



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

June 11, 2012

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Washington County, Iowa.

The County had local tax revenue of \$32,239,644 for the year ended June 30, 2011, which included \$1,123,496 in tax credits from the state. The County forwarded \$22,447,288 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,792,356 of the local tax revenue, including tax increment financing, to finance County operations, a 3.3% increase over the prior year. Other revenues included charges for service of \$2,489,982, operating grants, contributions and restricted interest of \$4,832,495, capital grants, contributions and restricted interest of \$2,537,720, local option sales and services tax of \$968,286, gaming wager tax of \$436,651, unrestricted investment earnings of \$78,641 and other general revenues of \$174,663.

Expenses for County operations totaled \$17,570,831, a less than 1% increase over the prior year. Expenses included \$5,604,344 for roads and transportation, \$3,876,483 for public safety and legal services and \$2,366,001 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0092-B00F.pdf>.

###

WASHINGTON COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-45
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		48-49
Budget to GAAP Reconciliation		50
Notes to Required Supplementary Information – Budgetary Reporting		51
Schedule of Funding Progress for the Retiree Health Plan		52
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	54-55
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	56-57
Internal Service Funds:		
Combining Schedule of Net Assets	3	58
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	59
Combining Schedule of Cash Flows	5	61
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	62-63
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	64-65
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8	66-67
Schedule of Expenditures of Federal Awards	9	68-69
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		71-72

Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	75-76
Schedule of Findings and Questioned Costs	77-82
Staff	83

Washington County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2011)		
Steve Davis	Board of Supervisors	Jan 2011
James Rosien	Board of Supervisors	Jan 2011
Adam Mangold	Board of Supervisors	Jan 2013
Jim Miksch	Board of Supervisors	Jan 2013
Wesley Rich	Board of Supervisors	Jan 2013
Bill Fredrick	County Auditor	Jan 2013
Jeffrey A. Garrett	County Treasurer	Jan 2011
Connie Pence	County Recorder	Jan 2011
Jerry A. Dunbar	County Sheriff	Jan 2013
Barbara A. Edmondson	County Attorney	Jan 2011
Lil Perry	County Assessor	Jan 2016
(After January 2011)		
Adam Mangold	Board of Supervisors	Jan 2013
Jim Miksch	Board of Supervisors	Jan 2013
Wesley Rich	Board of Supervisors	Jan 2013
Ron Bennett	Board of Supervisors	Jan 2015
Steve Davis	Board of Supervisors	Jan 2015
Bill Fredrick	County Auditor	(Resigned)
Dan Widmer (Appointed)	County Auditor	Nov 2012
Jeffrey A. Garrett	County Treasurer	Jan 2015
Jo Greiner	County Recorder	Jan 2015
Jerry A. Dunbar	County Sheriff	Jan 2013
Larry Brock	County Attorney	Jan 2015
Lil Perry	County Assessor	(Resigned)
Christy Tinnes (Appointed)	County Assessor	Jan 2016



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Washington County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Washington County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Washington County at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2012 on our consideration of Washington County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 48 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Washington County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Washington County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 0.3%, or approximately \$71,000, from fiscal year 2010 to fiscal year 2011. Property and other County tax increased approximately \$322,000, charges for service decreased approximately \$58,000, operating grants, contributions and restricted interest decreased approximately \$627,000 and capital grants, contributions and restricted interest increased approximately \$268,000.
- Program expenses were 0.5%, or approximately \$93,000, more in fiscal year 2011 than in fiscal year 2010.
- The County's net assets increased 8.1%, or approximately \$3,740,000, from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Washington 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 Washington County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Washington County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the 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 years.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and 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. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads and City of Riverside Tax Increment Financing, 3) the Debt Service Fund and 4) the Capital Projects 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 required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the Public Safety Commission, E911 Services, Emergency Management Services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Washington County's combined net assets increased \$3,739,963 from a year ago, from \$46,453,076 to \$50,193,039. The analysis that follows focuses on the change in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2011	2010
Current and other assets	\$ 28,689,697	\$ 17,060,655
Capital assets	52,220,057	49,768,901
Total assets	<u>80,909,754</u>	<u>66,829,556</u>
Long-term liabilities	17,919,265	11,613,563
Other liabilities	12,797,450	8,762,917
Total liabilities	<u>30,716,715</u>	<u>20,376,480</u>
Net assets:		
Invested in capital assets, net of related debt	48,011,524	45,431,175
Restricted	3,800,267	3,997,116
Unrestricted	(1,618,752)	(2,975,215)
Total net assets	<u>\$ 50,193,039</u>	<u>\$ 46,453,076</u>

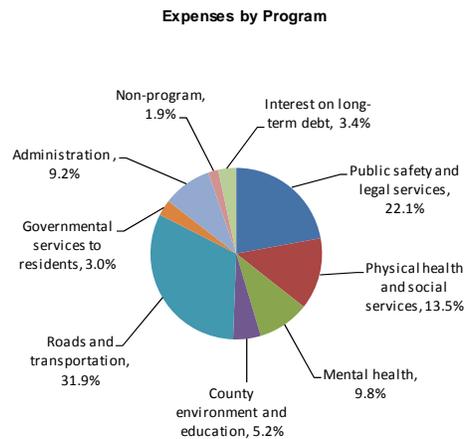
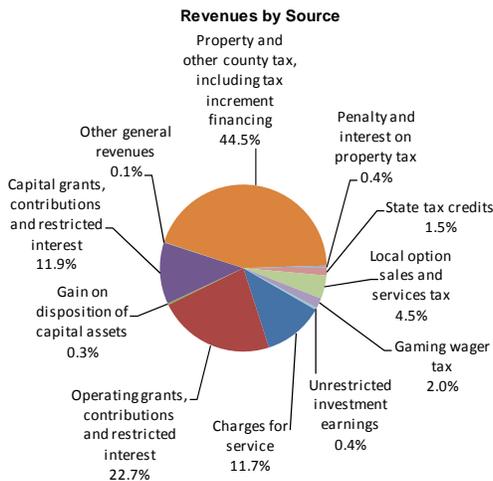
Net assets of Washington County's governmental activities increased approximately \$3,740,000 (approximately \$46,453,000 to approximately \$50,193,000). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets decreased from approximately \$3,997,000 at June 30, 2010 to approximately \$3,800,000 at the end of this year, a decrease of 4.9%. This decrease is primarily the result of increases of approximately \$506,000 for rural services and \$160,000 for supplemental levy purposes, offset by decreases of approximately \$670,000 and \$173,000 in the amounts restricted for secondary roads purposes and mental health purposes, respectively.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately (\$2,975,000) at June 30, 2010 to approximately (\$1,619,000) at the end of this year, an increase of 45.6%. The negative unrestricted net assets balance is due to the County incurring debt for assets which are not the County's.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 2,489,982	\$ 2,547,838
Operating grants, contributions and restricted interest	4,832,495	5,459,514
Capital grants, contributions and restricted interest	2,537,720	2,269,779
General revenues:		
Property and other county tax, including tax increment financing	9,481,074	9,158,651
Penalty and interest on property tax	76,322	79,213
State tax credits	311,282	319,330
Local option sales and services tax	968,286	872,690
Gaming wager tax	436,651	425,823
Unrestricted investment earnings	78,641	95,861
Gain on disposition of capital assets	69,966	132,037
Other general revenues	28,375	20,973
Total revenues	21,310,794	21,381,709
Program expenses:		
Public safety and legal services	3,876,483	3,971,904
Physical health and social services	2,366,001	2,419,706
Mental health	1,730,024	1,634,981
County environment and education	913,868	776,247
Roads and transportation	5,604,344	5,509,754
Governmental services to residents	534,537	616,000
Administration	1,616,117	1,621,899
Non-program	337,295	262,600
Interest on long-term debt	592,162	664,556
Total expenses	17,570,831	17,477,647
Increase in net assets	3,739,963	3,904,062
Net assets beginning of year	46,453,076	42,549,014
Net assets end of year	\$ 50,193,039	\$ 46,453,076



