-	-	-	-	-	-
Administration	-	-	-	-	-	-
Debt service	155,640	58,790	97,920	65,280	31,825	409,455
Capital projects	-	-	-	-	-	-
Total expenditures	<u>155,640</u>	<u>58,790</u>	<u>97,920</u>	<u>65,280</u>	<u>31,825</u>	<u>409,455</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(130,118)	(58,790)	1,074	709	997	(186,128)
OTHER FINANCING SOURCES (USES)						
Transfers in	129,890	58,790	-	-	-	188,680
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>129,890</u>	<u>58,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,680</u>
NET CHANGE IN FUND BALANCES	(228)	-	1,074	709	997	2,552
FUND BALANCES, BEGINNING OF YEAR	<u>1,314</u>	<u>-</u>	<u>7,043</u>	<u>4,714</u>	<u>446</u>	<u>13,517</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,086</u>	<u>\$ -</u>	<u>\$ 8,117</u>	<u>\$ 5,423</u>	<u>\$ 1,443</u>	<u>\$ 16,069</u>

Permanent Fund		
Conservation		
Legacy		
Endowment	Total	
\$ -	\$ 575,284	
-	428,046	
-	116,554	
-	3,995	
-	(93)	
152,224	167,982	
<u>152,224</u>	<u>1,291,768</u>	
-	26,573	
-	27,060	
-	2,165	
-	9,718	
-	751,342	
-	345,822	
<u>-</u>	<u>1,162,680</u>	
152,224	129,088	
-	207,269	
<u>-</u>	<u>(165,574)</u>	
<u>-</u>	<u>41,695</u>	
152,224	170,783	
(131,224)	959,434	
<u>\$ 21,000</u>	<u>\$ 1,130,217</u>	

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – AGENCY FUNDS
JUNE 30, 2015**

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
COUNTY OFFICES:				
ASSETS:				
Cash and cash equivalents	\$ 62,311	\$ 380,451	\$ 389,356	\$ 53,406
Accounts receivable	<u>3,772</u>	<u>12,278</u>	<u>3,772</u>	<u>12,278</u>
TOTAL ASSETS	<u>\$ 66,083</u>	<u>\$ 392,729</u>	<u>\$ 393,128</u>	<u>\$ 65,684</u>
LIABILITIES:				
Due to other governments	<u>\$ 66,083</u>	<u>\$ 65,684</u>	<u>\$ 66,083</u>	<u>\$ 65,684</u>
TOTAL LIABILITIES	<u>\$ 66,083</u>	<u>\$ 65,684</u>	<u>\$ 66,083</u>	<u>\$ 65,684</u>
TOWNSHIP:				
ASSETS:				
Cash and cash equivalents	\$ 2,751	\$ 351,532	\$ 351,739	\$ 2,544
Taxes receivable	<u>339,224</u>	<u>353,720</u>	<u>339,224</u>	<u>353,720</u>
TOTAL ASSETS	<u>\$ 341,975</u>	<u>\$ 705,252</u>	<u>\$ 690,963</u>	<u>\$ 356,264</u>
LIABILITIES:				
Due to other governments	<u>\$ 341,975</u>	<u>\$ 356,264</u>	<u>\$ 341,975</u>	<u>\$ 356,264</u>
TOTAL LIABILITIES	<u>\$ 341,975</u>	<u>\$ 356,264</u>	<u>\$ 341,975</u>	<u>\$ 356,264</u>
CORPORATION:				
ASSETS:				
Cash and cash equivalents	\$ 41,938	5,014,988	\$ 5,016,783	\$ 40,143
Taxes receivable	<u>4,866,111</u>	<u>4,712,154</u>	<u>4,866,111</u>	<u>4,712,154</u>
TOTAL ASSETS	<u>\$ 4,908,049</u>	<u>\$ 9,727,142</u>	<u>\$ 9,882,894</u>	<u>\$ 4,752,297</u>
LIABILITIES:				
Due to other governments	<u>\$ 4,908,049</u>	<u>\$ 4,752,297</u>	<u>\$ 4,908,049</u>	<u>\$ 4,752,297</u>
TOTAL LIABILITIES	<u>\$ 4,908,049</u>	<u>\$ 4,752,297</u>	<u>\$ 4,908,049</u>	<u>\$ 4,752,297</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – AGENCY FUNDS (CONTINUED)
JUNE 30, 2015**

