

**HAMILTON COUNTY
WEBSTER CITY, IOWA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

**HAMILTON COUNTY
WEBSTER CITY, IOWA
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WEBSTER CITY, IOWA
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INTRODUCTORY SECTION

**HAMILTON COUNTY
WEBSTER CITY, IOWA
ORGANIZATION
JUNE 30, 2017**

Name	Title	Term Expires
David Young	Board of Supervisors	December 2018
Doug Bailey	Board of Supervisors	December 2020
Dan Campidilli	Board of Supervisors	December 2020
Kim Schaa	County Auditor	December 2020
Joni Hilpipre	County Treasurer	December 2018
Kim Anderson	County Recorder	December 2018
Douglas Timmons	County Sheriff	December 2020
Patrick Chambers	County Attorney	December 2018
Kevin Bahrenfuss	County Assessor	December 2021

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Supervisors
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, 2017, 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, 2017, 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, 2017, Hamilton County restated beginning fund balance in the Secondary Roads Fund, Hospital Debt Service Fund, and beginning net position for governmental activities to correct errors in the previously issued financial statements (see Note 16). Our auditors' opinion was not modified with respect to the restatements.

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 funds combining schedule of revenues, expenditures, and changes in fund balances, the agency fund 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.

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 fund 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, 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 November 20, 2017, 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 solely 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 the effectiveness of the County's 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
November 20, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Hamilton County (the 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, 2017 (FY17). We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Governmental activities revenue was approximately \$20.0 million in FY17, compared to \$20.1 million in FY16.
- Program expenses were approximately \$16.8 million in FY17, compared to \$17.3 million in FY16. Roads and transportation expense decreased approximately \$737,000 due to federal funded road projects occurring in FY 2016 and no similar projects in FY 2017. The decrease in roads and transportation expense was offset by an increase in non-program and administrative expenses.
- Net position increased approximately \$3.2 million for FY17 compared to a net increase of \$2.8 million in FY16.

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 Hamilton County'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, the individual agency funds, and revenues by source and expenditures by function for all governmental funds.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 deferred outflows of resources and liabilities and deferred inflows of resources 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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, 3) Capital Project Funds, 4) Debt Service Funds and 5) a permanent fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 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 FY17 totaled approximately \$36.8 million. This compares to FY16 at approximately \$33.6 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, 2017	(As Restated) June 30, 2016
Current and other assets	\$ 36,026	\$ 49,277
Capital assets	<u>32,474</u>	<u>31,170</u>
Total assets	68,500	80,447
Deferred outflows of resources	1,645	751
Long-term debt outstanding	24,847	38,685
Other liabilities	<u>481</u>	<u>1,183</u>
Total liabilities	25,327	39,868
Deferred inflows of resources	<u>7,974</u>	<u>7,681</u>
Net position:		
Net investment in capital assets	29,054	25,761
Restricted	9,831	8,107
Unrestricted	<u>(2,041)</u>	<u>(219)</u>
Total net position	<u>\$ 36,844</u>	<u>\$ 33,649</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental activities net position increased by \$3.2 million from FY16. 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 \$1.9 million.

	Year ended June 30,	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	\$ 2,887	\$ 2,327
Operating grants and contributions	5,821	6,166
Capital grants and contributions	1,866	1,874
General revenues:		
Property taxes	6,848	7,185
TIF collections	612	520
Local option sales tax	559	519
Investment earnings	710	797
Other general revenues	667	665
Total revenues	19,970	20,053
Program expenses:		
Public safety and legal services	2,999	2,880
Physical health and social services	1,624	1,559
Mental health	1,078	1,234
County environment and education	1,452	1,584
Roads and transportation	5,669	6,406
Government services to residents	496	475
Administration	1,595	1,403
Non-program	1,101	760
Interest on long-term debt	761	964
Total expenses	16,775	17,265
Increase in net position	\$ 3,195	\$ 2,788

Hamilton County's county-wide levy rate decreased slightly from 9.98085 per \$1,000 of valuation in FY16 to 9.60797 in FY17. The rural assessed property taxable valuation decreased by \$7.5 million for a total of \$556,247,820 and countywide assessed property valuation increased by \$4.7 million for a total of \$861,702,688.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

INDIVIDUAL MAJOR FUND ANALYSIS

As Hamilton County completed the year, its governmental funds reported a combined fund balance of \$22,461,189, compared to \$36,935,895 (as restated) combined fund balance for FY16. This is a decrease of \$14,474,706 (including the increase in inventory). The decrease is primarily due to a \$13,615,000 payment to escrow agent to defease the 2009 hospital debt.

The General Fund, the operating fund for Hamilton County, ended FY17 with a fund balance totaling \$2,438,415 whereas FY16 ended with a \$2,916,426 balance, a decrease of \$478,011. The decrease was primarily the result of transfers to the Rural Services, Secondary Roads and Debt Services Funds. Taxable property valuations increased from \$857,028,080 in FY16 to \$861,702,688 in FY17, an increase of \$4,674,608. The levy rate decreased by .037288 to 5.65797 for FY17.

The Mental Health Fund ended with a \$499,379 fund balance for FY17, whereas FY16 ended with \$488,475 an increase of \$10,904. The levy rate decreased from 0.58218 in FY16 to 0.38881 in FY17, a decrease of 0.19337. The decrease in revenues and expenditures is due to the region taking over mental health services.

The Rural Service Fund ended with a \$678,372 fund balance for FY17 compared to the prior year balance of \$566,482, an increase of \$111,890. The levy rate remained at 3.9500 in FY17 representing no change from FY16. Property valuations decreased from \$563,775,064 in FY16 to \$556,247,820 in FY17.

The Secondary Roads Fund ended FY17 with a \$2,696,039 fund balance compared to the prior year balance of \$1,949,350 (as restated), an increase of \$746,689. FY17 revenues decreased \$1,139,676 to \$4,381,115 from \$5,520,791 in FY16 primarily due to federal funding received for the Kamrar Bridge, White Fox Road and Tunnel Mill Bridge projects in 2016. In FY17, the Secondary Roads Department maintained 715 miles of aggregate-surfaced roads and 216 miles of paved roads during the year.

The Drainage Fund ended FY17 with a \$653,427 fund balance compared to the prior year balance of \$655,437, a decrease of \$2,010. The change was not significant to the fund.

The Hospital Debt Service Fund is designed for the purpose of flowing through payments collected from the Hospital to pay for debt. 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 occurred in 2017 resulting in a \$15,065,346 decrease in fund balance. The Hospital Debt Service Fund restricted fund balance is equal to the amount receivable from the Hospital.

BUDGETARY HIGHLIGHTS

Hamilton County amended the budget at various times during fiscal year end June 30, 2017. In total, the budgeted revenues were increased by approximately \$500,000. The primary revenue source adjusted through these amendments was in intergovernmental revenues which increased by approximately \$475,000. Actual revenues were under budget by approximately \$1,155,000. The expenditure budget was increased by approximately \$1,880,000 in fiscal year 2017. The largest increase in budgeted expenditures related to capital outlay expenditures. The capital outlay budget amendments accounted for \$2,051,871 increase which was offset by a reduction in roads and transportation expenditures of \$738,948.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY17, the County had approximately \$32.5 million invested in capital assets, compared to \$31.2 million for FY16. This is an increase of \$1.3 million from FY16 primarily due to the Jewellsworth Trail project.

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

	2017	2016
Land	\$ 3,718	\$ 3,718
Construction in progress	1,577	492
Buildings and improvements	6,349	6,203
Machinery and equipment	3,175	2,804
Infrastructure	17,654	17,952
 Total	 \$ 32,473	 \$ 31,169

More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2017, Hamilton County had approximately \$20.6 million in capital notes and other debt outstanding compared to \$35.4 million at June 30, 2016. 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)**

	2017	2016
General obligation bonds and notes	\$ 16,448	\$ 31,535
Urban renewal tax increment revenue bonds	1,561	1,898
Drainage warrants and improvement certificates	1,321	808
Loan payable	23	34
Compensated absences	504	471
Net OPEB	699	619
 Total	 \$ 20,556	 \$ 35,365

Outstanding debt at June 30, 2016 includes \$15.3 million of refunding bonds. The proceeds on the refunding bonds were placed in an escrow until the bonds were called. The bonds were called in 2017 reducing the long term debt by the payment to escrow agent, \$13,615,000.

