



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

April 9, 2013

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

The County had local tax revenue of \$33,332,035 for the year ended June 30, 2012, which included \$1,107,388 in tax credits from the state. The County forwarded \$22,476,494 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$10,855,541 of the local tax revenue, including tax increment financing, to finance County operations, a 10.9% increase over the prior year. Other revenues included charges for service of \$2,390,517, operating grants, contributions and restricted interest of \$5,365,806, capital grants, contributions and restricted interest of \$599,461, local option sales and services tax of \$1,084,809, gaming wager tax of \$451,741, unrestricted investment earnings of \$50,843 and other general revenues of \$200,637.

Expenses for County operations totaled \$18,593,504, a 5.8% increase over the prior year. Expenses included \$5,504,258 for roads and transportation, \$4,004,407 for public safety and legal services and \$2,482,393 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/1210-0092-B00F.pdf>.

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WASHINGTON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

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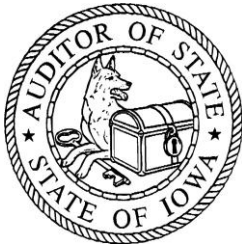
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Washington County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
Dan Widmer	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
Christy Tinnes	County Assessor	Jan 2016



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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, 2012, 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.

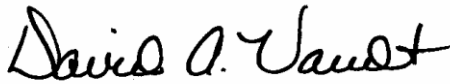
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2012, 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 March 18, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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

March 18, 2013

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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 1.5%, or approximately \$311,000, from fiscal year 2011 to fiscal year 2012. Property and other County tax increased approximately \$1,052,000, charges for service decreased approximately \$99,000, operating grants, contributions and restricted interest increased approximately 533,000 and capital grants, contributions and restricted interest decreased approximately \$1,938,000.
- Program expenses were 5.8%, or approximately \$1,023,000, more in fiscal year 2012 than in fiscal year 2011.
- The County's net assets increased 4.8%, or approximately \$2,406,000, from June 30, 2011 to June 30, 2012.

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.

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 \$2,405,851 from a year ago, from \$50,193,039 to \$52,598,890. The analysis that follows focuses on the change in the net assets of governmental activities.

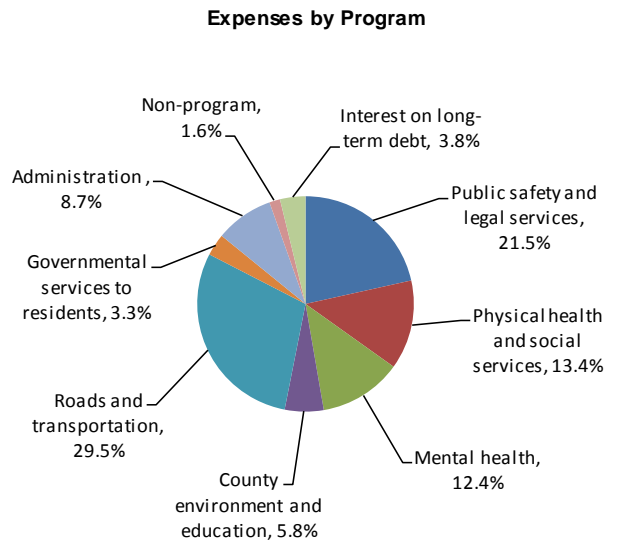
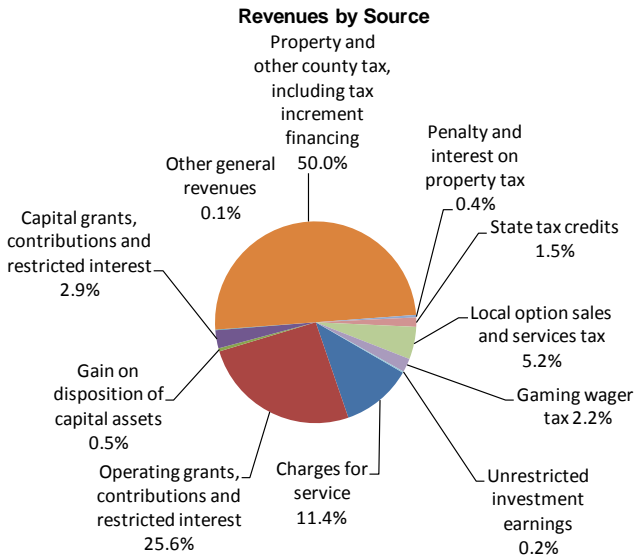
Net Assets of Governmental Activities		
	June 30,	
	2012	2011
Current and other assets	\$ 28,131,748	\$ 28,689,697
Capital assets	56,025,449	52,220,057
Total assets	<u>84,157,197</u>	<u>80,909,754</u>
Long-term liabilities	18,883,926	17,919,265
Other liabilities	12,674,381	12,797,450
Total liabilities	<u>31,558,307</u>	<u>30,716,715</u>
Net assets:		
Invested in capital assets, net of related debt	48,375,713	48,011,524
Restricted	4,170,020	3,800,267
Unrestricted	53,157	(1,618,752)
Total net assets	<u>\$ 52,598,890</u>	<u>\$ 50,193,039</u>

Net assets of Washington County's governmental activities increased approximately \$2,406,000 (approximately \$50,193,000 to approximately \$52,599,000). 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 increased from approximately \$3,800,000 at June 30, 2011 to approximately \$4,170,020 at the end of this year, an increase of 9.7%. This increase is primarily the result of increases of approximately \$909,000 for secondary road purposes and \$235,000 for debt service purposes, offset by decreases of approximately \$690,000 and \$55,000 for mental health purposes and for supplemental levy 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 (\$1,619,000) at June 30, 2011 to approximately \$53,000 at the end of this year.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 2,390,517	\$ 2,489,982
Operating grants, contributions and restricted interest	5,365,806	4,832,495
Capital grants, contributions and restricted interest	599,461	2,537,720
General revenues:		
Property and other county tax, including tax increment financing	10,532,983	9,481,074
Penalty and interest on property tax	74,276	76,322
State tax credits	322,558	311,282
Local option sales and services tax	1,084,809	968,286
Gaming wager tax	451,741	436,651
Unrestricted investment earnings	50,843	78,641
Gain on disposition of capital assets	95,716	69,966
Other general revenues	30,645	28,375
Total revenues	20,999,355	21,310,794
Program expenses:		
Public safety and legal services	4,004,407	3,876,483
Physical health and social services	2,482,393	2,366,001
Mental health	2,301,559	1,730,024
County environment and education	1,082,300	913,868
Roads and transportation	5,504,258	5,604,344
Governmental services to residents	608,907	534,537
Administration	1,619,201	1,616,117
Non-program	292,519	337,295
Interest on long-term debt	697,960	592,162
Total expenses	18,593,504	17,570,831
Increase in net assets	2,405,851	3,739,963
Net assets beginning of year	50,193,039	46,453,076
Net assets end of year	\$ 52,598,890	\$ 50,193,039



Washington County's net assets of governmental activities increased approximately \$2,406,000 during the year. Revenues for governmental activities decreased approximately \$311,000 from the prior year. Property and other county tax revenue increased approximately \$1,052,000, or 11.1%, over the prior year. Operating grants, contributions and restricted interest increased approximately \$533,000, or 11.0%, over the prior year, primarily due to the County receiving additional funds from the Washington County Riverboat Foundation for several recreational trails throughout the county and an increase in road use tax received from the State in fiscal year 2012. Capital grants, contributions and restricted interest decreased approximately \$1,938,000, or 76.4%, from the prior year, primarily due to the County not receiving farm to market funds during the current fiscal year.