Washington County's net assets of governmental activities increased approximately \$3,740,000 during the year. Revenues for governmental activities (a major portion from property tax, charges for service and capital grants) decreased approximately \$71,000 from the prior year. Property and other county tax revenue increased approximately \$322,000, or 3.5%, over the prior year. Operating grants and contributions decreased approximately \$627,000, or 11.5%, from the prior year, primarily due to the County not receiving any allowable growth funds for mental health from the State in fiscal year 2011. Capital grants and contributions increased approximately \$268,000, or 11.8%, from the prior year, primarily due to FEMA grants received in fiscal year 2011 and a grant received from the Washington County Riverboat Foundation for the construction of a bicycle lane.

The County decreased property tax rates \$.23429 per \$1,000 of taxable valuation in the rural levy and increased property tax rates \$.27788 per \$1,000 of taxable valuation in the countywide levy. The rural property valuation increased \$11,062,277 and the countywide property valuation increased \$20,262,399.

The cost of all governmental activities this year was \$17,570,831 compared to \$17,477,647 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities this year was \$7,710,634 as \$2,489,982 of the cost was paid by those directly benefiting from the programs and \$7,370,215 of the cost was paid by other governments and organizations which subsidized certain programs with grants and contributions. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, decreased in fiscal year 2011 from \$10,277,131 to \$9,860,197, principally due to a decrease in operating grant and contribution activity. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and other revenues, such as local option sales tax, interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Washington County completed the year, its governmental funds reported a combined fund balance of \$14,750,956, an increase of \$7,393,220 above last year's total fund balance of \$7,357,736. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund ending fund balance increased \$486,098, or 13.9%, from the prior year to \$3,980,338. Revenues increased approximately \$593,000, primarily due to an increase in property and other county tax, while expenditures increased approximately \$37,000 over fiscal year 2010.
- The Special Revenue, Mental Health Fund balance decreased \$172,976, or 17.9%, from the prior year to \$795,723. The County has continued to look for ways to effectively manage the cost of mental health services. Revenues for the year decreased approximately \$547,000 while expenditures increased approximately \$99,000, from approximately \$1,634,000 to approximately \$1,733,000.
- The Special Revenue, Rural Services Fund balance decreased \$74,176, or 12.8%, from \$581,427 at the end of fiscal year 2010 to \$507,251 at the end of fiscal year 2011.
- Special Revenue, Secondary Roads Fund expenditures increased approximately \$1,359,000 and revenues increased approximately \$204,000 over the prior year. The Secondary Roads Fund ending fund balance decreased \$669,027, or 34.2%, from the prior year to \$1,289,895. Revenues increased primarily due to an increase in FEMA grants and a grant received from the Washington County Riverboat Foundation for the construction of a bicycle lane. Expenditures increased due to an increase in road improvement projects.

- The Special Revenue, City of Riverside Tax Increment Financing Fund revenues consist primarily of property tax. These funds are used to retire debt, including interest, on the Riverside infrastructure projects. This fund had a balance of \$1,812 at June 30, 2011.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund. This fund had a balance of \$18,857 at June 30, 2011.
- The Capital Projects Fund ended fiscal year 2011 with a \$7,975,570 fund balance compared to the prior year balance of \$151,178 after the reclassification of the \$68,561 balance from the Special Revenue, Conservation Land Acquisition Fund to the Capital Projects Fund. The increase of \$7,842,392 is primarily due to the County issuing \$8 million of general obligation bonds, \$7,814,553 of which had not yet been expended at June 30, 2011, to finance various projects for remediation, restoration, repair, replacement and improvement of the County's road system.

Budgetary Highlights

Over the course of the year, Washington County amended its budget one time. The amendment in May 2011 was primarily for decreased intergovernmental receipts for state mental health funding as well as an increase in general obligation bond proceeds. Physical health and social services function disbursements increased for additional solid waste disposal costs and capital projects function disbursements increased for additional project costs, including sanitary sewer improvements.

Actual net receipts for fiscal year 2011 were \$19,115,014, which was \$417,323 more than budgeted, due primarily to an unanticipated increase in miscellaneous receipts from grants received for the Wayland road project which were not budgeted. Actual net disbursements for the year were \$18,852,054, which was \$4,705,921 less than the amount budgeted for disbursements. Public safety and legal services, mental health and capital projects function disbursements were significantly less than anticipated for fiscal year 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Washington County had approximately \$52.2 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges, computers and audio-visual equipment, transportation equipment and administrative offices. This is a net increase of approximately \$2.4 million over June 30, 2010.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2011	2010
Land	\$ 726,024	\$ 726,024
Intangibles, road network	3,060,717	3,060,717
Construction in progress	1,334,657	-
Buildings	7,475,055	7,666,911
Improvements other than buildings	79,240	83,642
Equipment and vehicles	2,848,331	2,844,311
Infrastructure	36,696,033	35,387,296
Total	<u>\$ 52,220,057</u>	<u>\$ 49,768,901</u>

The County's fiscal year 2011 budget included \$3,682,000 for capital projects, principally for Richmond sanitary sewer project expenditures. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Washington County had depreciation expense of \$1,625,576 in fiscal year 2011 and total accumulated depreciation of \$18,585,530 at June 30, 2011.

Long-Term Debt

At June 30, 2011, Washington County had \$11,730,000 of general obligation bonds outstanding compared to \$3,905,000 at the end of fiscal year 2010. The County issued \$8,000,000 of general obligation road improvement bonds during fiscal year 2011. The County also has a \$293,086 general obligation county building improvement note and \$5,511,934 of urban renewal tax increment revenue bonds outstanding at June 30, 2011, as shown below:

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2011	2010
General obligation county building improvement note	\$ 293,086	\$ 432,726
General obligation bonds	3,730,000	3,905,000
General obligation county road improvement bonds	8,000,000	-
Urban renewal tax increment revenue bonds	5,511,934	6,909,748
Total	\$ 17,535,020	\$ 11,247,474

The County has not had a general obligation bond rating assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Washington County's outstanding general obligation debt is significantly below its constitutional debt limit of \$78,656,446. The County continues paying off the \$9.4 million of TIF revenue bonds committed to in fiscal year 2006 for the Riverside infrastructure projects as well as the jail and Orchard Hill renovation debts. The County also issued \$8 million of general obligation county road improvement bonds during fiscal year 2011 to finance various roads projects for remediation, restoration, repair, replacement and improvement of the County's road system. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Washington County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Washington County's unemployment rate has decreased 0.1% this past year. Unemployment in the County now stands at 5.1% versus 5.2% a year ago, compared with the State's unemployment rate of 6.0% and the national rate of 9.1% for the same period ended June 30, 2011.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$31.5 million, an increase of 22.9% from the fiscal year 2011 final budget.