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
DISTRICT SCHOOLS:				
ASSETS:				
Cash and cash equivalents	\$ 98,440	\$ 11,857,556	\$ 11,862,656	\$ 93,340
Taxes receivable	<u>11,955,605</u>	<u>11,533,748</u>	<u>11,955,605</u>	<u>11,533,748</u>
TOTAL ASSETS	<u>\$ 12,054,045</u>	<u>\$ 23,391,304</u>	<u>\$ 23,818,261</u>	<u>\$ 11,627,088</u>
LIABILITIES:				
Due to other governments	<u>\$ 12,054,045</u>	<u>\$ 11,627,088</u>	<u>\$ 12,054,045</u>	<u>\$ 11,627,088</u>
TOTAL LIABILITIES	<u>\$ 12,054,045</u>	<u>\$ 11,627,088</u>	<u>\$ 12,054,045</u>	<u>\$ 11,627,088</u>
AREA SCHOOLS:				
ASSETS:				
Cash and cash equivalents	\$ 6,626	\$ 814,243	\$ 814,589	\$ 6,280
Taxes receivable	<u>789,706</u>	<u>737,581</u>	<u>789,706</u>	<u>737,581</u>
TOTAL ASSETS	<u>\$ 796,332</u>	<u>\$ 1,551,824</u>	<u>\$ 1,604,295</u>	<u>\$ 743,861</u>
LIABILITIES:				
Due to other governments	<u>\$ 796,332</u>	<u>\$ 743,861</u>	<u>\$ 796,332</u>	<u>\$ 743,861</u>
TOTAL LIABILITIES	<u>\$ 796,332</u>	<u>\$ 743,861</u>	<u>\$ 796,332</u>	<u>\$ 743,861</u>
COUNTY ASSESSOR:				
ASSETS:				
Cash and cash equivalents	\$ 646,691	\$ 544,193	\$ 539,806	\$ 651,078
Taxes receivable	<u>527,913</u>	<u>516,132</u>	<u>527,913</u>	<u>516,132</u>
TOTAL ASSETS	<u>\$ 1,174,604</u>	<u>\$ 1,060,325</u>	<u>\$ 1,067,719</u>	<u>\$ 1,167,210</u>
LIABILITIES:				
Accounts payable	\$ 14,034	\$ 85	\$ 14,034	\$ 85
Salaries and benefits payable	4,297	768	4,297	768
Due to other governments	<u>1,156,273</u>	<u>1,166,357</u>	<u>1,156,273</u>	<u>1,166,357</u>
TOTAL LIABILITIES	<u>\$ 1,174,604</u>	<u>\$ 1,167,210</u>	<u>\$ 1,174,604</u>	<u>\$ 1,167,210</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – AGENCY FUNDS (CONTINUED)
JUNE 30, 2015**