The County increased property tax rates \$.94353 per \$1,000 of taxable valuation in the rural levy and \$.02954 per \$1,000 of taxable valuation in the countywide levy. The rural property valuation increased \$28,506,355 and the countywide property valuation increased \$52,306,719.

The cost of all governmental activities this year was \$18,593,504 compared to \$17,570,831 last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities this year was \$10,237,720 as \$2,390,517 of the cost was paid by those directly benefiting from the programs and \$5,965,267 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 service, decreased in fiscal year 2012 from \$9,860,197 to \$8,355,784, principally due to a decrease in capital grants, contributions and restricted interest from the State. 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 \$14,227,013, a decrease of \$523,943 from last year's total fund balance of \$14,750,956. 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 \$94,499, or 2.4%, from the prior year to \$4,074,837. Revenues decreased approximately \$145,000, primarily due to the County receiving less for housing of prisoners from other counties as well as a reduction in public health grants. Expenditures increased approximately \$121,000 over fiscal year 2011, or approximately 1.4%.
- The Special Revenue, Mental Health Fund balance decreased \$690,347, or 86.8%, from the prior year to \$105,376. Revenues for the year increased approximately \$51,000, primarily due to the rent revenue generated by new office space created by the County. Expenditures increased approximately \$568,000, from approximately \$1,733,000 to approximately \$2,301,000. The County has continued to look for ways to effectively manage the cost of mental health services. However, the cost of community service beds continues to increase. Also less funding is being provided by the State for these costs due to the reduction in American Recovery and Reinvestment Act (ARRA) funding.
- The Special Revenue, Rural Services Fund balance decreased \$12,246, or 2.4%, from \$507,251 at the end of fiscal year 2011 to \$495,005 at the end of fiscal year 2012. Revenue increased approximately \$713,000, due primarily to the increase in the levy rates of \$.94353 per \$1,000 of taxable valuation and local option sales tax receipts during the current fiscal year. Expenditures increased approximately \$140,000, primarily due to the purchase and legal fees associated with purchase of land for sanitary sewer projects. Operating transfers increased \$511,000 to help

pay off the general obligation county road improvement bonds issued in the prior fiscal year.

- Special Revenue, Secondary Roads Fund expenditures decreased approximately \$1,380,000 and revenues increased approximately \$97,000 over the prior year. The Secondary Roads Fund ending fund balance increased \$891,536, or 69.1%, from the prior year to \$2,181,431. Revenues increased primarily due to an increase in road use tax and other State reimbursements offset by a decrease in FEMA, water protection and Wayne County Riverboat Foundation grants, IJobs funding received from the state and the sale of assets in the prior fiscal year. Expenditures decreased due to a decrease in road improvement projects.
- The Special Revenue, City of Riverside Tax Increment Financing Fund revenues consist primarily of tax increment financing revenues. These funds are used to retire debt, including interest, on the Riverside infrastructure projects. This fund had a balance of \$1,122 at June 30, 2012.
- The Debt Service Fund ended the fiscal year with a \$3,406,860 fund balance compared to the prior year balance of \$18,857. The majority of the increase was due primarily to the refunding bond issued in February 2012 for \$3,145,000. Property tax revenue increased approximately \$420,000, primarily due to the increase in the levy rate from \$0.52517 to \$.94013 per \$1,000 of taxable valuation as a result of the \$8,000,000 bond issued in the prior year. Expenditures increased approximately \$690,000, primarily due to the increase in principal and interest payments associated with several bonds and notes. See Note 8 for additional information related to the County's debt.
- The Capital Projects Fund ended fiscal year 2012 with a \$3,818,130 fund balance compared to the prior year balance of \$7,975,570. The decrease of \$4,157,440 is primarily due to the County working on multiple construction projects throughout the year as a result of issuing \$8 million of general obligation bonds for remediation, restoration, repair, replacement and improvement of the County's road system in the prior year. Revenues increased during the year by \$281,049 to \$401,671. The increase is primarily due to the County receiving additional grant funding for projects from the State and Riverboat Foundation grants, as well as other donations from other local entities.

Budgetary Highlights

Over the course of the year, Washington County amended its budget two times. The amendment in April 2012 was done primarily to increase intergovernmental receipts for grants related to Orchard Hill remodeling, road projects and conservation projects. Roads and transportation function disbursements increased due to an increase in costs for ongoing road maintenance projects and capital projects function disbursements increased for the Orchard Hill building remodel and conservation projects. County environment and education function disbursements increased due to the Richmond condemnation and other Regional Utility Service Systems related expenditures.

The second amendment occurred in May 2012. The increase was primarily to increase the roads and transportation function disbursements due to an increase in road maintenance costs. Mental health function disbursements increased due to increases in outpatient costs.

Actual net receipts for fiscal year 2012 were \$20,471,610, which was \$409,955 less than budgeted, due primarily to the timing of road use tax receipts received in the fiscal year. Actual disbursements for the year were \$24,940,403, which was \$4,735,918 less than the amount budgeted for disbursements. Public safety and legal services, roads and transportation and capital projects function disbursements were significantly less than anticipated for fiscal year 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Washington County had approximately \$56.0 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 \$3.8 million over June 30, 2011.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2012	2011
Land	\$ 821,024	\$ 726,024
Intangibles, road network	3,060,717	3,060,717
Construction in progress	2,163,958	1,334,657
Buildings	7,283,199	7,475,055
Improvements other than buildings	74,838	79,240
Equipment and vehicles	2,637,516	2,848,331
Infrastructure	39,984,197	36,696,033
Total	\$ 56,025,449	\$ 52,220,057

The County's fiscal year 2012 budget included \$8,556,668 for capital projects, principally for Secondary Road construction projects, of which approximately \$2.1 million was unspent, and Orchard Hill remodeling, of which approximately \$775,000 was unspent at year end. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Washington County had depreciation expense of \$1,754,831 in fiscal year 2012 and total accumulated depreciation of \$20,033,570 at June 30, 2012.

Long-Term Debt

At June 30, 2012, Washington County had \$14,295,000 of general obligation bonds outstanding compared to \$11,730,000 outstanding at the end of fiscal year 2011. The County issued \$3,145,000 of general obligation crossover refunding bonds during fiscal year 2012. The County also has a \$149,856 general obligation county building improvement note and \$4,035,611 of urban renewal tax increment revenue bonds outstanding at June 30, 2012, as shown below:

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2012	2011
General obligation county building improvement note	\$ 149,856	\$ 293,086
General obligation bonds	6,690,000	3,730,000
General obligation county road improvement bonds	7,605,000	8,000,000
Urban renewal tax increment revenue bonds	4,035,611	5,511,934
Total	\$ 18,480,467	\$ 17,535,020

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 \$80,973,483. 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 \$3.145 million of general obligation crossover refunding bond during fiscal year 2012 to

refinance a bond which was issued to construct the county jail. Additional information about the County's long-term debt is presented in Note 8 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 2013 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Washington County's unemployment rate has decreased 0.8% this past year. Unemployment in the County now stands at 4.2% versus 5.0% a year ago, compared with the State's unemployment rate of 5.1% and the national rate of 7.9% for the same period ended June 30, 2012.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$33.9 million, a decrease of 5.8% from the fiscal year 2012 final budget.

