



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 26, 2015

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Auditor of State Mary Mosiman today released an audit report on Washington County, Iowa.

The County had local tax revenue of \$34,534,566 for the year ended June 30, 2014, which included \$1,463,664 in tax credits from the state. The County forwarded \$23,720,976 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$10,813,590 of the local tax revenue, including tax increment financing, to finance County operations, a 5.4% decrease from the prior year. Other revenues included charges for service of \$2,063,922, operating grants, contributions and restricted interest of \$5,006,098, capital grants, contributions and restricted interest of \$1,969,727, local option sales and services tax of \$1,114,808, gaming wager tax of \$438,347, gain on disposition of capital assets of \$111,963, unrestricted investment earnings of \$44,021 and other general revenues of \$152,554.

Expenses for County operations for the year ended June 30, 2014 totaled \$17,204,713, a 3.3% decrease from the prior year. Expenses included \$6,170,764 for roads and transportation, \$4,138,085 for public safety and legal services and \$2,282,948 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/1410-0092-B00F.pdf>.

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WASHINGTON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

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Washington County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Abe Miller	Board of Supervisors	Jan 2015
Richard Young	Board of Supervisors	Jan 2015
Jack Seward, Jr.	Board of Supervisors	Jan 2017
Stan Stoops	Board of Supervisors	Jan 2017
Bob Yoder	Board of Supervisors	Jan 2017
Dan Widmer	County Auditor	Jan 2017
Jeffrey A. Garrett	County Treasurer	Jan 2015
Jo Greiner	County Recorder	Jan 2015
Jerry A. Dunbar	County Sheriff	Jan 2017
Shawn Showers	County Attorney	Jan 2015
Christy Tinnes	County Assessor	Jan 2016

Washington County



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Independent Auditor's Report

To the Officials of Washington County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Washington County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 16 and 52 through 56 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted 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 third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2015 on our consideration of Washington County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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 in considering Washington County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 3, 2015

Washington County

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, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 4.3%, or approximately \$974,000, from fiscal year 2013 to fiscal year 2014. Property and other County tax decreased approximately \$629,000, charges for service decreased approximately \$416,000, operating grants, contributions and restricted interest decreased approximately \$35,000 and capital grants, contributions and restricted interest decreased approximately \$58,000.
- Program expenses were 3.3%, or approximately \$583,000 less in fiscal year 2014 than in fiscal year 2013.
- The County's net position increased 7.8%, or approximately \$4,510,000, from June 30, 2013 to June 30, 2014.

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 Position 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 financial statements provide 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.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information 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 Position presents financial information on all of the County's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the 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 Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Washington County's combined net position increased approximately \$5 million from a year ago, increasing from approximately \$57.5 million to approximately \$62 million. The analysis that follows focuses on the change in the net position of governmental activities.

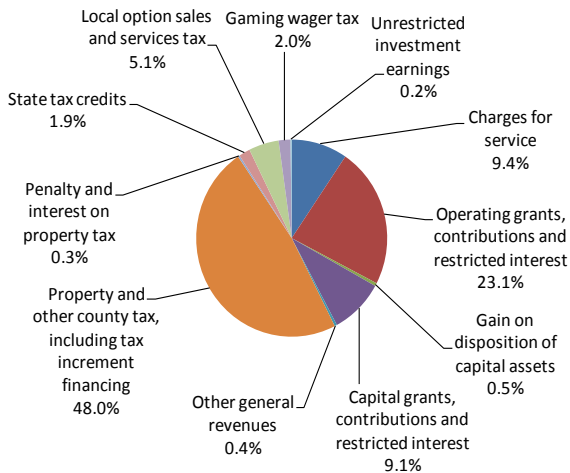
Net Position of Governmental Activities		
	June 30,	
	2014	2013
Current and other assets	\$ 23,409,591	26,313,246
Capital assets	62,656,096	59,206,747
Total assets	<u>86,065,687</u>	<u>85,519,993</u>
Long-term liabilities	864,269	1,279,562
Other liabilities	13,615,951	16,221,548
Total liabilities	<u>14,480,220</u>	<u>17,501,110</u>
Deferred inflows of resources	<u>9,574,267</u>	10,518,000
Net position:		
Invested in capital assets, net of related debt	53,486,096	50,906,213
Restricted	6,109,500	5,799,548
Unrestricted	2,415,604	795,122
Total net position	<u>\$ 62,011,200</u>	<u>57,500,883</u>

The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased from approximately \$5,800,000 at June 30, 2013 to approximately \$6,110,000 at the end of this year, an increase of 5.3%. Unrestricted net position, the part of net position 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 \$795,000 at June 30, 2013 to approximately \$2,416,000 at the end of this year.