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. More detailed information about the County's long-term debt is presented in Note 6 to the financial statements.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 2018 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, 2017**

	Governmental Activities
ASSETS	
Cash and investments	\$ 7,537,013
Receivables:	
Property tax:	
Delinquent	6,726
Succeeding year	7,638,268
Interest and penalty on property tax	40,769
Accounts	58,363
Accrued interest	23,230
Drainage assessments	1,377,977
Note	14,340,000
Due from other governments	3,788,847
Inventories	1,096,775
Prepaid items	117,800
Capital assets not being depreciated	5,295,341
Capital assets being depreciated, net	27,177,993
Total assets	68,499,102
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	1,530,459
Amount on refunding	115,508
Total deferred outflows of resources	1,645,967
LIABILITIES	
Accounts payable	282,592
Accrued interest payable	29,861
Salaries and benefits payable	97,747
Contracts payable	43,902
Due to other governments	21,138
Unearned revenue	5,294
Net pension liability	4,290,999
Long-term liabilities:	
Due within one year	3,315,089
Due in more than one year	17,240,416
Total liabilities	25,327,038
DEFERRED INFLOWS OF RESOURCES	
Pension related	335,388
Succeeding year property tax	7,638,268
Total deferred inflows of resources	7,973,656
NET POSITION	
Net investment in capital assets	29,053,652
Restricted for:	
Supplemental levy purposes	451,604
Mental health purposes	499,750
Rural services purposes	679,012
Secondary roads purposes	4,843,335
Drainage warrants and certificates	2,031,404
Conservation land and capital improvements	199,055
Debt service	108,396
Other purposes	1,019,065
Unrestricted	(2,040,898)
TOTAL NET POSITION	\$ 36,844,375

See accompanying Notes to Financial Statements.

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

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	\$ 2,999,224	\$ 226,173	\$ 27,863	\$ -	\$ (2,745,188)
Physical health and social services	1,624,358	160,137	965,597	-	(498,624)
Mental health	1,078,413	19,361	669,744	-	(389,308)
County environment and education	1,452,342	914,436	23,182	1,147,132	632,408
Roads and transportation	5,668,900	38,615	4,134,073	719,242	(776,970)
Governmental services to residents	495,817	339,029	-	-	(156,788)
Administration	1,594,899	23,607	292	-	(1,571,000)
Non-program	1,100,907	1,165,835	-	-	64,928
Interest on long-term debt	759,924	-	-	-	(759,924)
Total	\$ 16,774,784	\$ 2,887,193	\$ 5,820,751	\$ 1,866,374	(6,200,466)
GENERAL REVENUES					
Property tax levied for general purposes					6,847,689
Penalty and interest on property tax					44,471
State tax credits					562,903
Tax increment financing collections					611,970
Local option sales tax					558,668
Investment earnings					709,834
Gain on dispositions					997
Miscellaneous					59,312
Total general revenues					9,395,844
CHANGE IN NET POSITION					3,195,378
Net position - beginning of year					33,281,350
Restatement (see note 16)					367,647
Net Position - beginning of year, as restated					33,648,997
NET POSITION, END OF YEAR					\$ 36,844,375

See accompanying Notes to Financial Statements.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
ASSETS				
Cash and investments	\$ 2,518,012	\$ 501,436	\$ 672,093	\$ 1,463,574
Receivables:				
Property tax:				
Delinquent	5,701	378	647	-
Succeeding year	5,019,538	332,664	2,286,066	-
Interest and penalty on property tax	40,769	-	-	-
Accounts	57,239	-	-	1,124
Accrued interest	1,680	-	-	-
Drainage assessments	-	-	-	-
Note	-	-	-	-
Due from other governments	144,739	-	11,138	3,584,263
Prepaid items	7,060	-	-	-
Inventories	-	-	-	1,096,775
Total assets	<u>\$ 7,794,738</u>	<u>\$ 834,478</u>	<u>\$ 2,969,944</u>	<u>\$ 6,145,736</u>
LIABILITIES				
Accounts payable	\$ 105,784	\$ -	\$ 538	\$ 157,014
Salaries and benefits payable	63,926	1,672	3,339	28,551
Contracts payable	30,000	-	-	13,902
Due to other governments	13,364	392	989	6,159
Unearned revenue	5,294	-	-	-
Total liabilities	<u>218,368</u>	<u>2,064</u>	<u>4,866</u>	<u>205,626</u>
DEFERRED INFLOWS OF RESOURCES				
Succeeding year - property tax	5,019,538	332,664	2,286,066	-
Unavailable revenue - other	118,417	371	640	3,244,071
Total deferred inflows of resources	<u>5,137,955</u>	<u>333,035</u>	<u>2,286,706</u>	<u>3,244,071</u>
FUND BALANCES				
Nonspendable	7,060	-	-	1,096,775
Restricted for:				
Supplemental levy purposes	449,524	-	-	-
Mental health purposes	-	499,379	-	-
Rural services purposes	-	-	678,372	-
Secondary roads purposes	-	-	-	1,599,264
Drainage warrants and certificates	-	-	-	-
Conservation land and capital improvements	199,055	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	1,782,776	-	-	-
Total fund balances	<u>2,438,415</u>	<u>499,379</u>	<u>678,372</u>	<u>2,696,039</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,794,738</u>	<u>\$ 834,478</u>	<u>\$ 2,969,944</u>	<u>\$ 6,145,736</u>

See accompanying Notes to Financial Statements.

<u>Drainage</u>	<u>Hospital Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 653,427	\$ -	\$ 1,109,910	\$ 6,918,452
-	-	-	6,726
-	-	-	7,638,268
-	-	-	40,769
-	-	-	58,363
-	21,550	-	23,230
1,377,977	-	-	1,377,977
-	14,340,000	-	14,340,000
-	-	48,707	3,788,847
-	-	-	7,060
-	-	-	1,096,775
<u>\$ 2,031,404</u>	<u>\$ 14,361,550</u>	<u>\$ 1,158,617</u>	<u>\$ 35,296,467</u>
\$ -	\$ -	\$ 2,801	\$ 266,137
-	-	259	97,747
-	-	-	43,902
-	-	-	20,904
-	-	-	5,294
-	-	3,060	433,984
-	-	-	7,638,268
1,377,977	21,550	-	4,763,026
1,377,977	21,550	-	12,401,294
-	-	20,044	1,123,879
-	-	-	449,524
-	-	-	499,379
-	-	-	678,372
-	-	-	1,599,264
653,427	-	-	653,427
-	-	-	199,055
-	14,340,000	116,707	14,456,707
-	-	1,019,065	1,019,065
-	-	(259)	1,782,517
<u>653,427</u>	<u>14,340,000</u>	<u>1,155,557</u>	<u>22,461,189</u>
<u>\$ 2,031,404</u>	<u>\$ 14,361,550</u>	<u>\$ 1,158,617</u>	<u>\$ 35,296,467</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, 2017**

Total governmental fund balances \$ 22,461,189

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. 32,473,334

Long-term liabilities, including bonds payable, capital leases, accrued interest payable, compensated absences, other postemployment 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 postemployment benefits, and compensated absences	(20,555,505)
Net pension liability	(4,290,999)
Accrued interest payable	(29,861)
Deferred amount on refunding	115,508

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	21,550
Drainage assessments earned by execution of the services performed	1,377,977
Delinquent property taxes outstanding from previous years assessments	46,396
Grant revenues earned upon expending the funding	3,317,103

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	1,530,459
Deferred inflows of resources related to pensions	(335,388)

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.

712,612

Net position of governmental activities **\$ 36,844,375**

**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
REVENUES				
Property and other county tax	\$ 4,408,454	\$ 319,839	\$ 2,283,608	\$ -
Tax increment financing collections	-	-	-	-
Interest and penalty on property tax	44,471	-	-	-
Intergovernmental	3,008,550	28,661	133,312	4,337,676
Licenses and permits	10,504	-	-	10,235
Charges for services	1,493,241	-	-	340
Use of money and property	233,435	-	-	65
Miscellaneous	59,892	-	10	32,799
Total revenues	<u>9,258,547</u>	<u>348,500</u>	<u>2,416,930</u>	<u>4,381,115</u>
EXPENDITURES				
Current:				
Public safety and legal services	2,715,526	-	299,112	-
Physical health and social services	1,606,227	-	-	-
Mental health	719,260	337,596	-	-
County environment and education services	1,166,137	-	128,467	-
Roads and transportation	-	-	316,587	4,380,331
Governmental services to residents	490,963	-	-	-
Administration	1,468,460	-	41,874	-
Non-program	-	-	-	1,442
Debt service	17,311	-	-	-
Capital outlay	1,281,099	-	99,000	887,038
Total expenditures	<u>9,464,983</u>	<u>337,596</u>	<u>885,040</u>	<u>5,268,811</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(206,436)	10,904	1,531,890	(887,696)
OTHER FINANCING SOURCES (USES)				
Transfers in	10,842	-	80,000	1,605,000
Transfers out	(283,414)	-	(1,500,000)	-
Proceeds from the sale of capital assets	997	-	-	-
Payment to escrow agent	-	-	-	-
Drainage warrant/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses)	<u>(271,575)</u>	<u>-</u>	<u>(1,420,000)</u>	<u>1,605,000</u>
NET CHANGE IN FUND BALANCES	(478,011)	10,904	111,890	717,304
Fund balances, beginning of year	2,916,426	488,475	566,482	2,306,703
Restatement (see note 16)	-	-	-	(357,353)
Fund balances, beginning of year, as restated	<u>2,916,426</u>	<u>488,475</u>	<u>566,482</u>	<u>1,949,350</u>
Increase in inventories	-	-	-	29,385
FUND BALANCES, END OF YEAR	<u>\$ 2,438,415</u>	<u>\$ 499,379</u>	<u>\$ 678,372</u>	<u>\$ 2,696,039</u>

See accompanying Notes to Financial Statements.