Budgeted revenues are expected to increase approximately \$.1 million while budgeted disbursements are expected to decrease approximately \$1.8 million from the fiscal year 2012 final budget. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$6.9 million by the close of fiscal year 2013.

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.

Basic Financial Statements

Exhibit A

Washington County
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 12,163,050
U.S. Treasury Securities on deposit with escrow agent	3,130,676
Receivables:	
Property tax:	
Delinquent	214
Succeeding year	9,305,000
Succeeding year tax increment financing	1,819,000
Interest and penalty on property tax	604
Accounts	122,091
Accrued interest	3,924
Due from other governments	1,151,586
Inventories	275,556
Prepaid expense	160,047
Capital assets, net of accumulated depreciation	56,025,449
Total assets	<u>84,157,197</u>
Liabilities	
Accounts payable	804,777
Accrued interest payable	47,935
Salaries and benefits payable	299,962
Due to other governments	397,707
Deferred revenue:	
Succeeding year property tax	9,305,000
Succeeding year tax increment financing	1,819,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation note and bonds	1,129,856
Urban renewal tax increment revenue bond	1,587,814
Compensated absences	240,823
Portion due or payable after one year:	
General obligation note and bonds	13,315,000
Urban renewal tax increment revenue bond	2,447,797
Compensated absences	78,550
Net OPEB liability	84,086
Total liabilities	<u>31,558,307</u>
Net Assets	
Invested in capital assets, net of related debt	48,375,713
Restricted for:	
Supplemental levy purposes	926,189
Mental health purposes	102,893
Rural services purposes	493,622
Secondary roads purposes	2,113,909
Capital projects	173,603
Debt service	234,662
Other purposes	125,142
Unrestricted	53,157
Total net assets	<u>\$ 52,598,890</u>

See notes to financial statements.

Washington County

Statement of Activities

Year ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Contributions and Restricted Interest	Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,004,407	826,658	101,906	-	(3,075,843)
Physical health and social services	2,482,393	360,797	1,122,373	-	(999,223)
Mental health	2,301,559	27,725	809,404	-	(1,464,430)
County environment and education	1,082,300	24,107	57,540	-	(1,000,653)
Roads and transportation	5,504,258	271,215	2,899,988	599,461	(1,733,594)
Governmental services to residents	608,907	377,550	12,987	-	(218,370)
Administration	1,619,201	250,360	25,000	-	(1,343,841)
Non-program	292,519	252,105	336,608	-	296,194
Interest on long-term debt	697,960	-	-	-	(697,960)
Total	\$ 18,593,504	2,390,517	5,365,806	599,461	(10,237,720)
General Revenues:					
Property and other county tax levied for:					
General purposes					7,852,760
Debt service					894,306
Tax increment financing					1,785,917
Penalty and interest on property tax					74,276
State tax credits					322,558
Local option sales tax					1,084,809
Gaming wager tax					451,741
Unrestricted investment earnings					50,843
Gain on disposition of capital assets					95,716
Miscellaneous					30,645
Total general revenues					12,643,571
Change in net assets					2,405,851
Net assets beginning of year					50,193,039
Net assets end of year					\$52,598,890

See notes to financial statements.

Washington County

Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, pooled investments and cash equivalents	\$ 3,681,421	477,045	252,493	1,616,443
U.S. Treasury Securities on deposit with escrow agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	146	20	25	-
Succeeding year	5,661,000	757,000	1,991,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	604	-	-	-
Accounts	90,073	2,960	15,000	10,945
Accrued interest	3,582	-	-	-
Due from other funds	78	-	-	4,977
Due from other governments	234,500	24,162	251,033	484,841
Advance to other funds	300,000	-	-	-
Inventories	-	-	-	275,556
Prepaid expenditures	160,047	-	-	-
Total assets	\$ 10,131,451	1,261,187	2,509,551	2,392,762
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 120,168	42,400	15,271	144,161
Salaries and benefits payable	221,795	4,587	7,667	65,913
Due to other funds	4,920	102	-	33
Due to other governments	45,229	351,254	-	1,224
Advance from other funds	-	-	-	-
Deferred revenue:				
Succeeding year property tax	5,661,000	757,000	1,991,000	-
Succeeding year tax increment financing	-	-	-	-
Other	3,502	468	608	-
Total liabilities	6,056,614	1,155,811	2,014,546	211,331
Fund balances:				
Nonspendable:				
Inventories	-	-	-	275,556
Prepaid expenditures	160,047	-	-	-
Restricted for:				
Supplemental levy purposes	984,095	-	-	-
Mental health purposes	-	105,376	-	-
Rural services purposes	-	-	495,005	-
Secondary roads purposes	-	-	-	1,905,875
Tax increment financing purposes	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Resource enhancement and protection	-	-	-	-
Other purposes	-	-	-	-
Unassigned	2,930,695	-	-	-
Total fund balances	4,074,837	105,376	495,005	2,181,431
Total liabilities and fund balances	\$ 10,131,451	1,261,187	2,509,551	2,392,762

See notes to financial statements.

City of Riverside Tax Incremental Financing	Debt Service	Capital Projects	Nonmajor	Total
1,122	276,324	4,401,178	143,816	10,849,842
-	3,130,676	-	-	3,130,676
-	23	-	-	214
-	896,000	-	-	9,305,000
1,819,000	-	-	-	1,819,000
-	-	-	-	604
-	-	3,113	-	122,091
-	342	-	-	3,924
-	-	-	-	5,055
-	-	156,614	436	1,151,586
-	-	-	-	300,000
-	-	-	-	275,556
-	-	-	-	160,047
1,820,122	4,303,365	4,560,905	144,252	27,123,595
-	-	442,775	-	764,775
-	-	-	-	299,962
-	-	-	-	5,055
-	-	-	-	397,707
-	-	300,000	-	300,000
-	896,000	-	-	9,305,000
1,819,000	-	-	-	1,819,000
-	505	-	-	5,083
1,819,000	896,505	742,775	-	12,896,582
-	-	-	-	275,556
-	-	-	-	160,047
-	-	-	-	984,095
-	-	-	-	105,376
-	-	-	-	495,005
-	-	-	-	1,905,875
1,122	-	-	-	1,122
-	3,406,860	-	-	3,406,860
-	-	3,823,723	-	3,823,723
-	-	-	85,245	85,245
-	-	-	59,007	59,007
-	-	(5,593)	-	2,925,102
1,122	3,406,860	3,818,130	144,252	14,227,013
1,820,122	4,303,365	4,560,905	144,252	27,123,595

Washington County

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

June 30, 2012

Total governmental fund balances (page 19) \$ 14,227,013

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 \$76,059,019 and the accumulated depreciation is \$20,033,570. 56,025,449

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 5,083

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. 1,273,206

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. (18,931,861)

Net assets of governmental activities (page 16) \$ 52,598,890

See notes to financial statements.