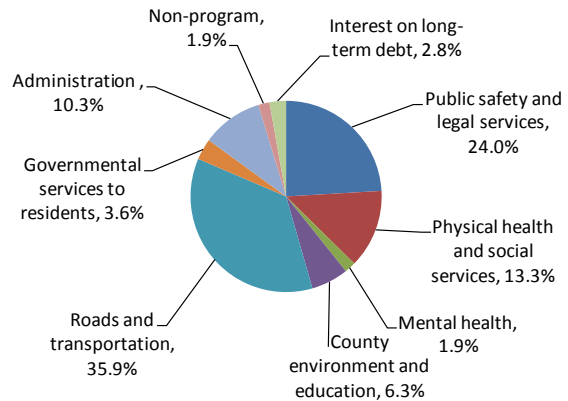
Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 2,063,922	2,480,166
Operating grants, contributions and restricted interest	5,006,098	5,041,139
Capital grants, contributions and restricted interest	1,969,727	2,027,801
General revenues:		
Property and other county tax, including tax increment financing	10,399,791	11,028,439
Penalty and interest on property tax	70,802	72,171
State tax credits	413,799	404,577
Local option sales and services tax	1,114,808	969,263
Gaming wager tax	438,347	435,432
Unrestricted investment earnings	44,021	52,945
Gain on disposition of capital assets	111,963	136,193
Other general revenues	81,752	41,090
Total revenues	21,715,030	22,689,216
Program expenses:		
Public safety and legal services	4,138,085	4,162,001
Physical health and social services	2,282,948	2,565,382
Mental health	328,747	438,406
County environment and education	1,076,674	1,267,147
Roads and transportation	6,170,764	5,960,171
Governmental services to residents	626,204	635,814
Administration	1,773,725	1,778,269
Non-program	324,920	290,850
Interest on long-term debt	482,646	689,183
Total expenses	17,204,713	17,787,223
Change in net position	4,510,317	4,901,993
Net position beginning of year	57,500,883	52,598,890
Net position end of year	\$ 62,011,200	57,500,883

Revenues by Source



Expenses by Program



Revenues for governmental activities decreased approximately \$974,000 from the prior year. Property and other county tax revenue decreased approximately \$629,000, or 5.7%, from the prior year. Operating grants, contributions and restricted interest decreased approximately \$35,000, or 0.7%, from the prior year. Capital grants, contributions and restricted interest decreased approximately \$58,000, or 2.9%, from the prior year, primarily due to the County receiving less in farm to market funds this year than during the prior year.

The County decreased property tax rates \$0.08805 per \$1,000 of taxable valuation for the rural levy and \$0.90031 per \$1,000 of taxable valuation for the countywide levy. The rural property valuation increased \$21,241,854 and the countywide property valuation increased \$35,821,813.

The cost of all governmental activities this year was approximately \$17.2 million compared to approximately \$17.8 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities this year was approximately \$8.2 million because some of the cost was paid by those directly benefiting from the programs (approximately \$2.1 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately 7.0 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$9,549,000 to \$9,040,000, principally due to a decrease in capital grants, contributions and restricted interest.

INDIVIDUAL MAJOR FUND ANALYSIS

As Washington County completed the year, its governmental funds reported a combined fund balance of approximately \$11.8 million, a decrease of approximately \$1.5 million from last year's total fund balance of approximately \$13.3 million. 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 approximately \$226,000, or 5.7%, from the prior year to approximately \$4.212 million. Revenues decreased approximately \$178,000, primarily due to a decrease in property tax levy rates. Expenditures decreased approximately \$342,000 from fiscal year 2013, or approximately 3.7%, primarily due to the reduction in ambulance services expenditures in public safety function, and a decrease in health administration costs in the physical health and social services function.
- The Special Revenue, Mental Health Fund balance increased approximately \$420,000, or 74.2%, from the prior year to approximately \$987,000. Revenues for the year decreased approximately \$151,000, primarily due to a decrease in property tax revenue partially offset by an increase in property tax relief grants from the State.
- The Special Revenue, Rural Services Fund balance increased approximately \$245,000, or 95.7%, from approximately \$256,000 at the end of fiscal year 2013 to approximately \$501,000 at the end of fiscal year 2014. Revenue increased approximately \$190,000, due primarily to an increase in local option sales and services tax revenue and revenue related to reimbursements for sewer system construction. Expenditures decreased approximately \$358,000, primarily due to a decrease in Regional Utility Service Systems (RUSS) expenditures in the current fiscal year.