<u>Drainage</u>	<u>Hospital Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ -	\$ 437,236	\$ 7,449,137
-	-	611,970	611,970
-	-	-	44,471
-	-	111,060	7,619,259
-	-	-	20,739
555,038	-	3,107	2,051,726
2,902	660,409	1,469	898,280
21,004	-	59,729	173,434
<u>578,944</u>	<u>660,409</u>	<u>1,224,571</u>	<u>18,869,016</u>
-	-	42,695	3,057,333
-	-	-	1,606,227
-	-	-	1,056,856
-	-	95,911	1,390,515
-	-	-	4,696,918
-	-	5,192	496,155
-	-	1,221	1,511,555
1,093,737	-	5,830	1,101,009
600,966	2,110,755	617,988	3,347,020
-	-	342,128	2,609,265
<u>1,694,703</u>	<u>2,110,755</u>	<u>1,110,965</u>	<u>20,872,853</u>
(1,115,759)	(1,450,346)	113,606	(2,003,837)
-	-	192,519	1,888,361
-	-	(104,947)	(1,888,361)
-	-	-	997
-	(13,615,000)	-	(13,615,000)
<u>1,113,749</u>	<u>-</u>	<u>-</u>	<u>1,113,749</u>
<u>1,113,749</u>	<u>(13,615,000)</u>	<u>87,572</u>	<u>(12,500,254)</u>
(2,010)	(15,065,346)	201,178	(14,504,091)
655,437	28,680,346	954,379	36,568,248
-	725,000	-	367,647
<u>655,437</u>	<u>29,405,346</u>	<u>954,379</u>	<u>36,935,895</u>
-	-	-	29,385
<u>\$ 653,427</u>	<u>\$ 14,340,000</u>	<u>\$ 1,155,557</u>	<u>\$ 22,461,189</u>

**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, 2017**

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

Net change in fund balances - total governmental funds \$ (14,504,091)

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	3,265,513
Depreciation expense	(1,936,809)
Loss on disposal of capital assets	(25,233)

Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the governmental funds 1,100,149

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	(1,113,749)
Repayments of certificates and warrants	600,966
Principal repayments of bonds, notes and capital leases	15,409,094
Amount on refunding	115,508

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	(79,969)
Compensated absences	(32,301)
Accrued interest on long-term debt	50,391
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	571,443
Pension expense	(489,889)

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. 29,385

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. 208,833

Change in net position of governmental activities **\$ 3,195,378**

**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017**

	Internal Service - Hamilton County PSF
ASSETS	
Cash and Investments	\$ 618,561
Prepaid insurance	110,740
Total assets	729,301
 LIABILITIES	
Accounts payable	16,689
 NET POSITION	
Unrestricted	\$ 712,612

See accompanying Notes to Financial Statements.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017**

	Internal Service - Hamilton County PSF
OPERATING REVENUE	
Intra-county reimbursements	\$ 1,580,699
OPERATING EXPENSES	
Medical claims	1,346,004
Administrative fees	<u>25,862</u>
Total operating expenses	<u>1,371,866</u>
Operating income	208,833
NET POSITION, BEGINNING OF YEAR	<u>503,779</u>
NET POSITION, END OF YEAR	<u><u>\$ 712,612</u></u>

See accompanying Notes to Financial Statements.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017**

	<u>Internal Service - Hamilton County PSF</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,580,699
Cash paid to suppliers for services	<u>(1,468,819)</u>
Net cash provided by operating activities	111,880
Cash and cash equivalents, beginning of year	<u>506,681</u>
Cash and cash equivalents, end of year	<u><u>\$ 618,561</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 208,833
Increase in accounts payable	13,787
Increase in prepaid insurance	<u>(110,740)</u>
Net cash provided by operating activities	<u><u>\$ 111,880</u></u>

See accompanying Notes to Financial Statements.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
FIDUCIARY FUNDS
JUNE 30, 2017**

ASSETS

Cash and investments	\$ 1,846,101
Receivables:	
Accounts receivable	48,799
Taxes receivable	22,197,629
Due from other governments	24,748
Total assets	<u>\$ 24,117,277</u>

LIABILITIES

Accounts payable	\$ 1,969
Salaries and benefits payable	2,124
Due to other governments	24,113,184
Total liabilities	<u>\$ 24,117,277</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

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.

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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditure/expenses.

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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

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.

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 type:

Permanent Fund – The Conservation Legacy Endowment fund 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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

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
Central Iowa Recovery
Local Option Sales Tax
Ag Partners TIF Projects
Public Health Hospice
Ethanol Plant
Friends of Conservation Trust

Capital Projects Funds

Capital Projects
Conference Center

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, 2017**

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, deferred outflows of resources, deferred inflows of resources, 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, 2017**

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.

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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 Items

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 reflect costs applicable to future periods and are recorded as prepaid items 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, 2017**

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. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period and the deferred amount on refunding.

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. Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

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, 2017**

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, 2017. 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 (IPERS) and additions to/deductions from the IPERS' fiduciary net position have been determined on the same basis as they are reported by the IPERS. 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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities

In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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

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, 2017**

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, deferred outflows of resources, deferred inflows of resources 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, 2017**

NOTE 2 - CASH AND POOLED INVESTMENTS

Deposits and investments at June 30, 2017 consist of the following:

Deposits:	
Checking account	\$ 1,699,657
Money market, savings accounts and other	5,705,465
Certificates of deposit	475,000
Cash on hand	138,268
Investments:	
Iowa Public Agency Trust	1,364,724
	<hr/>
Total	<u>\$ 9,383,114</u>

A reconciliation to the financial statements is shown below:

Primary Government:	
Cash and investments	\$ 7,537,013
Agency Funds:	
Cash and pooled investments	1,846,101
	<hr/>
Total cash and investments	<u>\$ 9,383,114</u>

The County's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Custodial Credit Risk. The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,364,724 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.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investments in the Iowa Public Agency Investment Trust are unrated.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 - CASH AND POOLED INVESTMENTS (continued)

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer.

The County uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,364,724 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT holds a AAAm rating.

The County had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

NOTE 3 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

	Transfers In					Total
	General Fund	Rural Services Fund	Secondary Roads Fund	Nonmajor Funds Prisoner Room and Board	Debt Service Funds	
<u>Transfers Out</u>						
General Fund	\$ -	\$ 80,000	\$ 105,000	\$ 15,244	\$ 83,170	\$ 283,414
Rural Services Fund	-	-	1,500,000	-	-	1,500,000
Nonmajor Funds						
Capital Projects	-	-	-	-	14,000	14,000
Parking Lot Debt Service	-	-	-	-	10,416	10,416
Prisoner Room and Board	66	-	-	-	-	66
Red Bull Debt Service	-	-	-	-	6,949	6,949
Ag Partners TIF Projects	-	-	-	-	62,740	62,740
Public Health Hospice	10,776	-	-	-	-	10,776
 Total	<u>\$ 10,842</u>	<u>\$ 80,000</u>	<u>\$ 1,605,000</u>	<u>\$ 15,244</u>	<u>\$ 177,275</u>	<u>\$ 1,888,361</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, 2017, 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.
- Transfers were made from the General Fund and nonmajor governmental funds to the Debt Service Funds to fund principal and interest payments.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 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	492,326	1,808,169	723,163	1,577,332
Total capital assets not being depreciated	<u>4,210,335</u>	<u>1,808,169</u>	<u>723,163</u>	<u>5,295,341</u>
Capital assets being depreciated:				
Buildings and building improvements	9,164,419	313,931	-	9,478,350
Buildings under capital lease	1,211,583	-	-	1,211,583
County equipment	2,284,448	190,527	93,953	2,381,022
County equipment under capital lease	108,047	-	-	108,047
Secondary roads equipment	7,815,700	739,398	-	8,555,098
Secondary roads office equipment	179,123	-	179,123	-
Infrastructure	42,310,173	936,651	-	43,246,824
Total capital assets being depreciated	<u>63,073,493</u>	<u>2,180,507</u>	<u>273,076</u>	<u>64,980,924</u>
Less accumulated depreciation for:				
Buildings and building improvements	4,173,148	167,997	-	4,341,145
County equipment	1,467,369	157,655	83,451	1,541,573
Secondary roads equipment	5,959,250	368,146	-	6,327,396
Secondary roads office equipment	156,422	7,970	164,392	-
Infrastructure	24,357,776	1,235,041	-	25,592,817
Total accumulated depreciation	<u>36,113,965</u>	<u>1,936,809</u>	<u>247,843</u>	<u>37,802,931</u>
Total capital assets being depreciated, net	<u>26,959,528</u>	<u>243,698</u>	<u>25,233</u>	<u>27,177,993</u>
Governmental activities capital assets, net	<u>\$ 31,169,863</u>	<u>\$ 2,051,867</u>	<u>\$ 748,396</u>	<u>\$ 32,473,334</u>

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

Public safety and legal services	\$ 182,524
Physical health and social services	20,055
Mental health	24,232
County environment and education	59,121
Roads and transportation	1,615,601
Administration	35,276
Total depreciation expense - governmental activities	<u>\$ 1,936,809</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - 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	\$ 13,364
Mental Health	392
Rural Services	989
Secondary Roads	6,159
Total for Governmental Funds	\$ 20,904
Agency	
County Offices	
Recorder	\$ 40,814
Sheriff	5,020
Township	382,725
Corporation	5,227,442
District Schools	13,243,208
Area Schools	918,410
County Assessor	1,228,441
County Agricultural Extension	209,474
County Hospital	1,911,770
Auto Registration and Use Tax	508,962
E911 Surcharge	336,973
All Others	99,945
Total for Agency	\$ 24,113,184