Washington County

Washington County

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

Year ended June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 5,723,743	746,149	1,833,220	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	1,084,809	-
Interest and penalty on property tax	74,276	-	-	-
Intergovernmental	2,378,257	837,096	69,146	3,351,000
Licenses and permits	68,368	-	-	1,760
Charges for service	679,785	27,726	8,607	505
Use of money and property	71,567	-	-	-
Miscellaneous	116,388	-	15,015	393,384
Total revenues	9,112,384	1,610,971	3,010,797	3,746,649
Expenditures:				
Operating:				
Public safety and legal services	3,531,393	-	245,010	-
Physical health and social services	2,461,264	-	75	-
Mental health	-	2,301,318	-	-
County environment and education	481,918	-	557,227	-
Roads and transportation	-	-	188,036	4,054,778
Governmental services to residents	587,229	-	2,830	-
Administration	1,581,466	-	-	-
Non-program	54,498	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	554,763
Total expenditures	8,697,768	2,301,318	993,178	4,609,541
Excess (deficiency) of revenues over (under) expenditures	414,616	(690,347)	2,017,619	(862,892)
Other financing sources (uses):				
Sale of capital assets	389	-	-	-
Operating transfers in	202,185	-	-	1,754,428
Operating transfers out	(522,691)	-	(2,029,865)	-
General obligation bonds issued	-	-	-	-
Premium on general obligation bonds issued	-	-	-	-
Total other financing sources (uses)	(320,117)	-	(2,029,865)	1,754,428
Change in fund balances	94,499	(690,347)	(12,246)	891,536
Fund balances beginning of year	3,980,338	795,723	507,251	1,289,895
Fund balances end of year	\$ 4,074,837	105,376	495,005	2,181,431

See notes to financial statements.

City of Riverside Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
-	893,973	-	-	9,197,085
1,785,917	-	-	-	1,785,917
-	-	-	-	1,084,809
-	-	-	-	74,276
-	30,510	154,470	12,622	6,833,101
-	-	-	-	70,128
-	-	36,312	5,467	758,402
1,122	20,853	41,375	751	135,668
-	-	169,514	10,164	704,465
1,787,039	945,336	401,671	29,004	20,643,851
-	-	-	-	3,776,403
-	-	-	-	2,461,339
-	-	-	-	2,301,318
-	-	-	4,375	1,043,520
-	-	-	-	4,242,814
-	-	-	5,887	595,946
-	-	-	-	1,581,466
-	-	-	-	54,498
1,787,729	1,183,988	-	-	2,971,717
-	-	4,786,054	-	5,340,817
1,787,729	1,183,988	4,786,054	10,262	24,369,838
(690)	(238,652)	(4,384,383)	18,742	(3,725,987)
-	-	-	-	389
-	425,000	429,128	-	2,810,741
-	-	(202,185)	(56,000)	(2,810,741)
-	3,145,000	-	-	3,145,000
-	56,655	-	-	56,655
-	3,626,655	226,943	(56,000)	3,202,044
(690)	3,388,003	(4,157,440)	(37,258)	(523,943)
1,812	18,857	7,975,570	181,510	14,750,956
1,122	3,406,860	3,818,130	144,252	14,227,013

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, 2012

Change in fund balances - Total governmental funds (page 23) \$ (523,943)

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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 5,464,896	
Depreciation expense	<u>(1,754,831)</u>	3,710,065

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		95,327
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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		1,721
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The current year

Issued	(3,145,000)	
Repaid	<u>2,199,553</u>	(945,447)

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	(631)	
Other postemployment benefits	(18,583)	
Interest on long-term debt	<u>17,549</u>	(1,665)

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.

69,793

Change in net assets of governmental activities (page 17) \$ 2,405,851

See notes to financial statements.

Washington County
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Internal Service</u>
Assets	
Cash, pooled investments and cash equivalents	\$ 1,313,208
Liabilities	
Accounts payable	<u>40,002</u>
Net Assets	
Unrestricted	<u><u>\$ 1,273,206</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, 2012

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,168,409
Reimbursements from employees and others		23,537
Reimbursements from Agency Funds		133,311
Stop loss reimbursements		90,766
Contributions for flexible benefits		45,853
Total operating revenues		<u>1,461,876</u>
Operating expenses:		
Medical claims	\$ 1,080,114	
Administrative fees	274,468	
Flexible benefits claims	<u>43,463</u>	<u>1,398,045</u>
Operating income		63,831
Non-operating revenues:		
Interest income		<u>5,962</u>
Net income		69,793
Net assets beginning of year		<u>1,203,413</u>
Net assets end of year		<u><u>\$ 1,273,206</u></u>
See notes to financial statements.		

Washington County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2012

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,209,772
Cash received from employees and others	117,169
Cash received from Agency Funds	137,801
Cash paid to suppliers for services	(1,428,137)
Net cash provided by operating activities	36,605
Cash flows from investing activities:	
Interest on investments	5,962
Net increase in cash and cash equivalents	42,567
Cash and cash equivalents beginning of year	1,270,641
Cash and cash equivalents end of year	\$ 1,313,208
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 63,831
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in due from other governments	2,866
Decrease in accounts payable	(30,092)
Net cash provided by operating activities	\$ 36,605

See notes to financial statements.

Washington County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

Assets

Cash and pooled investments:

County Treasurer	\$ 1,558,396
Other County officials	109,019

Receivables:

Property tax:

Delinquent	616
Succeeding year	21,905,000

Accounts	36,989
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Due from other governments	36,359
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Total assets

23,646,379

Liabilities

Accounts payable	37,294
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Salaries and benefits payable	38,133
-------------------------------	--------

Due to other governments	23,499,086
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Trusts payable	45,596
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Compensated absences	26,270
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Total liabilities

23,646,379

Net assets

\$ -

See notes to financial statements.

Washington County

Notes to Financial Statements

June 30, 2012

(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, Southeast Multi-County Solid Waste Agency and Regional Utility Service Systems.

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. is not included in 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 the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt 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 tax increment financing revenue for the payment of debt incurred for urban renewal projects.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

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, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances.

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
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
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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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, 2012 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.

At June 30, 2012, the County had the following investments:

Type	Fair Value	Maturity
U.S. Treasury Securities	\$ 43,500	December 2012
U.S. Treasury Securities	27,378	June 2013
U.S. Treasury Securities	27,397	December 2013
U.S. Treasury Securities	27,426	June 2014
U.S. Treasury Securities	27,465	December 2014
U.S. Treasury Securities	2,977,510	June 2015
Total	\$ 3,130,676	

These U.S. Treasury Securities are held in escrow to be used for refunding the general obligation bonds issued on August 15, 2006.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,059,768 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Interest rate risk – The County’s investment policy limits the investment of operating funds (funds reasonably expected to be expended during 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. However, all investments shall have maturities consistent with the needs and uses of the County.

Credit risk – The County’s investments in the Iowa Public Agency Investment Trust are unrated.