Budgeted revenues are expected to increase approximately \$1.0 million while budgeted disbursements are expected to increase approximately \$4.8 million.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$8.7 million by the close of fiscal year 2012.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Washington 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 Washington County Auditor's Office, 222 West Main Street, PO Box 889, Washington, Iowa 52353.

Washington County

Basic Financial Statements

Exhibit A

Washington County
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 16,512,141
Receivables:	
Property tax:	
Delinquent	558
Succeeding year	8,785,000
Succeeding year tax increment financing	1,861,000
Interest and penalty on property tax	554
Accounts	129,680
Accrued interest	4,874
Due from other governments	979,560
Inventories	278,133
Prepaid expense	138,197
Capital assets (net of accumulated depreciation)	52,220,057
Total assets	<u>80,909,754</u>
Liabilities	
Accounts payable	1,378,287
Accrued interest payable	65,484
Salaries and benefits payable	279,593
Due to other governments	428,086
Deferred revenue:	
Succeeding year property tax	8,785,000
Succeeding year tax increment financing	1,861,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation note and bonds	723,188
Urban renewal tax increment revenue bond	1,058,148
Compensated absences	245,406
Portion due or payable after one year:	
General obligation note and bonds	11,299,898
Urban renewal tax increment revenue bond	4,453,786
Compensated absences	73,336
Net OPEB liability	65,503
Total liabilities	<u>30,716,715</u>
Net Assets	
Invested in capital assets, net of related debt	48,011,524
Restricted for:	
Supplemental levy purposes	981,255
Mental health purposes	792,656
Rural services purposes	506,455
Secondary roads purposes	1,205,363
Capital projects	161,017
Other purposes	153,521
Unrestricted	(1,618,752)
Total net assets	<u>\$ 50,193,039</u>

See notes to financial statements.

Washington County
Statement of Activities
Year ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 3,876,483	836,605	174,117	-	(2,865,761)
Physical health and social services	2,366,001	393,813	1,031,049	-	(941,139)
Mental health	1,730,024	561	786,326	-	(943,137)
County environment and education	913,868	6,831	16,809	-	(890,228)
Roads and transportation	5,604,344	295,866	2,703,183	2,537,720	(67,575)
Governmental services to residents	534,537	362,897	7,250	-	(164,390)
Administration	1,616,117	443,290	25,000	-	(1,147,827)
Non-program	337,295	150,119	88,761	-	(98,415)
Interest on long-term debt	592,162	-	-	-	(592,162)
Total	\$ 17,570,831	2,489,982	4,832,495	2,537,720	(7,710,634)
General Revenues:					
Property and other county tax levied for:					
General purposes					7,216,620
Debt service					473,554
Tax increment financing					1,790,900
Penalty and interest on property tax					76,322
State tax credits					311,282
Local option sales tax					968,286
Gaming wager tax					436,651
Unrestricted investment earnings					78,641
Gain on disposition of capital assets					69,966
Miscellaneous					28,375
Total general revenues					11,450,597
Change in net assets					3,739,963
Net assets beginning of year					46,453,076
Net assets end of year					\$ 50,193,039

See notes to financial statements.

Washington County

Balance Sheet
Governmental Funds

June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 3,865,578	1,248,193	365,600	1,500,156
Receivables:				
Property tax:				
Delinquent	416	59	20	-
Succeeding year	5,300,000	752,000	1,832,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	554	-	-	-
Accounts	91,482	799	50	34,149
Accrued interest	3,541	-	-	-
Due from other funds	98	-	-	6,919
Due from other governments	204,028	9,870	185,050	577,399
Inventories	-	-	-	278,133
Prepaid expenditures	138,197	-	-	-
Total assets	\$ 9,603,894	2,010,921	2,382,720	2,396,756
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 114,282	37,823	35,109	1,031,984
Salaries and benefits payable	196,376	5,040	4,210	73,967
Due to other funds	6,829	139	13	36
Due to other governments	3,580	419,840	3,792	874
Deferred revenue:				
Succeeding year property tax	5,300,000	752,000	1,832,000	-
Succeeding year tax increment financing	-	-	-	-
Other	2,489	356	345	-
Total liabilities	5,623,556	1,215,198	1,875,469	1,106,861
Fund balances:				
Nonspendable:				
Inventories	-	-	-	278,133
Prepaid expenditures	138,197	-	-	-
Restricted for:				
Supplemental levy purposes	1,032,498	-	-	-
Mental health purposes	-	795,723	-	-
Rural services purposes	-	-	507,251	-
Secondary roads purposes	-	-	-	1,011,762
Tax increment financing purposes	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Conservation land acquisition	-	-	-	-
Resource enhancement and protection	-	-	-	-
Other purposes	-	-	-	-
Unassigned	2,809,643	-	-	-
Total fund balances	3,980,338	795,723	507,251	1,289,895
Total liabilities and fund balances	\$ 9,603,894	2,010,921	2,382,720	2,396,756

See notes to financial statements.

City of Riverside Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
1,812	17,633	8,061,018	181,510	15,241,500
-	63	-	-	558
-	901,000	-	-	8,785,000
1,861,000	-	-	-	1,861,000
-	-	-	-	554
-	-	3,200	-	129,680
-	1,333	-	-	4,874
-	-	-	-	7,017
-	-	347	-	976,694
-	-	-	-	278,133
-	-	-	-	138,197
1,862,812	920,029	8,064,565	181,510	27,423,207
-	-	88,995	-	1,308,193
-	-	-	-	279,593
-	-	-	-	7,017
-	-	-	-	428,086
-	901,000	-	-	8,785,000
1,861,000	-	-	-	1,861,000
-	172	-	-	3,362
1,861,000	901,172	88,995	-	12,672,251
-	-	-	-	278,133
-	-	-	-	138,197
-	-	-	-	1,032,498
-	-	-	-	795,723
-	-	-	-	507,251
-	-	-	-	1,011,762
1,812	-	-	-	1,812
-	18,857	-	-	18,857
-	-	7,868,052	-	7,868,052
-	-	107,518	-	107,518
-	-	-	118,946	118,946
-	-	-	62,564	62,564
-	-	-	-	2,809,643
1,812	18,857	7,975,570	181,510	14,750,956
1,862,812	920,029	8,064,565	181,510	27,423,207

Washington County

Washington County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2011

Total governmental fund balances (page 19) \$ 14,750,956

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$70,805,587 and the accumulated depreciation is \$18,585,530. 52,220,057

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 3,362

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and flexible benefits plan to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 1,203,413

Long-term liabilities, including general obligation note and bonds payable, urban renewal tax increment revenue bond payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (17,984,749)

Net assets of governmental activities (page 16) \$ 50,193,039

See notes to financial statements.

Washington County

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

Year ended June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 5,641,787	743,055	1,270,763	-
Local option sales tax	-	-	968,286	-
Interest and penalty on property tax	76,322	-	-	-
Intergovernmental	2,671,008	816,438	52,706	3,104,140
Licenses and permits	59,506	-	-	1,860
Charges for service	667,318	315	6,411	584
Use of money and property	104,262	-	-	-
Miscellaneous	37,315	378	-	543,422
Total revenues	9,257,518	1,560,186	2,298,166	3,650,006
Expenditures:				
Operating:				
Public safety and legal services	3,513,644	-	238,764	-
Physical health and social services	2,405,620	-	200	-
Mental health	-	1,733,162	-	-
County environment and education	434,148	-	426,815	-
Roads and transportation	-	-	183,835	4,545,843
Governmental services to residents	590,502	-	3,488	-
Administration	1,576,049	-	-	-
Non-program	57,065	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	1,444,167
Total expenditures	8,577,028	1,733,162	853,102	5,990,010
Excess (deficiency) of revenues over (under) expenditures	680,490	(172,976)	1,445,064	(2,340,004)
Other financing sources (uses):				
Sale of capital assets	-	-	-	11,000
Operating transfers in	-	-	-	1,659,977
Operating transfers out	(194,392)	-	(1,519,240)	-
General obligation bonds issued	-	-	-	-
Premium on general obligation bonds issued	-	-	-	-
Total other financing sources (uses)	(194,392)	-	(1,519,240)	1,670,977
Net change in fund balances	486,098	(172,976)	(74,176)	(669,027)
Fund balances beginning of year, as restated	3,494,240	968,699	581,427	1,958,922
Fund balances end of year	\$ 3,980,338	795,723	507,251	1,289,895

See notes to financial statements.