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due within One Year
General obligation debt					
General obligation bonds	\$ 31,135,000	\$ -	\$ 15,035,000	\$ 16,100,000	\$ 1,645,000
General obligation notes	135,000	-	26,200	108,800	12,000
Premium on general obligation bonds	265,400	-	26,137	239,263	-
General obligation bonds, net	31,535,400	-	15,087,337	16,448,063	1,657,000
Urban renewal tax increment revenue bond	1,898,053	-	336,923	1,561,130	244,764
Drainage warrants and drainage improvement certificates	807,778	1,113,749	600,966	1,320,561	1,096,768
Loan payable	34,421	-	10,971	23,450	11,468
Compensated absences	471,287	337,390	305,089	503,588	305,089
OPEB liability	618,744	85,509	5,540	698,713	-
Total	\$ 35,365,683	\$ 1,536,648	\$ 16,346,826	\$ 20,555,505	\$ 3,315,089

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						
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	\$ 8,680,000
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	895,000
General obligation notes	12/22/2015	2.80%	06/01/16 - 06/01/26	06/01 & 12/01	135,000	108,800
Premium of general obligation debt						239,263
						16,448,063
Loan payable	5/1/2014	4.50%	07/15/14-07/15/18	7/15	56,917	23,450
Urban renewal tax increment revenue bond	8/8/2006	2.14%	12/01/07 - 6/1/25	6/01 & 12/01	4,300,000	1,561,130
Total governmental activities						\$ 18,032,643

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - LONG-TERM LIABILITIES (continued)

Long-Term Debt Payable (continued)

Payments to maturity on the County's June 30, 2017 indebtedness is as follows:

Year Ending June 30	General Obligation Bonds		Tax Increment Financing Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 1,645,000	\$ 303,700	\$ 244,764	\$ 32,105
2019	1,665,000	279,875	250,030	26,840
2020	1,690,000	255,725	255,409	21,461
2021	1,720,000	223,450	260,904	15,966
2022	1,750,000	196,225	266,518	10,352
2023-2027	7,280,000	452,300	283,505	4,617
2028-2032	350,000	43,200	-	-
Total	<u>\$ 16,100,000</u>	<u>\$ 1,754,475</u>	<u>\$ 1,561,130</u>	<u>\$ 111,341</u>

Year Ending June 30	General Obligation Notes		Loans Payable	
	Principal	Interest	Principal	Interest
2018	\$ 12,000	\$ 3,218	\$ 11,468	\$ 1,054
2019	13,000	2,710	11,982	539
2020	13,000	2,346	-	-
2021	13,000	1,982	-	-
2022	14,000	1,618	-	-
2023-2026	43,800	2,524	-	-
Total	<u>\$ 108,800</u>	<u>\$ 14,398</u>	<u>\$ 23,450</u>	<u>\$ 1,593</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 varied rates between 1.30% to 4.55%. The bonds were called on June 1, 2017 and paid off through with proceeds from the 2012A and 2013A bonds.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - LONG-TERM LIABILITIES (continued)

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 on June 1, 2017. The County recognized a gain on refunding of \$116,587. The total cash savings attributable to the refunding of these bonds is \$931,309.

In fiscal year 2016, the County entered into an agreement providing for the issuance of \$135,000 General Obligation Conservation Building Notes pursuant to the provisions of Section 384.24A of the Code of Iowa for the purpose of paying the cost of constructing cabins and recreation facilities for use by the County Conservation Department. The notes mature on June 1, 2026 and bear interest at the rate of 2.8% per annum. Accrued interest shall be payable semiannually on the first day of June and December each year.

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, 2017 is as follows:

Assessed value	\$ <u>1,679,856,444</u>
Debt limit - 5% of assessed value	\$ 83,992,822
Debt outstanding	<u>16,232,250</u>
Debt margin	<u>\$ 67,760,572</u>

Drainage Warrants/Drainage Improvement Certificates Payable

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

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

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

Drainage warrants and drainage improvement certificates are paid from the Drainage special revenue fund solely from drainage assessments against benefited properties.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - 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, 2017, the amount implicitly contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 108,242
Interest on net OPEB obligation	15,469
Adjustment to annual required contribution	<u>(38,202)</u>
Annual OPEB cost	85,509
Contributions made	<u>(5,540)</u>
Increase in net OPEB obligation	79,969
Net OPEB obligation, beginning of year	<u>618,744</u>
Net OPEB obligation, end of year	<u><u>\$ 698,713</u></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, 2017.

For the year ended June 30, 2017, 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, 2017**

NOTE 7 - 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, 2017 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 162,366	6.0 %	\$ 545,562
June 30, 2016	79,424	7.9	618,744
June 30, 2017	85,509	6.5	698,713

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, 2017, 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, 2017, 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, 2017**

NOTE 8 - NET POSITION

Net position at June 30, 2017 consists of the following:

Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 32,473,334
Plus deferred amount on refunding	115,508
Less contracts payable	(43,902)
Less outstanding long-term debt	(18,032,643)
Debt not related to capital assets	14,541,355
Net investment in capital assets	<u>29,053,652</u>
Restricted	
Supplemental levy	451,604
Conservation land acquisition / capital improvements	499,750
Mental health	679,012
Rural services	4,843,335
Secondary roads	2,031,404
Drainage warrants and certificates	199,055
Debt service	108,396
Other	1,019,065
Total restricted	<u>9,831,621</u>
Unrestricted	<u>(2,040,898)</u>
Total governmental activities net position	<u><u>\$ 36,844,375</u></u>

NOTE 9 - 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, 7401 Register Drive, 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, 2017**

NOTE 9 - 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.)

Sheriffs, deputies, and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a sheriff's, deputy's, or 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, 2017**

NOTE 9 - PENSION PLANS (continued)

Contributions – 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 2017, 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 9.63 percent of pay for a total rate of 19.26 percent. Protective occupation members contributed 6.56 percent of pay and the County contributed 9.84 percent for a total rate of 16.40 percent.

The County’s total contributions to IPERS for the year ended June 30, 2017, were \$571,443.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County’s liability for its proportionate share of the net pension liability totaled \$4,290,999. The net pension liability was measured as of June 30, 2016, 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, 2016, the County’s collective proportion was 0.920271 percent which was a decrease of .0017815 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$524,852. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,536	\$ 91,244
Changes of assumptions	61,345	14,416
Net difference between projected and actual earnings on pension plan investments	819,927	-
Changes in proportion and differences between County contributions and proportionate share of contributions	42,208	229,728
County contributions subsequent to the measurement date	<u>571,443</u>	<u>-</u>
Total	<u>\$ 1,530,459</u>	<u>\$ 335,388</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 - PENSION PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

\$571,443 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense
2018	\$ 16,234
2019	16,234
2020	387,644
2021	216,286
2022	(12,770)
Total	<u>\$ 623,628</u>

There were no non-employer contributing entries at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2016, 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.
Wage growth (effective June 30, 1990)	4.00 per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation.

The actuarial assumptions used in the June 30, 2016 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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 - 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
Core Plus Fixed Income	28 %	1.90 %
Domestic Equity	24	5.85
Private Equity	16	6.32
Real Estate	11	10.31
Core Plus Fixed Income	8	3.87
Credit Opportunities	5	4.48
TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. 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 percent, 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	\$ 7,717,063	\$ 4,290,999	\$ 1,401,840

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 - 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.

All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2017.

NOTE 10 - RISK MANAGEMENT

Hamilton County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 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 casualty 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 at a level determined by the Board not to exceed 300% of basis rate.

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, 2017 were \$165,788.

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 \$500,000 per claim. Claims exceeding \$500,000 are reinsured in an amount not to exceed \$2,500,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 - 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, 2017, 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 11 - EMPLOYEE HEALTH INSURANCE PLAN

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

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, 2017 was \$1,580,699.

Amounts payable from the Hamilton County PSF Fund at June 30, 2017 total \$16,689 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 \$712,612 at June 30, 2017.

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, 2017**

NOTE 11 - EMPLOYEE HEALTH INSURANCE PLAN (continued)

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

	2017	2016
Unpaid claims, beginning of year	\$ 2,902	\$ 2,768
Incurred claims and changes in estimates	1,359,791	1,477,557
Claims paid	(1,346,004)	(1,477,423)
Unpaid claims, end of year	\$ 16,689	\$ 2,902

NOTE 12 - CONSTRUCTION COMMITMENT

Hamilton County Secondary Roads has entered into various contracts totaling \$568,625 for roadway construction projects. As of June 30, 2017, costs of \$266,570 were paid on the projects. The balance of \$302,056 remaining on the contracts at June 30, 2017 will be paid as work on the project progresses.

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

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.

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, 2017, Hamilton County is responsible for staffing the case management worker.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 - JOINTLY GOVERNED ORGANIZATION (continued)

County Community Services Case Management (continued)

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.