Concentration of credit risk – The County places no limit on the amount which may be invested in any one issuer. When possible, it is the County’s policy to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 45
	Secondary Roads	33
Special Revenue:		
Secondary Roads	General	4,920
	Special Revenue:	
	Mental Health	57
Total		\$ 5,055

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) Advances to and From Other Funds

The detail of advances to/from other funds at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 300,000

The County approved a loan from the General Fund to the Capital Projects Fund to supplement a conservation project.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 202,185
Special Revenue:		
Secondary Roads	General	149,563
	Special Revenue:	
	Rural Services	1,604,865
Debt Service	Special Revenue:	
	Rural Services	425,000
Capital Projects	General	373,128
	Special Revenue:	
	Resource Enhancement and Protection	46,000
	Supplemental Environmental Projects	10,000
Total		<u>\$ 2,810,741</u>

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

(6) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 726,024	95,000	-	821,024
Intangibles, road network	3,060,717	-	-	3,060,717
Construction in progress	1,334,657	4,988,086	(4,158,785)	2,163,958
Total capital assets not being depreciated	<u>5,121,398</u>	<u>5,083,086</u>	<u>(4,158,785)</u>	<u>6,045,699</u>
Capital assets being depreciated:				
Buildings	11,124,141	-	-	11,124,141
Improvements other than buildings	88,044	-	-	88,044
Equipment and vehicles	7,900,737	407,819	(318,037)	7,990,519
Infrastructure, road network	46,571,267	4,239,349	-	50,810,616
Total capital assets being depreciated	<u>65,684,189</u>	<u>4,647,168</u>	<u>(318,037)</u>	<u>70,013,320</u>
Less accumulated depreciation for:				
Buildings	3,649,086	191,856	-	3,840,942
Improvements other than buildings	8,804	4,402	-	13,206
Equipment and vehicles	5,052,406	607,388	(306,791)	5,353,003
Infrastructure, road network	9,875,234	951,185	-	10,826,419
Total accumulated depreciation	<u>18,585,530</u>	<u>1,754,831</u>	<u>(306,791)</u>	<u>20,033,570</u>
Total capital assets being depreciated, net	<u>47,098,659</u>	<u>2,892,337</u>	<u>(11,246)</u>	<u>49,979,750</u>
Governmental activities capital assets, net	<u>\$ 52,220,057</u>	<u>7,975,423</u>	<u>(4,170,031)</u>	<u>56,025,449</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 275,976
Physical health and social services		16,990
County environment and education		36,985
Roads and transportation		1,343,010
Governmental services to residents		16,391
Administration		65,479
Total depreciation expense - governmental activities		<u>\$ 1,754,831</u>

(7) 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 at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 45,229
Special Revenue:		
Mental Health	Services	351,254
Secondary Roads	Services	1,224
		<u>352,478</u>
Total for governmental funds		<u>\$ 397,707</u>
Agency:		
County Offices	Collections	\$ 64,141
Agricultural Extension Education		203,859
County Assessor		522,065
Schools		13,904,177
Community Colleges		983,571
Corporations		5,484,127
Townships		308,988
Public Safety Commission		84,457
Auto License and Use Tax		471,842
All other		1,471,859
Total for agency funds		<u>\$ 23,499,086</u>

(8) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General Obligation Building Improvements Note	General Obligation Bonds	General Obligation County Road Improvement Bonds	Urban Renewal Tax Increment Revenue Bond	Compen- sated Absences	Other Post- employment Benefits	Total
Balance beginning of year	\$ 293,086	3,730,000	8,000,000	5,511,934	318,742	65,503	17,919,265
Increases	-	3,145,000	-	-	367,854	28,145	3,540,999
Decreases	143,230	185,000	395,000	1,476,323	367,223	9,562	2,576,338
Balance end of year	<u>\$ 149,856</u>	<u>6,690,000</u>	<u>7,605,000</u>	<u>4,035,611</u>	<u>319,373</u>	<u>84,086</u>	<u>18,883,926</u>
Due within one year	\$ 149,856	190,000	790,000	1,587,814	240,823	-	2,958,493

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, 2012, the County retired \$143,230 of the note.

A summary of the County's June 30, 2012 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2013	2.60%	\$ 149,856	2,997	152,853

General Obligation Bonds

A summary of the County's June 30, 2012 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Series 2006B Issued August 15, 2006			Series 2012A Issued February 15, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	4.00%	\$ 190,000	154,525	-	-	87,411
2014	4.05	200,000	146,925	-	-	67,527
2015	4.10 - 4.65	3,155,000	138,825	-	-	67,527
2016		-	-	2.00%	\$ 260,000	67,527
2017		-	-	2.00	265,000	62,328
2018- 2022		-	-	2.00	1,400,000	230,138
2023- 2026		-	-	2.15 - 2.60	1,220,000	75,688
Total		\$ 3,545,000	440,275		\$ 3,145,000	658,146

Year Ending June 30,	Total		
	Principal	Interest	Total
2013	\$ 190,000	241,936	431,936
2014	200,000	214,452	414,452
2015	3,155,000	206,352	3,361,352
2016	260,000	67,527	327,527
2017	265,000	62,328	327,328
2018- 2022	1,400,000	230,138	1,630,138
2023- 2026	1,220,000	75,688	1,295,688
Total	\$ 6,690,000	1,098,421	7,788,421

On February 15, 2012, the County issued crossover advance refunding general obligation bonds of \$3,145,000. The bonds bear interest at rates ranging from 2.00% to 2.60% per annum and mature June 1, 2026.

For the crossover advance refunding, the County entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. government securities. These securities, along with additional cash, were placed with an escrow agent to pay the principal and interest on the refunding general obligation bonds (new debt) until the crossover refunding date. On the crossover date of June 1, 2015, the refunded general obligation bonds (old debt) will be paid using the amounts held by the escrow agent. From that point forward, a debt service levy will be used to pay the refunding general obligation bonds (new debt). The transactions and balances of the escrow account are recorded by the County since the refunded debt is not considered extinguished.

This refunding was undertaken to reduce total debt service payments over the next fourteen years by \$224,024 and resulted in an economic gain of \$188,552.

During the year ended June 30, 2012, the County retired \$185,000 of the Series 2006B general obligation bonds. The bonds were issued to construct a county jail.

General Obligation County Road Improvement Bonds

A summary of the County's June 30, 2012 general obligation county road improvement bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	2.00	835,000	105,387	940,387
2018- 2021	2.25 - 3.00	3,550,000	219,994	3,769,994
Total		\$ 7,605,000	909,431	8,514,431

During the year ended June 30, 2012, the County retired \$395,000 of general obligation county road improvement bonds. The bonds were issued to finance the remediation, restoration, repair, replacement and improvement of the County's road system.

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 the proceeds 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, 2012, the County retired \$1,476,323 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 severally, 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.

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County’s contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$524,720, \$465,155 and \$428,055, respectively, equal to the required contributions for each year.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 128 active and 3 retired members in the plan. Retired participants must be age 55 or age 50 with twenty-two years of service at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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, 2012, 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	2,620
Adjustment to annual required contributions	(2,503)
Annual OPEB cost	<u>28,145</u>
Contribution made	<u>(9,562)</u>
Increase in net OPEB obligation	18,583
Net OPEB obligation beginning of year	<u>65,503</u>
Net OPEB obligation end of year	<u><u>\$ 84,086</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, 2012.