City of Riverside				
Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
1,790,775	473,578	-	-	9,919,958
-	-	-	-	968,286
-	-	-	-	76,322
-	17,528	1,935	27,179	6,690,934
-	-	72	-	61,438
-	-	34,936	4,989	714,553
1,812	2,638	41,711	1,063	151,486
-	-	41,968	523	623,606
1,792,587	493,744	120,622	33,754	19,206,583
-	-	-	-	3,752,408
-	-	-	6,305	2,412,125
-	-	-	-	1,733,162
24,593	-	-	671	886,227
-	-	-	-	4,729,678
-	-	-	5,243	599,233
-	-	-	-	1,576,049
-	-	-	-	57,065
1,793,912	494,107	-	-	2,288,019
-	-	357,169	-	1,801,336
1,818,505	494,107	357,169	12,219	19,835,302
(25,918)	(363)	(236,547)	21,535	(628,719)
-	-	-	-	11,000
3,655	-	50,000	-	1,713,632
-	-	-	-	(1,713,632)
-	-	8,000,000	-	8,000,000
-	-	10,939	-	10,939
3,655	-	8,060,939	-	8,021,939
(22,263)	(363)	7,824,392	21,535	7,393,220
24,075	19,220	151,178	159,975	7,357,736
1,812	18,857	7,975,570	181,510	14,750,956

Washington County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2011

Net change in fund balances - Total governmental funds (page 23) \$ 7,393,220

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 2,138,841	
Capital assets contributed by the Iowa Department of Transportation	1,878,925	
Depreciation expense	<u>(1,625,576)</u>	2,392,190

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 58,966

Because some property tax revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds. (2,752)

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

Issued	(8,000,000)	
Repaid	<u>1,712,454</u>	(6,287,546)

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:

Compensated absences	3,715	
Other postemployment benefits	(21,871)	
Interest on long-term debt	<u>(16,597)</u>	(34,753)

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and flexible benefits plan to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 220,638

Change in net assets of governmental activities (page 17) \$ 3,739,963

See notes to financial statements.

Washington County
Statement of Net Assets
Proprietary Funds

June 30, 2011

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 1,270,641
Due from other governments	<u>2,866</u>
Total assets	<u>1,273,507</u>
Liabilities	
Accounts payable	<u>70,094</u>
Net Assets	
Unrestricted	<u><u>\$ 1,203,413</u></u>

See notes to financial statements.

Exhibit H

Washington County
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,137,485
Reimbursements from employees and others		19,164
Reimbursements from Agency Funds		122,538
Stop loss reimbursements		3,173
Contributions for flexible benefits		58,231
Total operating revenues		<u>1,340,591</u>
Operating expenses:		
Medical claims	\$ 783,346	
Administrative fees	289,695	
Flexible benefits claims	54,865	1,127,906
Operating income		<u>212,685</u>
Non-operating revenues:		
Interest income		<u>7,953</u>
Net income		220,638
Net assets beginning of year		<u>982,775</u>
Net assets end of year		<u><u>\$ 1,203,413</u></u>

See notes to financial statements.

Washington County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,190,472
Cash received from employees and others	65,560
Cash received from Agency Funds	127,782
Cash paid to suppliers for services	(1,095,826)
Net cash provided by operating activities	287,988
Cash flows from investing activities:	
Interest on investments	7,953
Net increase in cash and cash equivalents	295,941
Cash and cash equivalents beginning of year	974,700
Cash and cash equivalents end of year	\$ 1,270,641
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 212,685
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	46,089
Increase in due from other governments	(2,866)
Increase in accounts payable	32,080
Net cash provided by operating activities	\$ 287,988

See notes to financial statements.

Washington County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,974,660
Other County officials	124,167
Receivables:	
Property tax:	
Delinquent	2,173
Succeeding year	21,861,000
Accounts	41,687
Due from other governments	40,819
Total assets	<u>24,044,506</u>

Liabilities

Accounts payable	10,104
Salaries and benefits payable	34,486
Due to other governments	23,915,486
Trusts payable	58,289
Compensated absences	26,141
Total liabilities	<u>24,044,506</u>

Net assets	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Washington County

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Washington 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 U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Washington 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 Washington County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationships with the County.

Blended Component Unit – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County.

The Washington County Conservation Foundation (Foundation) has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Washington County Conservation Board. These donations are to be used to purchase items not included in the County's budget and to pay for special projects. The financial transactions of the Foundation are reported as a Special Revenue Fund.

Jointly Governed Organizations – The County 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 the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Washington County Public Safety Commission, East Central Iowa Council of Governments, Washington County Recycling Center, Heartland Group, South Iowa Case Management, Washington County Mini Bus and Southeast Multi-County Solid Waste Agency.

Related Organization – Although the County periodically provides significant financial assistance, primarily through the purchase of ambulances, the County does not appoint a voting majority of Washington County Ambulance, Inc. Board members. Therefore, the financial activity of Washington County Ambulance, Inc. has been excluded from the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County’s nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories, as follows:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

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

The City of Riverside Tax Increment Financing Fund is used to account for activity within an established TIF district.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

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

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

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

The proprietary funds of the County apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the County's Internal Service Funds is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include land, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at 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 repair 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 initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	2 - 20
Vehicles	3 - 10

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.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable which will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$7,390,692 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization. The investment in the Iowa Public Agency Investment Trust is unrated.

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) to 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 uses of the County.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 49
	Rural Services	13
	Secondary Roads	36
Special Revenue:	General	6,829
Secondary Roads	Special Revenue:	
	Mental Health	90
Total		<u>\$ 7,017</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	General	\$ 140,737
Secondary Roads	Special Revenue:	
	Rural Services	1,519,240
City of Riverside Tax	General	3,655
Increment Financing	General	50,000
Capital Projects		<u>\$ 1,713,632</u>
Total		