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
COUNTY AGRICULTURAL EXTENSION:				
ASSETS:				
Cash and cash equivalents	\$ 1,396	\$ 219,098	\$ 218,789	\$ 1,705
Taxes receivable	<u>212,553</u>	<u>218,249</u>	<u>212,553</u>	<u>218,249</u>
TOTAL ASSETS	<u>\$ 213,949</u>	<u>\$ 437,347</u>	<u>\$ 431,342</u>	<u>\$ 219,954</u>
LIABILITIES:				
Due to other governments	<u>\$ 213,949</u>	<u>\$ 219,954</u>	<u>\$ 213,949</u>	<u>\$ 219,954</u>
TOTAL LIABILITIES	<u>\$ 213,949</u>	<u>\$ 219,954</u>	<u>\$ 213,949</u>	<u>\$ 219,954</u>
COUNTY HOSPITAL:				
ASSETS:				
Cash and cash equivalents	\$ 13,536	\$ 1,844,259	\$ 1,843,442	\$ 14,353
Taxes receivable	<u>1,789,160</u>	<u>1,801,659</u>	<u>1,789,160</u>	<u>1,801,659</u>
TOTAL ASSETS	<u>\$ 1,802,696</u>	<u>\$ 3,645,918</u>	<u>\$ 3,632,602</u>	<u>\$ 1,816,012</u>
LIABILITIES:				
Due to other governments	<u>\$ 1,802,696</u>	<u>\$ 1,816,012</u>	<u>\$ 1,802,696</u>	<u>\$ 1,816,012</u>
TOTAL LIABILITIES	<u>\$ 1,802,696</u>	<u>\$ 1,816,012</u>	<u>\$ 1,802,696</u>	<u>\$ 1,816,012</u>
MOTOR VEHICLE TRUST:				
ASSETS:				
Cash and cash equivalents	<u>\$ 374,510</u>	<u>\$ 5,084,167</u>	<u>\$ 5,062,593</u>	<u>\$ 396,084</u>
TOTAL ASSETS	<u>\$ 374,510</u>	<u>\$ 5,084,167</u>	<u>\$ 5,062,593</u>	<u>\$ 396,084</u>
LIABILITIES:				
Due to other governments	<u>\$ 374,510</u>	<u>\$ 396,084</u>	<u>\$ 374,510</u>	<u>\$ 396,084</u>
TOTAL LIABILITIES	<u>\$ 374,510</u>	<u>\$ 396,084</u>	<u>\$ 374,510</u>	<u>\$ 396,084</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – AGENCY FUNDS (CONTINUED)
JUNE 30, 2015**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
E911 SURCHARGE:				
ASSETS:				
Cash and cash equivalents	\$ 97,833	\$ 164,597	\$ 192,875	\$ 69,555
Accounts Receivable	<u>37,417</u>	<u>125,209</u>	<u>37,417</u>	<u>125,209</u>
TOTAL ASSETS	<u>\$ 135,250</u>	<u>\$ 289,806</u>	<u>\$ 230,292</u>	<u>\$ 194,764</u>
LIABILITIES:				
Accounts payable	\$ 4,035	\$ 6,162	\$ 4,035	\$ 6,162
Due to other governments	<u>131,215</u>	<u>188,602</u>	<u>131,215</u>	<u>188,602</u>
TOTAL LIABILITIES	<u>\$ 135,250</u>	<u>\$ 194,764</u>	<u>\$ 135,250</u>	<u>\$ 194,764</u>
OTHER:				
ASSETS:				
Cash and cash equivalents	\$ 64,598	\$ 326,402	\$ 327,019	\$ 63,981
Taxes receivable	2,812	2,828	2,812	2,828
Due from other governments	<u>282</u>	<u>310</u>	<u>282</u>	<u>310</u>
TOTAL ASSETS	<u>\$ 67,692</u>	<u>\$ 329,540</u>	<u>\$ 330,113</u>	<u>\$ 67,119</u>
LIABILITIES:				
Accounts payable	\$ 439	\$ 1,056	\$ 439	\$ 1,056
Due to other governments	<u>67,253</u>	<u>66,063</u>	<u>67,253</u>	<u>66,063</u>
TOTAL LIABILITIES	<u>\$ 67,692</u>	<u>\$ 67,119</u>	<u>\$ 67,692</u>	<u>\$ 67,119</u>
TOTAL:				
ASSETS:				
Cash and cash equivalents	\$ 1,410,630	\$ 26,601,486	\$ 26,619,647	\$ 1,392,469
Accounts receivable	3,772	137,487	41,189	100,070
Taxes receivable	20,483,084	19,876,071	20,483,084	19,876,071
Due from other governments	<u>37,699</u>	<u>310</u>	<u>282</u>	<u>37,727</u>
TOTAL ASSETS	<u>\$ 21,935,185</u>	<u>\$ 46,615,354</u>	<u>\$ 47,144,202</u>	<u>\$ 21,406,337</u>
LIABILITIES:				
Accounts payable	\$ 18,508	\$ 7,303	\$ 18,508	\$ 7,303
Salaries and benefits payable	4,297	768	4,297	768
Due to other governments	<u>21,912,380</u>	<u>21,398,266</u>	<u>21,912,380</u>	<u>21,398,266</u>
TOTAL LIABILITIES	<u>\$ 21,935,185</u>	<u>\$ 21,406,337</u>	<u>\$ 21,935,185</u>	<u>\$ 21,406,337</u>

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
JUNE 30, 2015**

STATISTICAL SECTION

The statistical section of the County's financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the County's overall financial health.

Schedule of Revenues by Source and Expenditures by Function - This schedule provides trend information to show how the County's financial performance, on a modified accrual basis, has changed over the past ten years.