For the year ended June 30, 2012, the County contributed \$9,562 to the medical plan. Plan members eligible for benefits contributed \$11,255, or 54% 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 28,034	20.2%	\$ 43,632
2011	28,106	22.2	65,503
2012	28,145	34.0	84,086

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$6,263,000 and the ratio of UAAL to covered payroll was 3.3%. As of June 30, 2012, 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 9.0%. 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.

(11) 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 663 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, 2012 were \$156,768.

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, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, 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 casualty 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.

(12) 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 Wellmark. 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 Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2012 was \$1,168,409.

Amounts payable from the Employee Group Health Fund at June 30, 2012 total \$40,002, 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 \$1,260,294 at June 30, 2012 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	\$ 70,094
Incurred claims (including claims incurred but not reported at June 30, 2012)	1,080,114
Payments	<u>(1,110,206)</u>
Unpaid claims end of year	<u>\$ 40,002</u>

(13) 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, 2012 was \$18,885,000.

(14) Jointly Governed Organization

Washington 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, 2012:

Additions:		
Contributions from governmental units:		
Washington County	\$	240,662
City of Washington		226,258
Other cities		166,256
Reimbursement from Joint E-911 Service Board		20,000
Miscellaneous		741
		<u>\$ 653,917</u>
Deductions:		
Salaries		491,227
Benefits		82,329
Office supplies and postage		2,422
Uniforms		1,548
Travel		9,436
Telephone and fax services		12,819
Training		1,370
Professional services		28,485
Equipment maintenance		15,689
Radio equipment maintenance		14,632
Office equipment and furniture		471
Utilities		7,142
Miscellaneous		6,775
		<u>674,345</u>
Net		(20,428)
Balance beginning of year		<u>149,595</u>
Balance end of year		<u>\$ 129,167</u>

(15) Construction Commitments

The County has entered into contracts totaling \$7,160,713 for road, trail construction and building improvement projects. As of June 30, 2012, costs of \$6,642,039 on the projects have been incurred. The balance of \$518,674 remaining on the contracts at June 30, 2012 will be paid as work on the projects progress.

(16) Subsequent Events

On October 30, 2012 and December 18, 2012, the County entered into Sewer Improvement Loan Participation agreements with Regional Utility Service Systems (RUSS), not to exceed \$273,000 and \$193,000, respectively. The agreements were to ensure RUSS would be paid for any costs incurred if the sanitary sewer service upgrade projects in the unincorporated communities of Richmond and Rubio ceased.

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, 2012

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 11,991,626	-	11,991,626
Interest and penalty on property tax	74,226	-	74,226
Intergovernmental	6,773,069	-	6,773,069
Licenses and permits	70,507	-	70,507
Charges for service	751,054	-	751,054
Use of money and property	137,618	-	137,618
Miscellaneous	683,390	9,880	673,510
Total receipts	<u>20,481,490</u>	<u>9,880</u>	<u>20,471,610</u>
Disbursements:			
Public safety and legal services	3,790,209	-	3,790,209
Physical health and social services	2,438,258	-	2,438,258
Mental health	2,365,812	-	2,365,812
County environment and education	1,059,239	4,375	1,054,864
Roads and transportation	4,590,946	-	4,590,946
Governmental services to residents	595,758	-	595,758
Administration	1,539,551	-	1,539,551
Non-program	60,623	-	60,623
Debt service	2,971,717	-	2,971,717
Capital projects	5,532,665	-	5,532,665
Total disbursements	<u>24,944,778</u>	<u>4,375</u>	<u>24,940,403</u>
Excess (deficiency) of receipts over (under) disbursements	(4,463,288)	5,505	(4,468,793)
Other financing sources, net	3,202,306	-	3,202,306
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,260,982)	5,505	(1,266,487)
Balance beginning of year	15,241,500	2,550	15,238,950
Balance end of year	<u>\$ 13,980,518</u>	<u>8,055</u>	<u>13,972,463</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
11,806,198	11,806,198	185,428
60,050	60,050	14,176
6,313,337	7,316,649	(543,580)
52,550	53,650	16,857
691,085	701,324	49,730
160,656	166,079	(28,461)
609,070	777,615	(104,105)
19,692,946	20,881,565	(409,955)
4,393,992	4,393,992	603,783
2,504,640	2,614,273	176,015
2,303,267	2,366,267	455
894,396	1,112,096	57,232
4,623,092	5,042,092	451,146
688,645	688,645	92,887
1,857,293	1,857,293	317,742
61,200	61,200	577
2,983,795	2,983,795	12,078
8,061,268	8,556,668	3,024,003
28,371,588	29,676,321	4,735,918
(8,678,642)	(8,794,756)	4,325,963
-	-	3,202,306
(8,678,642)	(8,794,756)	7,528,269
11,814,065	15,236,989	1,961
3,135,423	6,442,233	7,530,230

Washington County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 20,481,490	162,361	20,643,851
Expenditures	24,944,778	(574,940)	24,369,838
Net	(4,463,288)	737,301	(3,725,987)
Other financing sources (uses), net	3,202,306	(262)	3,202,044
Beginning fund balances	15,241,500	(490,544)	14,750,956
Ending fund balances	\$ 13,980,518	246,495	14,227,013

See accompanying independent auditor's report.

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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, two budget amendments increased budgeted disbursements by \$1,304,733. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, 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 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)
2010	Jul 1, 2009	-	\$ 205	205	0.00%	\$ 6,172	3.30%
2011	Jul 1, 2009	-	205	205	0.00	6,261	3.30
2012	Jul 1, 2009	-	205	205	0.00	6,263	3.30

See Note 10 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.

Supplementary Information

Washington County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	Resource Enhance- ment and Protection	Law Enforcement County Attorney
Assets			
Cash and pooled investments	\$ 26,126	85,245	13,412
Due from other governments	436	-	-
Total assets	\$ 26,562	85,245	13,412
Liabilities and Fund Balances			
Liabilities:			
None	\$ -	-	-
Fund balances:			
Restricted for:			
Resource enhancement and protection	-	85,245	-
Other purposes	26,562	-	13,412
Total fund balances	26,562	85,245	13,412
Total liabilities and fund balances	\$ 26,562	85,245	13,412

See accompanying independent auditor's report.

Special Revenue				
Law Enforcement County Sheriff	Supplemental Environmental Projects	Washington County Conservation Foundation		Total
9,432	1,546	8,055		143,816
-	-	-		436
9,432	1,546	8,055		144,252
-	-	-		-
-	-	-		85,245
9,432	1,546	8,055		59,007
9,432	1,546	8,055		144,252
9,432	1,546	8,055		144,252

Washington County

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

Year ended June 30, 2012

	County Recorder's Records Management	Resource Enhance- ment and Protection	Special Law Enforcement County Attorney
Revenues:			
Intergovernmental	\$ -	12,622	-
Charges for service	5,467	-	-
Use of money and property	131	570	-
Miscellaneous	-	-	208
Total revenues	<u>5,598</u>	<u>13,192</u>	<u>208</u>
Expenditures:			
Operating:			
County environment and education	-	-	-
Governmental services to residents	4,994	893	-
Total expenditures	<u>4,994</u>	<u>893</u>	<u>-</u>
Excess of revenues over expenditures	604	12,299	208
Other financing uses:			
Transfers out	-	(46,000)	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	604	(33,701)	208
Fund balances beginning of year	25,958	118,946	13,204
Fund balances end of year	<u>\$ 26,562</u>	<u>85,245</u>	<u>13,412</u>

See accompanying independent auditor's report.