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 726,024	-	-	726,024
Intangibles, road network	3,060,717	-	-	3,060,717
Construction in progress	-	3,462,339	(2,127,682)	1,334,657
Total capital assets not being depreciated	<u>3,786,741</u>	<u>3,462,339</u>	<u>(2,127,682)</u>	<u>5,121,398</u>
Capital assets being depreciated:				
Buildings	11,124,141	-	-	11,124,141
Improvement other than buildings	88,044	-	-	88,044
Equipment and vehicles	7,631,498	647,100	(377,861)	7,900,737
Infrastructure, road network	44,443,585	2,127,682	-	46,571,267
Total capital assets being depreciated	<u>63,287,268</u>	<u>2,774,782</u>	<u>(377,861)</u>	<u>65,684,189</u>
Less accumulated depreciation for:				
Buildings	3,457,230	191,856	-	3,649,086
Improvements other than buildings	4,402	4,402	-	8,804
Equipment and vehicles	4,787,187	610,373	(345,154)	5,052,406
Infrastructure, road network	9,056,289	818,945	-	9,875,234
Total accumulated depreciation	<u>17,305,108</u>	<u>1,625,576</u>	<u>(345,154)</u>	<u>18,585,530</u>
Total capital assets being depreciated, net	<u>45,982,160</u>	<u>1,149,206</u>	<u>(32,707)</u>	<u>47,098,659</u>
Governmental activities capital assets, net	<u>\$ 49,768,901</u>	<u>4,611,545</u>	<u>(2,160,389)</u>	<u>52,220,057</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 282,773
Physical health and social services	19,804
County environment and education	31,886
Roads and transportation	1,212,950
Governmental services to residents	19,688
Administration	58,475
Total depreciation expense - governmental activities	<u>\$ 1,625,576</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 3,580</u>
Special Revenue:		
Mental Health	Services	419,840
Rural Services	Services	3,792
Secondary Roads	Services	874
		<u>424,506</u>
Total for governmental funds		<u>\$ 428,086</u>
Agency:		
County Offices	Collections	\$ 66,457
Agriculture Extension Education		197,657
County Assessor		510,869
Schools		14,132,499
Community Colleges		886,321
Corporations		5,442,393
Townships		297,223
Public Safety Commission		105,764
Auto License and Use Tax		435,395
All other		1,840,908
Total for agency funds		<u>\$ 23,915,486</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>General Obligation Building Improvements Note</u>	<u>General Obligation Bonds</u>	<u>General Obligation County Road Improvement Bonds</u>	<u>Urban Renewal Tax Increment Revenue Bond</u>	<u>Compen- sated Absences</u>	<u>Other Post- employment Benefits</u>	<u>Total</u>
Balance beginning of year	\$ 432,726	3,905,000	-	6,909,748	322,457	43,632	11,613,563
Increases	-	-	8,000,000	-	365,161	28,106	8,393,267
Decreases	139,640	175,000	-	1,397,814	368,876	6,235	2,087,565
Balance end of year	<u>\$ 293,086</u>	<u>3,730,000</u>	<u>8,000,000</u>	<u>5,511,934</u>	<u>318,742</u>	<u>65,503</u>	<u>17,919,265</u>
Due within one year	\$ 143,188	185,000	395,000	1,058,148	245,406	-	2,026,742

General Obligation Building Improvements Note

On December 15, 2008, the County issued a \$562,000 general obligation building improvements note to finance a portion of the cost of renovations, improvements and equipment at Orchard Hill Building Four for relocation of the Sheriff's Department and parking improvements to serve the Orchard Hill complex, the County jail and the Conservation Education Center. During the year ended June 30, 2011, the County retired \$139,640 of the note.

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	2.60%	\$ 143,188	6,812	150,000
2013	2.60	149,898	2,997	152,895
Total		\$ 293,086	9,809	302,895

General Obligation Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.95%	\$ 185,000	161,833	346,833
2013	4.00	190,000	154,525	344,525
2014	4.05	200,000	146,925	346,925
2015	4.10	205,000	138,825	343,825
2016	4.15	215,000	130,420	345,420
2017- 2021	4.20 - 4.40	1,225,000	507,563	1,732,563
2022- 2026	4.45 - 4.65	1,510,000	213,973	1,723,973
Total		\$ 3,730,000	1,454,064	5,184,064

During the year ended June 30, 2011, the County retired \$175,000 of general obligation bonds. The bonds were issued to construct a county jail.

General Obligation County Road Improvement Bonds

On March 15, 2011, the County issued \$8,000,000 of general obligation county road improvement bonds to finance the remediation, restoration, repair, replacement and improvement of the County's road system. The County will begin making principal payments in fiscal year 2012.

A summary of the County's June 30, 2011 general obligation county road improvement bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	2.00%	\$ 395,000	220,225	615,225
2013	2.00	790,000	169,988	959,988
2014	2.00	800,000	154,138	954,138
2015	2.00	810,000	138,087	948,087
2016	2.00	820,000	121,837	941,837
2017- 2021	2.00 - 3.00	4,385,000	325,381	4,710,381
Total		\$ 8,000,000	1,129,656	9,129,656

Urban Renewal Tax Increment Revenue Bond

On April 3, 2006, the County issued a \$9,400,000 urban renewal tax increment revenue bond on behalf of the City of Riverside. The bond bears interest at 5.95% per annum with final maturity on June 1, 2017. The first payment on the bond was due December 1, 2008. The bond was purchased by Dubuque Bank and Trust, which also retained the bond proceeds. The County drew down proceeds from Dubuque Bank and Trust and forwarded them to the City of Riverside to pay for expenditures incurred in conjunction with the City's Water and Sewer Infrastructure Project. During the year ended June 30, 2011, the County retired \$1,397,814 of the urban renewal tax increment revenue bond.

Since repayment of the bond is dependent upon the amount of tax increment financing (TIF) revenues collected each year, a formal repayment schedule has not been established for the revenue bond. Interest is due and payable from tax increment financing revenues on June 1, 2006 and semi-annually thereafter until final maturity on June 1, 2017. On January 20, 2006, the County entered into a Tax Revenue Shortfall Agreement with Dubuque Bank and Trust, the City of Riverside, Washington County Casino Resort, L.L.C. (WCCR) and Riverside Casino and Golf Resort, L.L.C. (RCGR). Pursuant to the agreement, if for any reason the TIF revenues are insufficient to pay the principal and/or interest on the bond, WCCR and RCGR shall, jointly and severably, make up the shortfall.

The bond is not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

(8) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of annual covered payroll. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$465,155, \$428,055 and \$392,728, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health plan which provides medical benefits for employees and retirees and their spouses. There are 129 active and 1 retired members in the plan. Retired participants must be age 55 or age 50 with twenty-two years of service at retirement.

The medical benefits are provided through a partially self-funded plan administered by First Administrators. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate 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 finances the retiree benefit plan on a pay-as-you-go basis.

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 28,028
Interest on net OPEB obligation	1,745
Adjustment to annual required contributions	(1,667)
Annual OPEB cost	<u>28,106</u>
Contribution made	<u>(6,235)</u>
Increase in net OPEB obligation	21,871
Net OPEB obligation beginning of year	<u>43,632</u>
Net OPEB obligation end of year	<u><u>\$ 65,503</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$6,235 to the medical plan. Plan members eligible for benefits contributed \$5,664, or 48% of the premium costs.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 26,419	19.5%	\$ 21,266
2010	28,034	20.2	43,632
2011	28,106	22.2	65,503

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$204,556, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$204,556. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,261,000 and the ratio of UAAL to covered payroll was 3.3%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, 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, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table projected to 2010 using Scale AA, applied on a gender-specific basis.

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2011 were \$152,378.

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

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 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 such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim 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% 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 \$1,000,000 and \$200,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Employee Group Health 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 First Administrators. The agreement is subject to automatic renewal provisions. The County assumes 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 Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2011 was \$1,137,485.