Source: The information in this schedule is derived from the financial statements for the relevant year.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENT FUNDS
JUNE 30, 2015**

	Modified				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES					
Property and other county tax	\$ 7,789,221	\$ 7,852,021	\$ 7,565,039	\$ 7,627,527	\$ 6,628,446
Tax increment financing collections	428,046	397,026	389,485	434,488	487,480
Interest and penalty on property tax	40,994	43,192	43,020	46,452	41,454
Intergovernmental	5,924,431	6,227,286	5,400,962	6,442,144	6,713,275
Licenses and permits	18,594	19,820	18,246	17,013	68,960
Charges for services	2,989,354	2,751,428	1,837,064	1,324,354	1,138,600
Use of money and property	1,055,862	449,345	10,957	98,688	105,659
Fines, forfeitures and defaults	-	-	-	-	-
Miscellaneous	<u>679,789</u>	<u>498,638</u>	<u>260,167</u>	<u>165,415</u>	<u>43,058</u>
Total	<u>\$ 18,926,291</u>	<u>\$ 18,238,756</u>	<u>\$ 15,524,940</u>	<u>\$ 16,156,081</u>	<u>\$ 15,226,932</u>
EXPENDITURES					
Current:					
Public safety and legal services	\$ 2,673,515	\$ 2,588,239	\$ 2,545,608	\$ 2,596,698	\$ 2,417,356
Physical health and social services	1,616,041	1,512,303	1,676,473	1,616,685	1,882,099
Mental health	1,864,730	1,800,561	1,858,462	1,703,978	2,152,328
County environment and education	1,332,931	1,371,968	1,432,046	1,203,227	1,230,025
Roads and transportation	4,784,252	4,599,976	4,412,815	4,394,559	4,581,173
Governmental services to residents	493,146	497,639	475,938	422,847	406,190
Administration	1,196,693	1,231,605	1,286,608	1,253,877	1,141,661
Non-program	1,020,896	2,144,279	1,421,741	1,634,522	932,632
Debt service	4,544,741	5,071,203	4,939,273	2,881,721	2,504,497
Capital projects	<u>1,225,070</u>	<u>2,482,128</u>	<u>1,280,425</u>	<u>1,160,924</u>	<u>798,292</u>
Total	<u>\$ 20,752,015</u>	<u>\$ 23,299,901</u>	<u>\$ 21,329,389</u>	<u>\$ 18,869,038</u>	<u>\$ 18,046,253</u>

Accrual Basis

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 6,628,446	\$ 6,368,944	\$ 6,120,736	\$ 6,225,587	\$ 6,664,672
487,480	393,648	297,291	-	-
41,454	39,948	36,925	43,245	38,692
6,713,275	6,998,897	5,872,894	6,491,387	6,277,899
68,960	8,355	12,790	7,980	9,635
1,138,600	1,074,161	1,063,306	1,040,163	1,164,288
105,659	169,893	370,256	415,349	267,804
-	-	-	-	1,011
43,058	186,678	167,983	203,584	184,337
<u>\$ 15,226,932</u>	<u>\$ 15,240,524</u>	<u>\$ 13,942,181</u>	<u>\$ 14,427,295</u>	<u>\$ 14,608,338</u>

\$ 2,415,889	\$ 2,386,472	\$ 2,258,805	\$ 2,112,944	\$ 2,005,919
2,029,093	1,918,313	2,100,019	2,168,916	2,037,501
1,891,221	2,070,701	2,170,686	2,307,235	2,136,414
1,161,085	1,216,662	1,094,572	3,599,042	1,034,581
4,136,876	4,140,465	4,422,287	3,589,441	3,671,252
403,950	403,740	375,852	356,504	496,744
1,179,107	1,145,339	1,101,284	1,219,890	1,025,400
797,475	601,438	455,675	251,714	223,777
1,315,053	1,171,449	415,656	339,399	1,377,342
1,796,991	1,401,766	369,008	1,093,478	1,716,244
<u>\$ 17,126,740</u>	<u>\$ 16,456,345</u>	<u>\$ 14,763,844</u>	<u>\$ 17,038,563</u>	<u>\$ 15,725,174</u>

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**REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS* AND
SINGLE AUDIT (A-133)**



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**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 (the County) as of and for the year ended June 30, 2015, 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 29, 2016.

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 Questioned Costs, 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 County'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 Questioned Costs as items 2015-001, 2015-002, and 2015-003 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004 and 2015-005 to be significant deficiencies.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hamilton County's Responses to Findings

Hamilton County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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 County'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.