Central Iowa Community Services Region

Central Iowa Community Services Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Warren County, Franklin County, Hardin County, Boone County, Story County, Marshall County, Jasper County, Poweshiek County, Madison County, and Hamilton County. The financial activity of Hamilton County's Special Revenue, Mental Health Fund is included in the Central Iowa Community Services Region for the year ended June 30, 2017 as follows:

Revenues:		
Property and other county tax		\$319,839
Intergovernmental revenues:		
State tax credits	\$ 22,136	
Mental health and disability services transition	<u>6,525</u>	<u>28,661</u>
Total revenues		<u>348,500</u>
Expenditures:		
Services to persons with:		
Mental illness		111,981
General administration:		
Direct administration	134,431	
Distribution to regional fiscal agent	<u>91,184</u>	<u>225,615</u>
Total expenditures		<u>337,596</u>
Excess of revenues over expenditures		10,904
Fund balance beginning of the year		<u>488,475</u>
Fund balance end of the year		<u>\$499,379</u>

NOTE 14 – TAX ABATEMENTS

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2017, the County abated \$611,970 of property tax under the urban renewal and economic development projects.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 – DEFICIT FUND BALANCE

As of June 30, 2017, the following individual governmental fund reported a deficit in fund balance:

	Deficit
Nonmajor Governmental Funds	
Central Iowa Recovery	\$ (259)

The deficit is expected to be funded with future recoveries.

NOTE 16 – RESTATEMENT

For the fiscal year ended June 30, 2017, the County restated beginning fund balance in the Secondary Road Fund and beginning net position for governmental activities in the amount of \$357,353 to account for an overstatement of inventory in prior years. In addition, beginning fund balance in the Hospital Debt Service Fund and beginning net position for governmental activities was restated in the amount of \$725,000 to adjust the note receivable to actual.

	Secondary Roads Fund	Hospital Debt Service Fund	Governmental Activities
Fund balance/net position, as originally stated	\$ 2,306,703	\$ 28,680,346	\$ 33,281,350
Inventory adjustment	(357,353)	-	(357,353)
Receivable adjustment	-	725,000	725,000
Fund balance/net position, as restated	\$ 1,949,350	\$ 29,405,346	\$ 33,648,997

NOTE 17 – SUBSEQUENT EVENT

Subsequent to year end, the County entered into two loan agreements totaling \$150,000 to assist in funding the construction of the Briggs Woods Conference Center. The interest rate is 1 percent and is payable in semi-annual installments over a ten year term.

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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 GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	Cash Basis Fund Types Actual	Less Funds Not Required to Be Budgeted	Net
RECEIPTS			
Property and other county tax	\$ 8,087,327	\$ -	\$ 8,087,327
Interest and penalty on property tax	43,489	-	43,489
Intergovernmental	7,387,144	-	7,387,144
Licenses and permits	21,679	-	21,679
Charges for services	2,033,654	555,038	1,478,616
Use of money and property	302,081	2,902	299,179
Miscellaneous	1,970,189	21,004	1,949,185
Total receipts	19,845,563	578,944	19,266,619
DISBURSEMENTS			
Public safety and legal services	3,043,464	-	3,043,464
Physical health and social services	1,591,815	-	1,591,815
Mental health	1,051,460	-	1,051,460
County environment and education services	1,390,072	-	1,390,072
Roads and transportation	5,339,530	-	5,339,530
Governmental services to residents	495,253	-	495,253
Administration	1,539,994	-	1,539,994
Non-program	580,954	580,954	-
Debt service	2,741,365	-	2,741,365
Capital projects	2,349,470	-	2,349,470
Total disbursements	20,123,377	580,954	19,542,423
Excess of Disbursements Over Receipts	(277,814)	(2,010)	(275,804)
Other Financing Sources (Uses), Net	(13,613,753)	-	(13,613,753)
EXCESS OF DISBURSEMENTS OVER RECEIPTS AND OTHER FINANCING SOURCES	(13,891,567)	(2,010)	(13,889,557)
Balances, Beginning of Year	20,756,459	655,437	20,101,022
BALANCES, END OF YEAR	\$ 6,864,892	\$ 653,427	\$ 6,211,465

See accompanying Notes to Required Supplementary Information – Budgetary Reporting.

Budgeted Amounts		Final to Net Variance - Positive/ (Negative)
Original	Final	
\$ 7,916,512	\$ 7,928,150	\$ 159,177
30,500	30,500	12,989
7,466,195	7,941,159	(554,015)
19,475	(3,525)	25,204
1,664,105	1,700,105	(221,489)
262,915	262,915	36,264
<u>2,560,030</u>	<u>2,562,752</u>	<u>(613,567)</u>
19,919,732	20,422,056	(1,155,437)
3,188,960	3,185,347	141,883
1,709,390	1,729,600	137,785
1,453,244	1,518,724	467,264
2,457,024	1,718,076	328,004
5,120,148	5,355,148	15,618
534,287	534,287	39,034
1,505,665	1,634,404	94,410
-	-	-
2,671,937	2,796,365	55,000
<u>2,408,926</u>	<u>4,460,797</u>	<u>2,111,327</u>
<u>21,049,581</u>	<u>22,932,748</u>	<u>3,390,325</u>
(1,129,849)	(2,510,692)	2,234,888
<u>10,100</u>	<u>(13,604,900)</u>	<u>(8,853)</u>
(1,119,749)	(16,115,592)	2,226,035
<u>18,254,276</u>	<u>20,101,022</u>	<u>-</u>
<u>\$ 17,134,527</u>	<u>\$ 3,985,430</u>	<u>\$ 2,226,035</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
YEAR ENDED JUNE 30, 2017**

	Governmental Funds		
	Cash Basis	Modified Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 19,845,563	\$ (976,547)	\$ 18,869,016
Expenditures	<u>20,123,377</u>	<u>749,476</u>	<u>20,872,853</u>
NET CHANGE	(277,814)	(1,726,023)	(2,003,837)
Other financing sources, net	(13,613,753)	1,113,499	(12,500,254)
Beginning fund balances, as restated	20,756,459	16,179,436	36,935,895
Increase in inventories	<u>-</u>	<u>29,385</u>	<u>29,385</u>
ENDING FUND BALANCES	<u>\$ 6,864,892</u>	<u>\$ 15,596,297</u>	<u>\$ 22,461,189</u>

See accompanying Notes to Required Supplementary Information – Budgetary Reporting.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
JUNE 30, 2017**

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 \$15,636,087, increased budget revenues, other financing sources by \$640,244 and decreased the ending fund balance by \$13,149,097. 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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEN FISCAL YEARS***

	Reporting Year (Measurement Date)	Reporting Year (Measurement Date)	Reporting Year (Measurement Date)
	2017 (2016)	2016 (2015)	2015 (2014)
County's Proportion of the Net Pension Liability	0.920271%	0.938086%	0.921308%
County's Proportionate Share of the Net Pension Liability	\$ 4,290,999	\$ 3,319,685	\$ 2,500,458
County's Payroll	\$ 6,280,272	\$ 6,301,049	\$ 5,951,211
County's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	68.33%	52.68%	42.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
TEN FISCAL YEARS**

	Reporting Fiscal Year			
	2017	2016	2015	2014
Statutorily Required Contribution	\$ 571,443	\$ 558,221	\$ 561,851	\$ 536,000
County's Contribution in Relation to the Statutorily Required Contribution	571,443	558,221	561,851	536,000
County's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
County's Payroll	\$ 6,439,264	\$ 6,280,272	\$ 6,301,049	\$ 5,951,211
County's Contributions as a Percentage of Payroll	8.87%	8.89%	8.92%	9.01%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
JUNE 30, 2017**

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 (CONTINUED)
JUNE 30, 2017**

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, 2017**

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)
2017	July 1, 2014	\$ -	\$ 720,910	\$ 720,910	- %	N/A	N/A
2016	July 1, 2014	-	720,910	720,910	-	N/A	N/A
2015	July 1, 2014	-	720,910	720,910	-	N/A	N/A

See Note 7 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, 2017**

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 Records Management
- Drug Forfeiture
- Prisoner Room & Board
- Property Forfeiture
- Hotel/Motel Tax
- REAP
- Central Iowa Recovery
- Local Option Sales Tax
- Ag Partners TIF Capital 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.

- Capital Projects
- Conference Center

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 TIF Debt Service

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 County's programs.