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$70,094, 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 \$1,192,891 at June 30, 2011 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 38,014
Incurred claims (including claims incurred but not reported at June 30, 2011)	783,346
Payments	<u>(751,266)</u>
Unpaid claims end of year	<u>\$ 70,094</u>

(12) County Hospital Revenue Bonds

On July 1, 1997 and April 11, 2006, the County entered into loan agreements pursuant to Chapter 331.402(3) of the Code of Iowa and issued \$5,200,000 and \$18,500,000, respectively, of Hospital Revenue Bonds for constructing, remodeling and expanding the Washington County Hospital. The bonds and related interest are payable solely out of the net earnings of the Washington County Hospital and do not constitute liabilities of the County. The outstanding balance on the bonds at June 30, 2011 was \$19,370,000.

(13) Jointly Governed Organization

The County participates in the Washington County Public Safety Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization.

The following financial data is for the year ended June 30, 2011:

Additions:		
Contributions from governmental units:		
Washington County	\$	236,055
City of Washington		220,664
Other cities		161,388
Reimbursement from Joint E-911 Service Board		18,000
Miscellaneous		126
		<u> \$ 636,233</u>
Deductions:		
Salaries		464,284
Benefits		76,420
Office supplies and postage		3,049
Uniforms		2,041
Travel		9,391
Telephone and fax services		12,116
Training		2,355
Professional services		24,098
Equipment maintenance		14,216
Radio equipment maintenance		12,034
Office equipment and furniture		603
Utilities		8,621
Miscellaneous		5,405
		<u> 634,633</u>
Net		1,600
Balance beginning of year		<u>147,995</u>
Balance end of year		<u><u> \$ 149,595</u></u>

(14) Construction Commitments

The County has entered into contracts totaling \$5,929,851 for road and trail construction projects. As of June 30, 2011, costs of \$3,324,566 on the projects have been incurred. The balance of \$2,605,285 remaining on the contracts at June 30, 2011 will be paid as work on the projects progress.

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue Conservation Land Acquisition</u>
Balances June 30, 2010, as previously reported	\$ 82,617	68,561
Change in fund type classification per implementation of GASB Statement No. 54	<u>68,561</u>	<u>(68,561)</u>
Balances July 1, 2010, as restated	<u><u>\$ 151,178</u></u>	<u><u>-</u></u>

(16) Subsequent Event

On February 15, 2012, the County issued \$3,145,000 of general obligation refunding bonds, Series 2012A, as authorized by Chapter 331.443 of the Code of Iowa for an essential county purpose of refunding the outstanding balance of the County's general obligation correctional facility bonds, Series 2006.

Washington County

Required Supplementary Information

Washington County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2011

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 10,850,479	-	10,850,479
Interest and penalty on property tax	75,897	-	75,897
Intergovernmental	6,642,580	-	6,642,580
Licenses and permits	61,344	-	61,344
Charges for service	731,243	-	731,243
Use of money and property	151,937	-	151,937
Miscellaneous	601,825	291	601,534
Total receipts	<u>19,115,305</u>	<u>291</u>	<u>19,115,014</u>
Disbursements:			
Public safety and legal services	3,778,222	-	3,778,222
Physical health and social services	2,392,142	-	2,392,142
Mental health	1,483,847	-	1,483,847
County environment and education	870,874	671	870,203
Roads and transportation	4,641,116	-	4,641,116
Governmental services to residents	594,651	-	594,651
Administration	1,583,331	-	1,583,331
Non-program	59,755	-	59,755
Debt service	2,288,019	-	2,288,019
Capital projects	1,160,768	-	1,160,768
Total disbursements	<u>18,852,725</u>	<u>671</u>	<u>18,852,054</u>
Excess (deficiency) of receipts over (under) disbursements	262,580	(380)	262,960
Other financing sources, net	8,007,104	-	8,007,104
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	8,269,684	(380)	8,270,064
Balance beginning of year	6,971,816	2,930	6,968,886
Balance end of year	<u>\$ 15,241,500</u>	<u>2,550</u>	<u>15,238,950</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
10,730,158	10,730,158	120,321
66,000	66,000	9,897
7,603,893	6,714,612	(72,032)
55,000	55,000	6,344
682,137	682,137	49,106
152,717	152,717	(780)
245,870	297,067	304,467
<u>19,535,775</u>	<u>18,697,691</u>	<u>417,323</u>
4,408,284	4,438,102	659,880
2,468,492	2,590,532	198,390
2,288,420	2,295,433	811,586
899,427	960,927	90,724
4,652,175	4,652,175	11,059
658,612	658,612	63,961
1,839,159	1,841,659	258,328
55,800	65,800	6,045
2,372,735	2,372,735	84,716
1,315,000	3,682,000	2,521,232
<u>20,958,104</u>	<u>23,557,975</u>	<u>4,705,921</u>
(1,422,329)	(4,860,284)	5,123,244
-	8,006,990	114
(1,422,329)	3,146,706	5,123,358
<u>5,022,089</u>	<u>6,937,687</u>	<u>31,199</u>
<u>3,599,760</u>	<u>10,084,393</u>	<u>5,154,557</u>

Washington County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 19,115,305	91,278	19,206,583
Expenditures	18,852,725	982,577	19,835,302
Net	262,580	(891,299)	(628,719)
Other financing sources (uses), net	8,007,104	14,835	8,021,939
Beginning fund balances	6,971,816	385,920	7,357,736
Ending fund balances	\$ 15,241,500	(490,544)	14,750,956

See accompanying independent auditor's report.

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

This 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 the blended component unit, Internal Service Funds 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$2,599,871. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted by function.

Washington County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2009	-	\$ 183	183	0.00%	\$ 5,892	3.1%
2010	Jul 1, 2009	-	205	205	0.00	6,172	3.3
2011	Jul 1, 2009	-	205	205	0.00	6,261	3.3

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Washington County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2011

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhance- ment and Protection
Assets			
Cash and pooled investments	\$ 25,958	-	118,946
Liabilities and Fund Balances			
Liabilities:			
None	\$ -	-	-
Fund balances:			
Restricted for:			
Resource enhancement and protection	-	-	118,946
Other purposes	25,958	-	-
Total liabilities and fund balances	\$ 25,958	-	118,946

See accompanying independent auditor's report.

Special Revenue						
Law Enforcement County Attorney	Law Enforcement County Sheriff	Federal Emergency Management Assistance	Supplemental Environmental Projects	Washington County Conservation Foundation		Total
13,204	9,356	-	11,496	2,550		181,510
-	-	-	-	-		-
-	-	-	-	-		118,946
13,204	9,356	-	11,496	2,550		62,564
13,204	9,356	-	11,496	2,550		181,510

Washington County

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

Year ended June 30, 2011

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhance- ment and Protection
Revenues:			
Intergovernmental	\$ -	-	15,943
Charges for service	4,989	-	-
Use of money and property	197	-	785
Miscellaneous	-	-	-
Total revenues	5,186	-	16,728
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	-	-	-
Governmental services to residents	5,000	243	-
Total expenditures	5,000	243	-
Excess (deficiency) of revenues over (under) expenditures	186	(243)	16,728
Fund balances beginning of year, as restated	25,772	243	102,218
Fund balances end of year	\$ 25,958	-	118,946

See accompanying independent auditor's report.