CliftonLarsonAllen LLP

Cedar Rapids, Iowa
February 29, 2016



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hamilton County Officials
Hamilton County
Webster City, Iowa

Report on Compliance for Each Major Federal Program

We have audited Hamilton County, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Hamilton County, Iowa's major federal programs for the year ended June 30, 2015. Hamilton County, Iowa's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hamilton County, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hamilton County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hamilton County, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, Hamilton County, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Hamilton County, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hamilton County, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hamilton County, Iowa's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Cedar Rapids, Iowa
February 29, 2016

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Grantor/Program	CFDA Number	Total Federal Expenditures For Fiscal Year 2015
DEPARTMENT OF JUSTICE		
Passed through Iowa Department of Justice:		
Bulletproof Vest Partnership Program	16.607	\$ 4,865
Total Department of Justice		<u>4,865</u>
DEPARTMENT OF TRANSPORTATION		
Passed through Iowa Department of Transportation:		
Highway Planning and Construction - Hegland's Bridge Replacement	20.205	398,702
Public Transportation Emergency Relief Program	20.527	75,592
State and Community Highway Safety Grant	20.600	3,514
Total Department of Transportation		<u>477,808</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Iowa Department of Human Services:		
Public Health Emergency Preparedness	93.074	19,771
Immunization Services	93.268	4,607
Expansion of Maternal, Infant, Early Childhood Home Visiting	93.505	79,490
Immunization Billing Implementation	93.539	2,503
Total Department of Health and Human Services		<u>106,371</u>
DEPARTMENT OF HOMELAND SECURITY		
Passed through Iowa Department of Public Defense:		
Disaster Grants - Public Assistance	97.036	110,042
Hazard Mitigation Program	97.039	19,847
Emergency Management Performance Grant	97.042	16,792
Total Department of Homeland Security		<u>146,681</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 735,725</u>

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting records for the grant programs are maintained on the modified accrual basis of accounting.

NOTE 3 - SUBRECIPIENTS

There were no payments passed through to subrecipient agencies during the year ended June 30, 2015.

NOTE 4 - PROGRAM CLUSTERS

The County reported the following programs as clusters in the schedule:

- Hegland's Bridge Replacement Project funded by Highway Planning and Construction (20.205) as a part of Highway Planning and Construction Cluster.

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

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

Internal control over major programs:

- Material weakness(es) identified? None Reported
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? No

Identification of major program

CFDA Number

Name of Federal Program or Cluster

20.205 97.036	Highway Planning and Construction Cluster Disaster Grants – Public Assistance
------------------	--

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

Auditee qualified as low-risk auditee? No

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section II - Financial Statement Findings

2015-001 - Audit Adjustments - Material Weakness

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).

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

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.

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
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section II - Financial Statement Findings (continued)

2015-002 - Preparation of Financial Statements - Material Weakness

Criteria: County management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements including disclosures in accordance with Generally Accepted Accounting Principles (GAAP).

Condition: The County does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures, are complete, and presented in accordance with GAAP.

Context: Management has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures.

Cause: The County relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the County's internal controls in the normal course of business.

Recommendation:
Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Management Response:
The County will explore the options and cost effective feasibility of training existing personnel, or hiring/contracting additional personnel, to adequately prepare financial statements for the prevention or detection of a material misstatement in the annual financial statements of the County.

Conclusion:
Response accepted.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section II - Financial Statement Findings (continued)

2015-003 - Maintenance of County Cash - Material Weakness

Criteria: The Board of Supervisors has delegated the maintenance of all the County cash and investment accounts to the Treasurer's Office.

Condition: The County has not implemented procedures, to the degree necessary, to ensure the internal control structure that has been implemented over the cash accounts held in custody of the County Treasurer's Office are extended over the accounts held in the custody of the County by the various departments.

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.

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.

Recommendation:

We recommend that the Treasurer's Office maintain all cash and investment accounts of the County. By doing so, the County will have made the related activity subject to the existing controls to ensure the completeness and accuracy of the information as presented.

Management Response:

The County will work to have the accounts held outside the custody of the County closed. Any cash balance that exists in the accounts will be receipted into the Treasurer's Office. The activity that historically occurred in these accounts will then be subject to the existing controls of the County.

Conclusion:

Response accepted.

2015-004 - Segregation of Duties - Significant Deficiency

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition: The Payroll Administrator has access rights to perform all functions of the payroll process. These rights allow her to add new employees, enter time, approve payroll checks, and record, and reconcile the payroll reports.

Cause: Size and budget constraints limiting the number of personnel within the Auditor's Office.

Effect: The design of the internal control over payroll function that could adversely affect the ability to initiate, authorize, record, process, summarize and report financial data consistent with the assertion of management in the financial statements. This could include the lack of the ability to prevent or detect fraud or misappropriation of assets in a timely manner.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section II - Financial Statement Findings (continued)

2015-004 - Segregation of Duties - Significant Deficiency (Continued)

Recommendation:

The areas should be reviewed periodically and consideration given to improving the segregation of duties related to the payroll function.