- Conservation Legacy Endowment

**HAMILTON COUNTY
WEBSTER CITY, IOWA
JUNE 30, 2017**

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, 2017**

	Special Revenue Funds			
	Recorder's Records Management	Drug Forfeiture	Prisoner Room & Board	Property Forfeiture
ASSETS				
Cash and Investments	\$ 17,641	\$ 7,148	\$ 10,758	\$ -
Due from other governments	-	-	-	-
Total assets	<u>\$ 17,641</u>	<u>\$ 7,148</u>	<u>\$ 10,758</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 1,591	\$ -
Salaries and benefits payable	-	-	-	-
Total liabilities	-	-	1,591	-
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Other purposes	17,641	7,148	9,167	-
Unassigned	-	-	-	-
Total fund balances (deficits)	<u>17,641</u>	<u>7,148</u>	<u>9,167</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 17,641</u>	<u>\$ 7,148</u>	<u>\$ 10,758</u>	<u>\$ -</u>

Special Revenue Funds

Hotel/ Motel Tax	REAP	Central Iowa Recovery	Local Option Sales Tax	Ag Partners TIF Projects	Public Health Hospice	Ethanol Plant
\$ 31,609	\$ 60,011	\$ -	\$ 571,710	\$ 225,436	\$ -	\$ -
6,470	-	-	42,237	-	-	-
<u>\$ 38,079</u>	<u>\$ 60,011</u>	<u>\$ -</u>	<u>\$ 613,947</u>	<u>\$ 225,436</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 1,210	\$ -	\$ -	\$ -
-	-	259	-	-	-	-
-	-	259	1,210	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
38,079	60,011	-	612,737	225,436	-	-
-	-	(259)	-	-	-	-
<u>38,079</u>	<u>60,011</u>	<u>(259)</u>	<u>612,737</u>	<u>225,436</u>	<u>-</u>	<u>-</u>
<u>\$ 38,079</u>	<u>\$ 60,011</u>	<u>\$ -</u>	<u>\$ 613,947</u>	<u>\$ 225,436</u>	<u>\$ -</u>	<u>\$ -</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017**

	Friends of Conservation Trust	Total Special Revenue	Capital Projects Funds		Total Capital Projects
			Capital Projects	Conference Center	
ASSETS					
Cash and Investments	\$ 48,846	\$ 973,159	\$ -	\$ -	\$ -
Due from other governments	-	48,707	-	-	-
Total assets	<u>\$ 48,846</u>	<u>\$ 1,021,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ -	\$ 2,801	\$ -	\$ -	\$ -
Salaries and benefits payable	-	259	-	-	-
Total liabilities	-	3,060	-	-	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Other purposes	48,846	1,019,065	-	-	-
Unassigned	-	(259)	-	-	-
Total fund balances (deficits)	<u>48,846</u>	<u>1,018,806</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 48,846</u>	<u>\$ 1,021,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Service Funds						Permanent Funds	
Debt Service	Ag Partners Debt Service	Parking Lot Debt Service	Red Bull Debt Service	Van Diest TIF Debt Service	Total Debt Service	Conservation Legacy Endowment	Total
\$ 17,451	\$ -	\$ -	\$ -	\$ 99,256	\$ 116,707	\$ 20,044	\$ 1,109,910
-	-	-	-	-	-	-	48,707
<u>\$ 17,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,256</u>	<u>\$ 116,707</u>	<u>\$ 20,044</u>	<u>\$ 1,158,617</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,801
-	-	-	-	-	-	-	259
-	-	-	-	-	-	-	3,060
-	-	-	-	-	-	20,044	20,044
17,451	-	-	-	99,256	116,707	-	116,707
-	-	-	-	-	-	-	1,019,065
-	-	-	-	-	-	-	(259)
<u>17,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,256</u>	<u>116,707</u>	<u>20,044</u>	<u>1,155,557</u>
<u>\$ 17,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,256</u>	<u>\$ 116,707</u>	<u>\$ 20,044</u>	<u>\$ 1,158,617</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	Special Revenue					
	Recorder's Records Management	Drug Forfeiture	Prisoner Room & Board	Property Forfeiture	Hotel/ Motel Tax	
REVENUES						
Property tax and other county tax	\$ -	\$ -	\$ -	\$ -	\$ 24,134	\$ -
Tax increment financing collections	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	14,754
Charges for services	3,107	-	-	-	-	-
Use of money and property	46	-	-	14	89	200
Miscellaneous	-	-	-	-	-	-
Total revenues	3,153	-	-	14	24,223	14,954
EXPENDITURES						
Public safety and legal services	-	-	19,423	23,272	-	-
County environment and education	-	-	-	-	39,810	49,508
Government services to residents	5,192	-	-	-	-	-
Administration	-	-	-	-	-	-
Non-program	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total expenditures	5,192	-	19,423	23,272	39,810	49,508
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,039)	-	(19,423)	(23,258)	(15,587)	(34,554)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	15,244	-	-	-
Transfers out	-	-	(66)	-	-	-
Total other financing sources (uses)	-	-	15,178	-	-	-
NET CHANGE IN FUND BALANCES	(2,039)	-	(4,245)	(23,258)	(15,587)	(34,554)
Fund Balances, Beginning of Year	19,680	7,148	13,412	23,258	53,666	94,565
FUND BALANCES, END OF YEAR	\$ 17,641	\$ 7,148	\$ 9,167	\$ -	\$ 38,079	\$ 60,011

Special Revenue

Central Iowa Recovery	Local Option Sales Tax	Ag Partners TIF Projects	Public Health Hospice	Ethanol Plant	Friends of Conservation Trust	Total Special Revenue
\$ -	\$ 413,102	\$ -	\$ -	\$ -	\$ -	\$ 437,236
-	-	174,165	-	337,407	-	511,572
5,830	41,743	7,804	-	38,871	-	109,002
-	-	-	-	-	-	3,107
-	970	-	6	-	100	1,425
-	-	-	-	-	7,799	7,799
<u>5,830</u>	<u>455,815</u>	<u>181,969</u>	<u>6</u>	<u>376,278</u>	<u>7,899</u>	<u>1,070,141</u>
-	-	-	-	-	-	42,695
-	-	-	-	-	6,593	95,911
-	-	-	-	-	-	5,192
-	1,221	-	-	-	-	1,221
5,830	-	-	-	-	-	5,830
-	-	-	-	376,278	-	376,278
-	278,195	-	-	-	-	278,195
<u>5,830</u>	<u>279,416</u>	<u>-</u>	<u>-</u>	<u>376,278</u>	<u>6,593</u>	<u>805,322</u>
-	176,399	181,969	6	-	1,306	264,819
-	-	-	-	-	-	15,244
-	-	(62,740)	(10,776)	-	-	(73,582)
-	-	(62,740)	(10,776)	-	-	(58,338)
-	176,399	119,229	(10,770)	-	1,306	206,481
(259)	436,338	106,207	10,770	-	47,540	812,325
<u>\$ (259)</u>	<u>\$ 612,737</u>	<u>\$ 225,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,846</u>	<u>\$ 1,018,806</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

	Capital Project Funds			Debt Service Funds	
	Capital Projects	Conference Center	Total Capital Projects	Debt Service	Ag Partners Debt Service
REVENUES					
Property tax and other county tax	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Use of money and property	-	-	-	-	-
Miscellaneous	-	51,930	51,930	-	-
Total revenues	-	51,930	51,930	-	-
EXPENDITURES					
Public safety and legal services	-	-	-	-	-
County environment and education	-	-	-	-	-
Government services to residents	-	-	-	-	-
Administration	-	-	-	-	-
Non-program	-	-	-	-	-
Debt service	-	-	-	97,670	62,740
Capital projects	12,003	51,930	63,933	-	-
Total expenditures	12,003	51,930	63,933	97,670	62,740
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,003)	-	(12,003)	(97,670)	(62,740)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	114,535	62,740
Transfers out	(14,000)	-	(14,000)	-	-
Total other financing sources (uses)	(14,000)	-	(14,000)	114,535	62,740
NET CHANGE IN FUND BALANCES	(26,003)	-	(26,003)	16,865	-
Fund Balances, Beginning of Year	26,003	-	26,003	586	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ 17,451	\$ -

Debt Service Funds				Permanent Fund	
Parking Lot Debt Service	Red Bull Debt Service	Van Diest TIF Debt Service	Total Debt Service	Conservation Legacy Endowment	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 437,236
-	-	100,398	100,398	-	611,970
-	-	2,058	2,058	-	111,060
-	-	-	-	-	3,107
-	-	-	-	44	1,469
-	-	-	-	-	59,729
-	-	102,456	102,456	44	1,224,571
-	-	-	-	-	42,695
-	-	-	-	-	95,911
-	-	-	-	-	5,192
-	-	-	-	-	1,221
-	-	-	-	-	5,830
-	-	81,300	241,710	-	617,988
-	-	-	-	-	342,128
-	-	81,300	241,710	-	1,110,965
-	-	21,156	(139,254)	44	113,606
-	-	-	177,275	-	192,519
(10,416)	(6,949)	-	(17,365)	-	(104,947)
(10,416)	(6,949)	-	159,910	-	87,572
(10,416)	(6,949)	21,156	20,656	44	201,178
10,416	6,949	78,100	96,051	20,000	954,379
\$ -	\$ -	\$ 99,256	\$ 116,707	\$ 20,044	\$ 1,155,557