Revenue				
Law Enforcement County Sheriff	Supplemental Environmental Projects	Washington County Conservation Foundation		Total
-	-	-		12,622
-	-	-		5,467
-	50	-		751
76	-	9,880		10,164
76	50	9,880		29,004
-	-	4,375		4,375
-	-	-		5,887
-	-	4,375		10,262
76	50	5,505		18,742
-	(10,000)	-		(56,000)
76	(9,950)	5,505		(37,258)
9,356	11,496	2,550		181,510
9,432	1,546	8,055		144,252

Schedule 3

Washington County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2012

	Employee Group Health	Flexible Benefits	Total
Assets			
Cash, pooled investments and cash equivalents	\$ 1,300,296	12,912	1,313,208
Liabilities			
Accounts payable	40,002	-	40,002
Net Assets			
Unrestricted	<u>\$ 1,260,294</u>	<u>12,912</u>	<u>1,273,206</u>

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, 2012

	Employee Group Health	Flexible Benefits	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,168,409	-	1,168,409
Reimbursements from employees and others	23,537	-	23,537
Reimbursements from Agency Funds	133,311	-	133,311
Stop loss reimbursements	90,766	-	90,766
Contributions for flexible benefits	-	45,853	45,853
Total operating revenues	1,416,023	45,853	1,461,876
Operating expenses:			
Medical claims	1,080,114	-	1,080,114
Administrative fees	274,468	-	274,468
Flexible benefits claims	-	43,463	43,463
Total operating expenses	1,354,582	43,463	1,398,045
Operating income	61,441	2,390	63,831
Non-operating revenues:			
Interest income	5,962	-	5,962
Net income	67,403	2,390	69,793
Net assets beginning of year	1,192,891	10,522	1,203,413
Net assets end of year	\$ 1,260,294	12,912	1,273,206

See accompanying independent auditor's report.

Washington County

Washington County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2012

	Employee Group Health	Flexible Benefits	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 1,168,409	41,363	1,209,772
Cash received from employees and others	117,169	-	117,169
Cash received from Agency Funds	133,311	4,490	137,801
Cash paid to suppliers for services	(1,384,674)	(43,463)	(1,428,137)
Net cash provided by operating activities	34,215	2,390	36,605
Cash flows from investing activities:			
Interest on investments	5,962	-	5,962
Net increase in cash and cash equivalents	40,177	2,390	42,567
Cash and cash equivalents beginning of year	1,260,119	10,522	1,270,641
Cash and cash equivalents end of year	\$ 1,300,296	12,912	1,313,208
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 61,441	2,390	63,831
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in assets and liabilities:			
Decrease in due from other governments	2,866	-	2,866
Decrease in accounts payable	(30,092)	-	(30,092)
Net cash provided by operating activities	\$ 34,215	2,390	36,605

See accompanying independent auditor's report.

Washington County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,854	135,702	205,854	12,546
Other County officials	109,019	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	5	10	323	25
Succeeding year	-	201,000	403,000	13,698,000	971,000
Accounts	718	-	34	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 109,737	203,859	538,746	13,904,177	983,571
Liabilities					
Accounts payable	\$ -	-	190	-	-
Salaries and benefits payable	-	-	12,136	-	-
Due to other governments	64,141	203,859	522,065	13,904,177	983,571
Trusts payable	45,596	-	-	-	-
Compensated absences	-	-	4,355	-	-
Total liabilities	\$ 109,737	203,859	538,746	13,904,177	983,571

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
80,902	3,984	129,167	471,842	515,545	1,558,396
-	-	-	-	-	109,019
225	4	-	-	24	616
5,403,000	305,000	-	-	924,000	21,905,000
-	-	-	-	36,237	36,989
-	-	-	-	36,359	36,359
5,484,127	308,988	129,167	471,842	1,512,165	23,646,379
-	-	2,410	-	34,694	37,294
-	-	20,385	-	5,612	38,133
5,484,127	308,988	84,457	471,842	1,471,859	23,499,086
-	-	-	-	-	45,596
-	-	21,915	-	-	26,270
5,484,127	308,988	129,167	471,842	1,512,165	23,646,379

Washington County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 124,746	197,657	527,951	14,132,499	886,321
Additions:					
Property and other county tax	-	200,120	400,278	13,603,999	965,267
E911 surcharge	-	-	-	-	-
State tax credits	-	7,199	14,509	514,597	31,706
Office fees and collections	559,399	-	-	-	-
Auto licenses, use tax, postage and drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	159,100	-	-	-	-
Miscellaneous	37,141	-	164	-	-
Total additions	755,640	207,319	414,951	14,118,596	996,973
Deductions:					
Agency remittances:					
To other funds	81,711	-	-	-	-
To other governments	525,064	201,117	404,156	14,346,918	899,723
Trusts paid out	163,874	-	-	-	-
Total deductions	770,649	201,117	404,156	14,346,918	899,723
Balances end of year	\$ 109,737	203,859	538,746	13,904,177	983,571

See accompanying independent auditor's report.

Corpora- tions	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
5,442,393	297,223	149,595	435,395	1,850,726	24,044,506
5,297,900	306,975	-	-	917,125	21,691,664
-	-	-	-	192,180	192,180
172,998	10,950	-	-	32,871	784,830
-	-	-	-	272,774	832,173
-	-	-	6,015,215	-	6,015,215
-	-	-	-	25,845	25,845
-	-	-	-	644,781	803,881
-	-	653,917	-	698,883	1,390,105
5,470,898	317,925	653,917	6,015,215	2,784,459	31,735,893
-	-	-	239,151	-	320,862
5,429,164	306,160	674,345	5,739,617	3,123,020	31,649,284
-	-	-	-	-	163,874
5,429,164	306,160	674,345	5,978,768	3,123,020	32,134,020
5,484,127	308,988	129,167	471,842	1,512,165	23,646,379

Washington County

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

For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 9,197,085	8,129,183	7,795,295	7,474,768
Tax increment financing	1,785,917	1,790,775	1,795,275	1,712,008
Local option sales tax	1,084,809	968,286	872,690	907,821
Interest and penalty on property tax	74,276	76,322	79,213	72,916
Intergovernmental	6,833,101	6,690,934	7,101,605	6,721,217
Licenses and permits	70,128	61,438	54,308	51,350
Charges for service	758,402	714,553	704,331	718,783
Use of money and property	135,668	151,486	175,085	206,634
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	704,465	623,606	358,210	444,509
Total	\$ 20,643,851	19,206,583	18,936,012	18,310,006
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,776,403	3,752,408	3,777,719	3,671,315
Physical health and social services	2,461,339	2,412,125	2,382,538	2,316,409
Mental health	2,301,318	1,733,162	1,633,941	1,642,744
County environment and education	1,043,520	886,227	796,374	733,200
Roads and transportation	4,242,814	4,729,678	4,660,891	4,141,415
Governmental services to residents	595,946	599,233	594,919	587,746
Administration	1,581,466	1,576,049	1,572,228	1,523,319
Non-program	54,498	57,065	46,241	62,187
Debt service	2,971,717	2,288,019	2,297,777	2,061,861
Capital projects	5,340,817	1,801,336	254,840	2,392,295
Total	\$ 24,369,838	19,835,302	18,017,468	19,132,491