Management Response:

The County will work to implement procedures that incorporate specific controls to ensure that there is more than one individual involved in the maintenance, processing and review of the payroll function of the County.

Conclusion:

Response accepted.

2015-005 – Conservation Department Accounts and Processes-Significant Deficiency

Criteria: County management is responsible for establishing and maintaining internal controls. Generally, a system of internal control contemplates retaining original source documents, setting guidelines for timely deposits and developing policies/procedures to aid in implementing accounting standards.

Condition: During our audit, we reviewed the bank statements and reconciliations of the various Conservation bank accounts. We noted that 4 checks were not available for our review. We were told the checks had been voided and then shredded. We also noted that it appeared that a season pass was provided some labor. Also during our review, we noted that deposits were not made timely with the County Treasurer. It appears that it can take 1-2 months from the time money is collected to when it gets deposited with the County Treasurer (the collections are deposited and run through 2 different conservation checking accounts prior to being deposited with the County Treasurer). It should be noted that once this item was brought to the Conservation Department's attention, deposits were now being made on a more frequent basis.

Cause: Past practice

Effect: The design of the internal control over cash collections could adversely affect the ability to record, process, monitor, summarize and report financial data consistent with the assertion of management in the financial statements. This could also impact the county's ability to prevent or detect fraud or misappropriation of assets in a timely manner.

Recommendation:

We recommend County management review the control policies and procedures over collections within the Conservation Department and implement enhanced procedures if deemed cost beneficial.

Management Response:

The County will review these areas and determine if revised procedures will be cost beneficial.

Conclusion:

Response accepted.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs reported in the current year related to federal awards.

Section IV - Findings Related to Required State Statutory Reporting

- A. **IV-A-15 Certified Budget** – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the debt service function. Disbursements in certain departments exceeded the amount appropriated.

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

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

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

- B. **IV-B-15 Questionable Expenditures** - We noted no expenditures for parties, banquets, or other entertainment for employees during the year ended June 30, 2015 that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- C. **IV-C-15 Travel Expense** - No expenditures of County money for travel expenses of spouses of County officials or employees were noted for the year ended June 30, 2015.
- D. **IV-D-15 Business Transactions** - We noted the rental of space by the County Attorney from his sister totaling approximately \$5,000.

Recommendation - The County should perform a competitive bid in accordance with Chapter 331.342(9) and (10) of the Code of Iowa.

Chapter 331.342(9) states “a contract made by competitive bid, publicly invited and opened, in which a member of a county board, commission, or administrative agency has an interest, if the member is not authorized by law to participate in the awarding of the contract. The competitive bid qualification of this subsection does not apply to a contract for professional services not customarily awarded by competitive bid.”

Chapter 331.342(10) states “Contracts not otherwise permitted by this section, for the purchase of goods or services by a county, which benefit a county officer or employee, if the purchases benefiting that officer or employee do not exceed a cumulative total purchase price of one thousand five hundred dollars in a fiscal year.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section IV - Findings Related to Required State Statutory Reporting (Continued)

D. IV-D-15 Business Transactions (Continued)

Response - We will take the appropriate steps to ensure compliance with Chapter 331.342(9) and 331.342(10) of the Code of Iowa relating to the purchase of services that pose a potential conflict of interest.

- E. **IV-E-15 Bond Coverage** - Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- F. **IV-F-15 Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- G. **IV-G-15 Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- H. **IV-H-15 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).
- I. **IV-I-15 Solid Waste Fees Retained** - During the year ended June 30, 2015, the County used or retained fees in accordance with Chapter 455E.11(2),(11),(13) and (15) of the Code of Iowa. No instances on noncompliance were noted with respect to the administration of these activities.
- J. **IV-J-15 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.
- K. **IV-K-15 Tax Increment Financing (TIF)** - For the year ended June 30, 2015, the County Auditor prepared reconciliations in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa.
- L. **IV-L-15 Annual Urban Renewal Report** - The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015**

Findings Related to the Basic Financial Statements

2014-01

Finding has been carried forward as 2015-001.

2014-02

Finding has been carried forward as 2015-002.

2014-03

Finding has been carried forward as 2015-003.

2014-04

Finding has been carried forward as 2015-004.

Findings Related to Federal Awards

There were no findings reported for the year ended June 30, 2014.

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