Special Revenue						
Law Enforcement County Attorney	Law Enforcement County Sheriff	Federal Emergency Management Assistance	Supplemental Environmental Projects	Washington County Conservation Foundation		Total
-	4,931	6,305	-	-		27,179
-	-	-	-	-		4,989
-	-	-	81	-		1,063
-	232	-	-	291		523
-	5,163	6,305	81	291		33,754
-	-	6,305	-	-		6,305
-	-	-	-	671		671
-	-	-	-	-		5,243
-	-	6,305	-	671		12,219
-	5,163	-	81	(380)		21,535
13,204	4,193	-	11,415	2,930		159,975
13,204	9,356	-	11,496	2,550		181,510

Schedule 3

Washington County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2011

	Employee Group Health	Flexible Benefits	Total
Assets			
Cash and cash equivalents	\$ 1,260,119	10,522	1,270,641
Due from other governments	2,866	-	2,866
Total assets	1,262,985	10,522	1,273,507
Liabilities			
Accounts payable	70,094	-	70,094
Net Assets			
Unrestricted	\$ 1,192,891	10,522	1,203,413

See accompanying independent auditor's report.

Washington County

Combining Schedule of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds

Year ended June 30, 2011

	Employee Group Health	Flexible Benefits	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,137,485	-	1,137,485
Reimbursements from employees and others	19,164	-	19,164
Reimbursements from Agency Funds	122,538	-	122,538
Stop loss reimbursements	3,173	-	3,173
Contributions for flexible benefits	-	58,231	58,231
Total operating revenues	1,282,360	58,231	1,340,591
Operating expenses:			
Medical claims	783,346	-	783,346
Administrative fees	289,695	-	289,695
Flexible benefits claims	-	54,865	54,865
Total operating expenses	1,073,041	54,865	1,127,906
Operating income	209,319	3,366	212,685
Non-operating revenues:			
Interest income	7,953	-	7,953
Net income	217,272	3,366	220,638
Net assets beginning of year	975,619	7,156	982,775
Net assets end of year	\$ 1,192,891	10,522	1,203,413

See accompanying independent auditor's report.

Washington County

Washington County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2011

	Employee Group Health	Flexible Benefits	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 1,137,485	52,987	1,190,472
Cash received from employees and others	65,560	-	65,560
Cash received from Agency Funds	122,538	5,244	127,782
Cash paid to suppliers for services	(1,040,961)	(54,865)	(1,095,826)
Net cash provided by operating activities	284,622	3,366	287,988
Cash flows from investing activities:			
Interest on investments	7,953	-	7,953
Net increase in cash and cash equivalents	292,575	3,366	295,941
Cash and cash equivalents at beginning of year	967,544	7,156	974,700
Cash and cash equivalents at end of year	\$ 1,260,119	10,522	1,270,641
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 209,319	3,366	212,685
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in assets and liabilities:			
Decrease in accounts receivable	46,089	-	46,089
Increase in due from other governments	(2,866)	-	(2,866)
Increase in accounts payable	32,080	-	32,080
Net cash provided by operating activities	\$ 284,622	3,366	287,988

See accompanying independent auditor's report.

Washington County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,642	133,920	195,391	11,253
Other County officials	124,167	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	15	31	1,108	68
Succeeding year	-	195,000	394,000	13,936,000	875,000
Accounts	579	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 124,746	197,657	527,951	14,132,499	886,321
Liabilities					
Accounts payable	\$ -	-	21	-	-
Salaries and benefits payable	-	-	10,616	-	-
Due to other governments	66,457	197,657	510,869	14,132,499	886,321
Trusts payable	58,289	-	-	-	-
Compensated absences	-	-	6,445	-	-
Total liabilities	\$ 124,746	197,657	527,951	14,132,499	886,321

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
158,513	4,219	149,595	435,395	883,732	1,974,660
-	-	-	-	-	124,167
880	4	-	-	67	2,173
5,283,000	293,000	-	-	885,000	21,861,000
-	-	-	-	41,108	41,687
-	-	-	-	40,819	40,819
<u>5,442,393</u>	<u>297,223</u>	<u>149,595</u>	<u>435,395</u>	<u>1,850,726</u>	<u>24,044,506</u>
-	-	3,897	-	6,186	10,104
-	-	20,238	-	3,632	34,486
5,442,393	297,223	105,764	435,395	1,840,908	23,915,486
-	-	-	-	-	58,289
-	-	19,696	-	-	26,141
<u>5,442,393</u>	<u>297,223</u>	<u>149,595</u>	<u>435,395</u>	<u>1,850,726</u>	<u>24,044,506</u>

Washington County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 124,576	188,558	517,476	13,549,259	785,563
Additions:					
Property and other county tax	-	193,263	390,973	13,810,531	867,956
E911 surcharge	-	-	-	-	-
State tax credits	-	7,433	14,965	538,841	30,491
Office fees and collections	530,372	-	-	-	-
Auto licenses, use tax, postage and drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	183,704	-	-	-	-
Miscellaneous	43,269	-	152	-	-
Total additions	757,345	200,696	406,090	14,349,372	898,447
Deductions:					
Agency remittances:					
To other funds	85,555	-	-	-	-
To other governments	483,668	191,597	395,615	13,766,132	797,689
Trusts paid out	187,952	-	-	-	-
Total deductions	757,175	191,597	395,615	13,766,132	797,689
Balances end of year	\$ 124,746	197,657	527,951	14,132,499	886,321

See accompanying independent auditor's report.

Corpora- tions	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
5,151,996	295,082	147,995	403,429	1,747,797	22,911,731
5,203,543	291,133	-	-	877,675	21,635,074
-	-	-	-	205,114	205,114
174,959	11,736	-	-	33,789	812,214
-	-	-	-	274,711	805,083
-	-	-	5,501,008	-	5,501,008
-	-	-	-	18,914	18,914
-	-	-	-	625,183	808,887
-	-	636,233	-	143,846	823,500
5,378,502	302,869	636,233	5,501,008	2,179,232	30,609,794
-	-	-	237,332	-	322,887
5,088,105	300,728	634,633	5,231,710	1,503,775	28,393,652
-	-	-	-	572,528	760,480
5,088,105	300,728	634,633	5,469,042	2,076,303	29,477,019
5,442,393	297,223	149,595	435,395	1,850,726	24,044,506

Washington County

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

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Property and other county tax	\$ 9,919,958	9,590,570	9,186,776	7,538,777
Local option sales tax	968,286	872,690	907,821	945,907
Interest and penalty on property tax	76,322	79,213	72,916	68,492
Intergovernmental	6,690,934	7,101,605	6,721,217	6,694,683
Licenses and permits	61,438	54,308	51,350	48,946
Charges for service	714,553	704,331	718,783	688,056
Use of money and property	151,486	175,085	206,634	424,237
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	623,606	358,210	444,509	382,126
Total	\$ 19,206,583	18,936,012	18,310,006	16,791,224
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,752,408	3,777,719	3,671,315	3,447,365
Physical health and social services	2,412,125	2,382,538	2,316,409	2,183,902
Mental health	1,733,162	1,633,941	1,642,744	1,793,564
County environment and education	886,227	796,374	733,200	637,552
Roads and transportation	4,729,678	4,660,891	4,141,415	4,521,177
Governmental services to residents	599,233	594,919	587,746	559,917
Administration	1,576,049	1,572,228	1,523,319	1,354,082
Non-program	57,065	46,241	62,187	56,424
Debt service	2,288,019	2,297,777	2,061,861	905,179
Capital projects	1,801,336	254,840	2,392,295	2,323,948
Total	\$ 19,835,302	18,017,468	19,132,491	17,783,110