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
7,227,078	6,906,888	5,967,872	5,591,648	5,559,921	5,633,767
311,699	-	-	-	-	-
945,907	1,061,073	668,312	748,083	681,633	351,225
68,492	64,707	63,726	59,045	53,893	54,570
6,694,683	5,286,299	8,240,176	6,161,660	5,083,478	5,450,236
48,946	46,203	50,678	50,816	49,619	53,794
688,056	714,464	919,552	649,381	686,167	617,076
424,237	605,055	315,561	206,180	171,402	183,428
-	-	-	-	3,116	8,106
382,126	499,479	179,197	419,137	384,648	725,576
16,791,224	15,184,168	16,405,074	13,885,950	12,673,877	13,077,778
3,447,365	2,680,060	2,660,864	2,781,551	2,575,845	2,658,121
2,183,902	2,239,164	2,004,389	1,900,854	1,906,677	1,825,272
1,793,564	1,830,624	1,338,335	1,368,581	1,379,236	1,524,813
637,552	624,445	525,778	540,426	478,857	411,633
4,521,177	3,927,041	3,998,812	4,109,636	3,766,210	3,566,052
559,917	513,407	640,779	474,804	465,193	480,007
1,354,082	1,221,558	1,247,345	1,224,129	1,293,299	1,133,910
56,424	4,082,771	4,656,959	63,080	86,951	327,280
905,179	853,834	143,920	136,507	68,254	138,675
2,323,948	3,998,616	2,979,542	1,045,744	1,305,961	1,833,034
17,783,110	21,971,520	20,196,723	13,645,312	13,326,483	13,898,797

Washington County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Health and Human Services:			
Drug-Free Communities Support Program Grants	93.276	5-H79-SP012224-09	35,816
Drug-Free Communities Support Program Grants	93.276	5-H79-SP012224-10	63,955
Drug-Free Communities Support Program Grants	93.276	1-H79-SP017267-01	23,278
Drug-Free Communities Support Program Grants	93.276	1-H79-SP017267-01	52,092
			175,141
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		16,422
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority			
Community Development Block Grants/State's program and Non-Entitlement grants in Hawaii	14.228	11-CF-013	43,395
U.S. Department of Justice:			
Iowa Department of Justice - Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-11-75	3,425
Iowa Governor's Office of Drug Control Policy:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	09JAG16852	44,000
U.S. Department of Transportation:			
Iowa Department of Public Health:			
Highway Planning and Construction	20.205	5881OB48	1,725
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO92(69)--8J-92	290,056
Highway Planning and Construction		11-STPE-109	140,000
			431,781
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 12-410, Task 75	25,977
U.S. Environmental Protection Agency:			
Iowa Department of Public Health:			
State Indoor Radon Grants	66.032	MOU-2012-RC-15	1,405
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881BT392	1,249
Public Health Emergency Preparedness	93.069	5881BT92	18,694
			19,943
Immunization Cooperative Agreements	93.268	5881I478	6,001
Immunization Cooperative Agreements	93.268	5882I478	2,370
			8,371

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
Iowa Department of Public Health:			
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	5881DH07	3,104
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	5881NB23	44,980
			48,084
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	588HP23	17,375
PPHF 2012: Nutrition, Physical Activity and Obesity Program - financed in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.548	5882HP48	8,000
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Refugee and Entrant Assistance State Administered Programs	93.566		32
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,670
Foster Care Title IV-E	93.658		5,996
Adoption Assistance	93.659		1,751
Children's Health Insurance Program	93.767		57
Medical Assistance Program	93.778		15,425
Social Services Block Grant	93.667		5,265
Social Services Block Grant	93.667		87,454
			92,719
Iowa Department of Public Health:			
Maternal and Child Health Services Block Grant to the States	93.994	5881MH30	1,585
Maternal and Child Health Services Block Grant to the States	93.994	5882MH30	28,069
			29,654
U.S. Department of Homeland Security			
Iowa Department of Public Defense			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042	EMPG-10-PT-92	17,876
Total indirect			835,358
Total			\$ 1,010,499

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

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Auditor of State

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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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2013. 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

The 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-12 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-12 through II-D-12 to be significant deficiencies.

Compliance and Other Matters

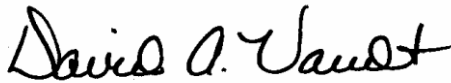
As part of obtaining reasonable assurance about whether Washington County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 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.

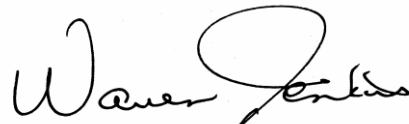
Washington County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Washington County's responses and, accordingly, we express no opinion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

March 18, 2013

Washington County

**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**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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, 2012. 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, 2012.

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 and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all significant deficiencies or material weaknesses have been identified. 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, and 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

March 18, 2013

Washington County
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

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
- (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, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Financial Reporting – During the audit, we identified material amounts of capital assets understated in the County’s financial statements. The County Engineer’s service bureau infrastructure listing required corrections for an accrued construction payment. The County’s asset listing required corrections for infrastructure and construction in progress assets. Adjustments were subsequently made by County personnel to properly include these amounts in the financial statements.

In addition, we noted material amounts of receivables not properly recorded in the County’s financial statements. 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.

Responses:

County Engineer – A plan has been developed to run reports from the county accounting system and the GASB-34 infrastructure system to ensure accrued construction payments are included in both systems. This plan will also include other staff to ensure all costs needing to be identified as accrued are identified during the accrual period.

County Treasurer – We routinely check with departments to confirm which fiscal year each receipt should be applied to. We have been advised on how to determine the correct fiscal year on checks received from the State. All staff has been reminded of the importance of posting accruals and have been advised to check State payments for fiscal year and to continue verifying the fiscal year with the department from which it was received.

Conclusions – Responses accepted.

II-B-12 Sheriff’s Office – A periodic cash count/comparison of seized and abandoned funds is not being performed by the Sheriff’s Office.

Recommendation – A cash count/comparison should be completed on a monthly basis to ensure all funds in the seized and abandoned funds are accounted for.

Response – These funds are currently locked in a room with one individual having access with exception of Sheriff and Chief Deputy. Plus, this room is under camera surveillance 24/7 which records movement inside of room with a second camera on the outside covering door.

We are buying software for records management to help better ensure accountability. In the mean time we will perform an annual check on funds by Evidence Officer and Sheriff or Chief Deputy for accountability checks.

Conclusion – Response accepted.

Washington County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-C-12 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:

- a) The County does not have a written disaster recovery plan.
- b) The County does not have a formal information system security policy or password policy.

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

Response – 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.

II-D-12 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 does reconcile the tax increment financing (TIF) revenues collected and remitted to each TIF district within each City as compared with the debt that each City has certified on an annual basis. The County will be utilizing the new Annual Urban Renewal Reports which are required to be submitted to the Iowa Department of Management for each TIF district and working with cities 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, 2012

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, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-1 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- IV-B-12 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-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-12 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-12 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-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-12 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-12 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-12 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, 2012 for the County Extension Office did not exceed the amount budgeted.

Washington County

Staff

This audit was performed by:

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