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – AGENCY FUNDS
JUNE 30, 2017**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
COUNTY OFFICES:				
ASSETS:				
Cash and investments	\$ 50,737	\$ 459,003	\$ 466,654	\$ 43,086
Accounts receivable	2,404	2,748	2,404	2,748
	<u>53,141</u>	<u>461,751</u>	<u>469,058</u>	<u>45,834</u>
TOTAL ASSETS	<u>\$ 53,141</u>	<u>\$ 461,751</u>	<u>\$ 469,058</u>	<u>\$ 45,834</u>
LIABILITIES:				
Due to other governments	\$ 53,141	\$ 45,834	\$ 53,141	\$ 45,834
	<u>53,141</u>	<u>45,834</u>	<u>53,141</u>	<u>45,834</u>
TOTAL LIABILITIES	<u>\$ 53,141</u>	<u>\$ 45,834</u>	<u>\$ 53,141</u>	<u>\$ 45,834</u>
TOWNSHIP:				
ASSETS:				
Cash and investments	\$ 2,521	\$ 370,565	\$ 370,136	\$ 2,950
Taxes receivable	357,115	379,775	357,115	379,775
	<u>359,636</u>	<u>750,340</u>	<u>727,251</u>	<u>382,725</u>
TOTAL ASSETS	<u>\$ 359,636</u>	<u>\$ 750,340</u>	<u>\$ 727,251</u>	<u>\$ 382,725</u>
LIABILITIES:				
Due to other governments	\$ 359,636	\$ 382,725	\$ 359,636	\$ 382,725
	<u>359,636</u>	<u>382,725</u>	<u>359,636</u>	<u>382,725</u>
TOTAL LIABILITIES	<u>\$ 359,636</u>	<u>\$ 382,725</u>	<u>\$ 359,636</u>	<u>\$ 382,725</u>
CORPORATION:				
ASSETS:				
Cash and investments	\$ 40,551	\$ 5,071,860	\$ 5,060,799	\$ 51,612
Taxes receivable	4,868,448	5,175,830	4,868,448	5,175,830
	<u>4,908,999</u>	<u>10,247,690</u>	<u>9,929,247</u>	<u>5,227,442</u>
TOTAL ASSETS	<u>\$ 4,908,999</u>	<u>\$ 10,247,690</u>	<u>\$ 9,929,247</u>	<u>\$ 5,227,442</u>
LIABILITIES:				
Due to other governments	\$ 4,908,999	\$ 5,227,442	\$ 4,908,999	\$ 5,227,442
	<u>4,908,999</u>	<u>5,227,442</u>	<u>4,908,999</u>	<u>5,227,442</u>
TOTAL LIABILITIES	<u>\$ 4,908,999</u>	<u>\$ 5,227,442</u>	<u>\$ 4,908,999</u>	<u>\$ 5,227,442</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – AGENCY FUNDS (CONTINUED)
JUNE 30, 2017**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
DISTRICT SCHOOLS:				
ASSETS:				
Cash and investments	\$ 93,577	\$ 12,799,308	\$ 12,775,689	\$ 117,196
Taxes receivable	<u>12,320,868</u>	<u>13,126,012</u>	<u>12,320,868</u>	<u>13,126,012</u>
TOTAL ASSETS	<u>\$ 12,414,445</u>	<u>\$ 25,925,320</u>	<u>\$ 25,096,557</u>	<u>\$ 13,243,208</u>
LIABILITIES:				
Due to other governments	<u>\$ 12,414,445</u>	<u>\$ 13,243,208</u>	<u>\$ 12,414,445</u>	<u>\$ 13,243,208</u>
TOTAL LIABILITIES	<u>\$ 12,414,445</u>	<u>\$ 13,243,208</u>	<u>\$ 12,414,445</u>	<u>\$ 13,243,208</u>
AREA SCHOOLS:				
ASSETS:				
Cash and investments	\$ 5,790	\$ 1,040,965	\$ 1,037,461	\$ 9,294
Taxes receivable	<u>1,002,061</u>	<u>909,116</u>	<u>1,002,061</u>	<u>909,116</u>
TOTAL ASSETS	<u>\$ 1,007,851</u>	<u>\$ 1,950,081</u>	<u>\$ 2,039,522</u>	<u>\$ 918,410</u>
LIABILITIES:				
Due to other governments	<u>\$ 1,007,851</u>	<u>\$ 918,410</u>	<u>\$ 1,007,851</u>	<u>\$ 918,410</u>
TOTAL LIABILITIES	<u>\$ 1,007,851</u>	<u>\$ 918,410</u>	<u>\$ 1,007,851</u>	<u>\$ 918,410</u>
COUNTY ASSESSOR:				
ASSETS:				
Cash and investments	\$ 608,261	\$ 591,656	\$ 471,004	\$ 728,913
Taxes receivable	<u>569,462</u>	<u>501,652</u>	<u>569,462</u>	<u>501,652</u>
TOTAL ASSETS	<u>\$ 1,177,723</u>	<u>\$ 1,093,308</u>	<u>\$ 1,040,466</u>	<u>\$ 1,230,565</u>
LIABILITIES:				
Accounts payable	\$ 65	\$ -	\$ 65	\$ -
Salaries and benefits payable	1,635	2,124	1,635	2,124
Due to other governments	<u>1,176,023</u>	<u>1,228,441</u>	<u>1,176,023</u>	<u>1,228,441</u>
TOTAL LIABILITIES	<u>\$ 1,177,723</u>	<u>\$ 1,230,565</u>	<u>\$ 1,177,723</u>	<u>\$ 1,230,565</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – AGENCY FUNDS (CONTINUED)
JUNE 30, 2017**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
COUNTY AGRICULTURAL EXTENSION:				
ASSETS:				
Cash and investments	\$ 1,738	\$ 215,231	\$ 215,040	\$ 1,929
Taxes receivable	<u>207,164</u>	<u>207,545</u>	<u>207,164</u>	<u>207,545</u>
TOTAL ASSETS	<u>\$ 208,902</u>	<u>\$ 422,776</u>	<u>\$ 422,204</u>	<u>\$ 209,474</u>
LIABILITIES:				
Due to other governments	<u>\$ 208,902</u>	<u>\$ 209,474</u>	<u>\$ 208,902</u>	<u>\$ 209,474</u>
TOTAL LIABILITIES	<u>\$ 208,902</u>	<u>\$ 209,474</u>	<u>\$ 208,902</u>	<u>\$ 209,474</u>
COUNTY HOSPITAL:				
ASSETS:				
Cash and investments	\$ 14,346	\$ 1,882,261	\$ 1,879,739	\$ 16,868
Taxes receivable	<u>1,811,704</u>	<u>1,894,902</u>	<u>1,811,704</u>	<u>1,894,902</u>
TOTAL ASSETS	<u>\$ 1,826,050</u>	<u>\$ 3,777,163</u>	<u>\$ 3,691,443</u>	<u>\$ 1,911,770</u>
LIABILITIES:				
Due to other governments	<u>\$ 1,826,050</u>	<u>\$ 1,911,770</u>	<u>\$ 1,826,050</u>	<u>\$ 1,911,770</u>
TOTAL LIABILITIES	<u>\$ 1,826,050</u>	<u>\$ 1,911,770</u>	<u>\$ 1,826,050</u>	<u>\$ 1,911,770</u>
MOTOR VEHICLE TRUST:				
ASSETS:				
Cash and investments	<u>\$ 420,447</u>	<u>\$ 5,563,742</u>	<u>\$ 5,475,227</u>	<u>\$ 508,962</u>
TOTAL ASSETS	<u>\$ 420,447</u>	<u>\$ 5,563,742</u>	<u>\$ 5,475,227</u>	<u>\$ 508,962</u>
LIABILITIES:				
Due to other governments	<u>\$ 420,447</u>	<u>\$ 508,962</u>	<u>\$ 420,447</u>	<u>\$ 508,962</u>
TOTAL LIABILITIES	<u>\$ 420,447</u>	<u>\$ 508,962</u>	<u>\$ 420,447</u>	<u>\$ 508,962</u>

**HAMILTON COUNTY
WEBSTER CITY, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – AGENCY FUNDS (CONTINUED)
JUNE 30, 2017**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
E911 SURCHARGE:				
ASSETS:				
Cash and investments	\$ 220,690	\$ 223,119	\$ 152,005	\$ 291,804
Accounts receivable	<u>74,647</u>	<u>46,051</u>	<u>74,647</u>	<u>46,051</u>
TOTAL ASSETS	<u>\$ 295,337</u>	<u>\$ 269,170</u>	<u>\$ 226,652</u>	<u>\$ 337,855</u>
LIABILITIES:				
Accounts payable	\$ 1,731	\$ 882	\$ 1,731	\$ 882
Due to other governments	<u>293,606</u>	<u>336,973</u>	<u>293,606</u>	<u>336,973</u>
TOTAL LIABILITIES	<u>\$ 295,337</u>	<u>\$ 337,855</u>	<u>\$ 295,337</u>	<u>\$ 337,855</u>
OTHER:				
ASSETS:				
Cash and investments	\$ 111,198	\$ 279,848	\$ 317,559	\$ 73,487
Taxes receivable	2,828	2,797	2,828	2,797
Due from other governments	<u>47,356</u>	<u>-</u>	<u>22,608</u>	<u>24,748</u>
TOTAL ASSETS	<u>\$ 161,382</u>	<u>\$ 282,645</u>	<u>\$ 342,995</u>	<u>\$ 101,032</u>
LIABILITIES:				
Accounts payable	\$ 3,471	\$ 1,087	\$ 3,471	\$ 1,087
Due to other governments	<u>157,911</u>	<u>53,683</u>	<u>111,649</u>	<u>99,945</u>
TOTAL LIABILITIES	<u>\$ 161,382</u>	<u>\$ 54,770</u>	<u>\$ 115,120</u>	<u>\$ 101,032</u>
TOTAL:				
ASSETS:				
Cash and investments	\$ 1,569,856	\$ 28,497,558	\$ 28,221,313	\$ 1,846,101
Accounts receivable	77,051	48,799	77,051	48,799
Taxes receivable	21,139,650	22,197,629	21,139,650	22,197,629
Due from other governments	<u>47,356</u>	<u>-</u>	<u>22,608</u>	<u>24,748</u>
TOTAL ASSETS	<u>\$ 22,833,913</u>	<u>\$ 50,743,986</u>	<u>\$ 49,460,622</u>	<u>\$ 24,117,277</u>
LIABILITIES:				
Accounts payable	\$ 5,267	\$ 1,969	\$ 5,267	\$ 1,969
Salaries and benefits payable	1,635	2,124	1,635	2,124
Due to other governments	<u>22,827,011</u>	<u>24,066,922</u>	<u>22,780,749</u>	<u>24,113,184</u>
TOTAL LIABILITIES	<u>\$ 22,833,913</u>	<u>\$ 24,071,015</u>	<u>\$ 22,787,651</u>	<u>\$ 24,117,277</u>