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
6,906,888	5,967,872	5,591,648	5,559,921	5,633,767	5,615,499
1,061,073	668,312	748,083	681,633	351,225	-
64,707	63,726	59,045	53,893	54,570	61,136
5,286,299	8,240,176	6,161,660	5,083,478	5,450,236	5,474,357
46,203	50,678	50,816	49,619	53,794	46,699
714,464	919,552	649,381	686,167	617,076	533,446
605,055	315,561	206,180	171,402	183,428	309,182
-	-	-	3,116	8,106	2,465
499,479	179,197	419,137	384,648	725,576	311,702
15,184,168	16,405,074	13,885,950	12,673,877	13,077,778	12,354,486
2,680,060	2,660,864	2,781,551	2,575,845	2,658,121	2,340,040
2,239,164	2,004,389	1,900,854	1,906,677	1,825,272	1,716,620
1,830,624	1,338,335	1,368,581	1,379,236	1,524,813	1,573,706
624,445	525,778	540,426	478,857	411,633	372,007
3,927,041	3,998,812	4,109,636	3,766,210	3,566,052	3,321,231
513,407	640,779	474,804	465,193	480,007	441,334
1,221,558	1,247,345	1,224,129	1,293,299	1,133,910	1,041,540
4,082,771	4,656,959	63,080	86,951	327,280	67,589
853,834	143,920	136,507	68,254	138,675	138,835
3,998,616	2,979,542	1,045,744	1,305,961	1,833,034	838,276
21,971,520	20,196,723	13,645,312	13,326,483	13,898,797	11,851,178

Washington County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Emergency Watershed Protection Program	10.923	69-6114-9-61	\$ 52,376
U.S. Department of Health and Human Services:			
Drug-Free Communities Support Program Grants	93.276	5-H79-SP012224-09	102,304
Drug-Free Communities Support Program Grants	93.276	1-H79-SP017267-01	51,429
			<u>153,733</u>
Total direct:			<u>206,109</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>14,889</u>
U.S. Department of Justice:			
Iowa Department of Justice - Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-11-75	<u>1,829</u>
Violence Against Women Formula Grants	16.588	VWS-11-75	<u>1,114</u>
Iowa Department of Human Rights:			
Enforcing Underage Drinking Laws Program	16.727	JJYD-FY11-08	<u>747</u>
Iowa Governor's Office of Drug Control Policy:			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	09JAG/ARRA-3897B	<u>49,000</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	5881OB48	4,500
Highway Planning and Construction	20.205	BROS-CO92(69)--8J-92	84,431
			<u>88,931</u>
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 09-04, Task 80	<u>19,241</u>
U.S. Environmental Protection Agency:			
Iowa Department of Public Health:			
State Indoor Radon Grants	66.032		<u>2,499</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881BT92	22,071
Public Health Emergency Preparedness	93.069	5881BT392	27,488
			<u>49,559</u>
Immunization Grants	93.268	5880I478	7,913
Immunization Grants	93.268	5881I478	2,845
			<u>10,758</u>

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Centers for Disease Control and Prevention_			
Investigations and Technical Assistance	93.283	5881OB40	35,549
Centers for Disease Control and Prevention_			
Investigations and Technical Assistance	93.283	5881DH07	4,271
Centers for Disease Control and Prevention_			
Investigations and Technical Assistance	93.283	5881NB23	49,175
			<u>88,995</u>
Social Services Block Grant	93.667	5881CO92	291 *
ARRA - Immunization	93.712	5880I478	<u>7,725</u>
Maternal and Child Health Services Block			
Grant to the States	93.994	5880MH30	2,276
Maternal and Child Health Services Block			
Grant to the States	93.994	5881MH30	29,100
			<u>31,376</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State			
Administered Programs	93.566		11
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		3,665
Foster Care_Title IV-E	93.658		5,926
Adoption Assistance	93.659		1,435
Social Services Block Grant	93.667		5,113 *
Children's Health Insurance Program	93.767		70
Medical Assistance Program	93.778		14,326
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	DR-1930-IA	122,465
Hazard Mitigation Grant	97.039	DR-1763-0083-01	13,450
Emergency Management Performance Grants	97.042	EMPG-10-PT-92	10,561
Total indirect			<u>543,976</u>
Total			<u>\$ 750,085</u>

* Total for CFDA Number 93.667 is \$5,404.

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

See accompanying independent auditor's report.

Washington County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Washington County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated May 9, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Washington County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Washington County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washington County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Washington County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be 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 a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Washington County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Washington County's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Washington County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 9, 2012

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

Washington County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA
Auditor of State

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

To the Officials of Washington County:

Compliance

We have audited Washington County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Washington County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Washington County's management. Our responsibility is to express an opinion on Washington County's compliance based on our audit.

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

In our opinion, Washington County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 9, 2012

Washington County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 20.205 – Highway Planning and Construction.
 - CFDA Number 93.276 – Drug-Free Communities Support Program Grants
 - CFDA Number 93.283 – Centers for Disease Control and Prevention – Investigations and Technical Assistance
 - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Washington County did not qualify as a low-risk auditee.

Washington County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Financial Reporting – During the audit, we identified a material receivable not recorded in the Special Revenue, Secondary Roads Fund. We also determined the Engineer’s service bureau infrastructure listing required corrections for accrued construction payments. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and infrastructure additions are identified and included in the County’s financial statements.

Response – Although 10 years of past practice, instructions from the Iowa County Engineer’s Service Bureau and past annual audits from the State of Iowa consistently indicated accruing payments for road projects in the year paid was appropriate, changes have been made to review financial payments made after the end of the fiscal year to ensure work completed during a fiscal year is accounted for as construction in progress during the same year even when payment is made in the following fiscal year.

Conclusion – Response accepted.

II-B-11 Computer Systems – During our review of internal control, the existing control activities in the County’s computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the County’s computer systems were noted:

The County does not have a written disaster recovery plan.

The County does not have a formal information system security policy or password policy.

Response – A written disaster recovery plan should be developed. Formal information system security and password policies should be developed.

Recommendation – A disaster recovery plan for the County is being studied and a written plan will be developed. Formal security and password policies will be developed to include security measures and procedures currently in practice by the County.

Conclusion – Response accepted.

Washington County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-C-11 Tax Increment Financing – The County Auditor does not prepare a reconciliation of tax increment financing revenue (TIF) remitted with the amount of debt certified.

Recommendation – The County should prepare a reconciliation for each TIF district to reconcile the cumulative TIF tax remitted with the amount of debt certified.

Response – The County now reconciles the tax increment financing revenue (TIF) collected and remitted to each TIF district within each City as compared with the debt each City has certified on annual basis. The County plans to work with each City to convert the annual reconciliations to a cumulative format.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Washington County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Washington County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- IV-B-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-11 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Although claims were published, the reason for each claim was not published as required by Chapter 349.18 of the Code of Iowa. In addition, certain minutes were not submitted for publication timely as required by the Code of Iowa.

Recommendation – Minutes should be submitted for publication in a timely manner and claims should be published as required by Chapter 349.18 of the Code of Iowa.

Response – The Auditor continues to work on a system and schedule to enhance the completion and submission of Board of Supervisors minutes in a timely and compliant fashion.

The purpose for all claims paid by the County has been listed and published consistently since August 2010.

Conclusion – Response accepted.

- IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-11 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Washington County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-I-11 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

Washington County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Scott P. Boisen, Senior Auditor II
Casey L. Johnson, Staff Auditor
Andi J. Kaufman, Assistant Auditor
Karie A. Meisgeier, Assistant Auditor
Justin M. Scherrman, Assistant Auditor
Ryan A. Yaeger, CPA, Assistant Auditor

A handwritten signature in black ink, appearing to read "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State