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
JUNE 30, 2017**

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 GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES					
Property and other county tax	\$ 7,449,137	\$ 7,750,781	\$ 7,789,221	\$ 7,852,021	\$ 7,565,039
Tax increment financing collections	611,970	520,103	428,046	397,026	389,485
Interest and penalty on property tax	44,471	37,407	40,994	43,192	43,020
Intergovernmental	7,619,259	7,968,858	5,924,431	6,227,286	5,400,962
Licenses and permits	20,739	18,179	18,594	19,820	18,246
Charges for services	2,051,726	2,262,749	2,989,354	2,751,428	1,837,064
Use of money and property	898,280	975,692	1,055,862	449,345	10,957
Miscellaneous	173,434	245,473	679,789	498,638	260,167
	<u> </u>				
Total	<u>\$ 18,869,016</u>	<u>\$ 19,779,242</u>	<u>\$ 18,926,291</u>	<u>\$ 18,238,756</u>	<u>\$ 15,524,940</u>
EXPENDITURES					
Current:					
Public safety and legal services	\$ 3,057,333	\$ 2,842,297	\$ 2,673,515	\$ 2,588,239	\$ 2,545,608
Physical health and social services	1,606,227	1,546,263	1,616,041	1,512,303	1,676,473
Mental health	1,056,856	1,281,593	1,864,730	1,800,561	1,858,462
County environment and education	1,390,515	1,560,424	1,332,931	1,371,968	1,432,046
Roads and transportation	4,696,918	5,373,187	4,784,252	4,599,976	4,412,815
Governmental services to residents	496,155	481,314	493,146	497,639	475,938
Administration	1,511,555	1,379,665	1,196,693	1,231,605	1,286,608
Non-program	1,101,009	773,044	1,020,896	2,144,279	1,421,741
Debt service	3,347,020	3,849,334	4,544,741	5,071,203	4,939,273
Capital projects	2,609,265	3,482,919	1,225,070	2,482,128	1,280,425
	<u> </u>				
Total	<u>\$ 20,872,853</u>	<u>\$ 22,570,040</u>	<u>\$ 20,752,015</u>	<u>\$ 23,299,901</u>	<u>\$ 21,329,389</u>

Modified Accrual Basis

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 7,627,527	\$ 7,166,856	\$ 6,628,446	\$ 6,368,944	\$ 6,120,736
434,488	438,837	487,480	393,648	297,291
46,452	39,895	41,454	39,948	36,925
6,442,144	6,426,294	6,713,275	6,998,897	5,872,894
17,013	12,990	68,960	8,355	12,790
1,324,354	1,088,828	1,138,600	1,074,161	1,063,306
98,688	111,782	105,659	169,893	370,256
<u>165,415</u>	<u>277,272</u>	<u>43,058</u>	<u>186,678</u>	<u>167,983</u>
<u>\$ 16,156,081</u>	<u>\$ 15,562,754</u>	<u>\$ 15,226,932</u>	<u>\$ 15,240,524</u>	<u>\$ 13,942,181</u>

\$ 2,596,698	\$ 2,417,356	\$ 2,415,889	\$ 2,386,472	\$ 2,258,805
1,616,685	1,882,099	2,029,093	1,918,313	2,100,019
1,703,978	2,152,328	1,891,221	2,070,701	2,170,686
1,203,227	1,230,025	1,161,085	1,216,662	1,094,572
4,394,559	4,581,173	4,136,876	4,140,465	4,422,287
422,847	406,190	403,950	403,740	375,852
1,253,877	1,141,661	1,179,107	1,145,339	1,101,284
1,634,522	932,632	797,475	601,438	455,675
2,881,721	2,504,497	1,315,053	1,171,449	415,656
<u>1,160,924</u>	<u>798,292</u>	<u>1,796,991</u>	<u>1,401,766</u>	<u>369,008</u>
<u>\$ 18,869,038</u>	<u>\$ 18,046,253</u>	<u>\$ 17,126,740</u>	<u>\$ 16,456,345</u>	<u>\$ 14,763,844</u>

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REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*



**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***

Board of Supervisors
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, 2017, and the related notes to the financial statements, which collectively comprise Hamilton County's basic financial statements, and have issued our report thereon dated November 20, 2017.

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 have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 responses as items 2017-001 through 2017-004 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 responses as item 2017-005 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamilton County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 responses. Hamilton County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Cedar Rapids, Iowa
November 20, 2017

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**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

Financial Statement Findings

2017-001 - Audit Adjustments and Restatement

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair representation in the financial statements in accordance with U.S. generally accepted accounting principles. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statement to correct material misstatements and produce accurate financial statements on a timely basis.

Condition/Context:

During the course of the audit, we proposed material adjustments to properly state road the farm to market revenue and expenditures, to properly state construction in progress, adjust inventory and notes receivable, and properly state beginning net position and fund balance.

Cause: The County has a limited number of personnel with limited financial reporting experience.

Effect: Without adequate controls over financial reporting, 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. Capital outlay expenditures should be reconciled to capital asset additions to ensure capital assets are properly reported in the County's financial statements.

Management Response:

Management will continue to work to reduce the need for audit adjustments.

Conclusion:

Response accepted.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Financial Statement Findings (continued)

2017-002 - Preparation of Financial Statements

Type of Finding: Material Weakness in Internal Control over Financial Reporting

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/Context:

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.

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 RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Financial Statement Findings (continued)

2017-003 – Inventory Controls

Type of Finding: Material Weakness in Internal Control over Financial Reporting

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. Year-end schedules should be reviewed and compared to supporting documentation.

Condition/Context:

The secondary roads inventory was counted by one employee at each location. The counts were not double checked or reviewed by a second individual to verify the existence of the inventory and accuracy of the count. Office supplies and minor equipment items were included in the year-end inventory listing.

Cause: Size and budget constraints limiting the number of personnel within the secondary road department. Inventory count procedures followed past practice.

Effect: The lack of controls over year-end inventory counts increases the risk that errors will go undetected. Inventory adjustments were necessary to properly state beginning and ending inventory balances.

Recommendation:

In order to reduce counting errors and have proper segregation of duties, we recommend that another person also count the inventory items and initial (that is, approve) the inventory item. The year-end inventory listing should be reviewed to ensure only items meeting the definition of inventory are included.

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 year-end inventory counts.

Conclusion:

Response accepted.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Financial Statement Findings (continued)

2017-004 - Maintenance of County Cash

Type of Finding: Material Weakness in Internal Control over Financial Reporting

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

Condition/Context:

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 obtain monthly bank statements and reconciliations for any account not held by their office. The monthly statements and reconciliations should be reviewed to ensure accuracy and completeness. Deposits and withdrawals should be compared to the general ledger to ensure all activity running through the accounts is properly recorded.

Management Response:

The Treasurer's office will obtain the monthly statements and reconciliations, reviewing them to determine the activity was recorded properly.

Conclusion:

Response accepted.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Financial Statement Findings (continued)

2017-005 - Segregation of Duties

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

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/Context:

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.

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.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Findings Related to Required State Statutory Reporting

- A. **IV-A-17 Certified Budget** – Disbursements during the year ended June 30, 2017 did not exceed the amended amounts budgeted.
- B. **IV-B-17 Questionable Expenditures** - We noted no expenditures for parties, banquets, or other entertainment for employees during the year ended June 30, 2017 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-17 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, 2017.
- D. **IV-D-17 Business Transactions** - We noted the rental of space by the County Attorney from his sister totaling approximately \$5,500.

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.

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-17 Bond Coverage** - Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- F. **IV-F-17 Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.

**HAMILTON COUNTY
WEBSTER CITY, IOWA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Findings Related to Required State Statutory Reporting (Continued)

- G. **IV-G-17 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-17 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-17 Solid Waste Fees Retained** - During the year ended June 30, 2016, 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-17 County Extension Office** - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.
- Disbursements during the year ended June 30, 2017 for the County Extension Office did not exceed the amount budgeted.
- K. **IV-K-17 Tax Increment Financing (TIF)** - For the year ended June 30, 2017, the County Auditor prepared reconciliations in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa.
- L. **IV-L-17 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.