- Special Revenue, Secondary Roads Fund expenditures increased approximately \$1,151,000 and revenues decreased approximately \$17,000 from the prior year. The Secondary Roads Fund ending fund balance decreased approximately \$417,000, or 14.4%, from the prior year to approximately \$2,473,000. Expenditures increased due to various roadway construction projects.
- The Special Revenue, City of Riverside Tax Increment Financing Fund revenues consist primarily of tax increment financing revenue. These funds are used to retire debt, including interest, on the Riverside infrastructure projects. This fund had a deficit balance of \$63,101 at June 30, 2014.
- The Debt Service Fund ended the fiscal year with approximately \$3.1 million fund of fund balance compared to the prior year fund balance of approximately \$3.2 million. The decrease was due to scheduled debt service payments. The Debt Service Fund reports \$3,004,975 on deposit with an escrow agent to pay bonds which will be called on June 1, 2015.
- The Capital Projects Fund ended fiscal year 2014 with approximately \$381,000 of fund balance compared to the prior year fund balance of approximately \$2.2 million, a decrease of approximately \$1.9 million. Revenue decreased approximately \$635,000, primarily due to state reimbursements of approximately \$451,000 for the Orchard Hill Building remodel in the prior fiscal year and approximately \$206,000 related to Riverboat grants received for the Conservation trail projects completed in the prior fiscal year. Expenditures in the fund decreased approximately \$511,000, from approximately \$2.6 million to approximately \$2.1 million, primarily due to the completion of large projects at the end of the prior fiscal year, including Conservation trail projects, the Orchard Hill Building remodel and numerous roadway construction projects.

Budgetary Highlights

Over the course of the year, Washington County amended its budget two times. The amendment in November 2013 was done primarily to increase budgeted intergovernmental receipts for grants related to community transformation and public health projects. County environment and education function budgeted disbursements increased due to RUSS payments and Bunker Mill bridge restoration. Physical health and social services function budgeted disbursements increased due to community transformation and family connection projects and the capital projects function budgeted disbursements increased for conservation projects.

The second amendment occurred in May 2014. The increase was primarily to decrease budgeted miscellaneous receipts for a grant from the Riverboat Foundation and to decrease intergovernmental receipts for public health grants from the state. The County increased its budget for roads and transportation function disbursements due to an increase in road maintenance costs and increased budgeted capital projects function disbursements for road projects and clock tower projects.

Actual net receipts for fiscal year 2014 were \$19,472,264, which was \$559,695 more than budgeted, due primarily to the County receiving amounts related to the HACAP remodel and campground construction due from the State and budgeted for the previous fiscal year but received in fiscal year 2014.

Actual net disbursements for the year were \$21,244,843, which was \$2,810,428 less than the amount budgeted for disbursements. Public safety and legal services, physical health and social services, mental health, roads and transportation and capital projects function disbursements were significantly less than budgeted for fiscal year 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Washington County had approximately \$62.7 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 \$3.4 million over June 30, 2013.

	Capital Assets of Governmental Activities at Year End	
	June 30,	
	2014	2013
Land	\$ 821,024	821,024
Intangibles, road network	3,060,717	3,060,717
Construction in progress	2,430,108	273,097
Buildings	7,507,724	7,733,370
Improvements other than buildings	123,032	70,436
Equipment and vehicles	2,853,585	2,796,821
Intangibles	84,579	-
Infrastructure	45,775,327	44,451,282
Total	\$ 62,656,096	59,206,747

The County's fiscal year 2014 budget included \$3,531,106 for capital projects, principally for Secondary Roads construction projects, of which approximately \$499,000 was unspent. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Washington County had depreciation/amortization expense of \$1,999,468 in fiscal year 2014 and total accumulated depreciation/amortization of \$23,131,300 at June 30, 2014.

Long-Term Debt

At June 30, 2014, Washington County had \$12,315,000 of general obligation bonds outstanding compared to \$13,315,000 outstanding at the end of fiscal year 2013. The County also had \$823,328 of urban renewal tax increment revenue bonds outstanding at June 30, 2014, as shown below:

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2014	2013
General obligation bonds	\$ 6,300,000	6,500,000
General obligation county road improvement bonds	6,015,000	6,815,000
Urban renewal tax increment (TIF) revenue bonds	823,328	2,447,797
Total	\$ 13,138,328	15,762,797

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 \$86,853,107. 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 debts. 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 2015 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Washington County's unemployment rate has not changed this past year. Unemployment in the County still stands at 3.7%, compared with the State's unemployment rate of 4.4% and the national rate of 6.3% for the same period ended June 30, 2014.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$26.9 million, a decrease of 7% from the fiscal year 2014 final budget.

Budgeted receipts are expected to decrease approximately \$1.9 million while budgeted disbursements are expected to decrease approximately \$3.3 million from the fiscal year 2014 final budget. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$3.0 million by the close of fiscal year 2015.

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 Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 9,536,322
U.S. Treasury securities on deposit with escrow agent	3,004,975
Receivables:	
Property tax:	
Delinquent	5,721
Succeeding year	8,664,000
Succeeding year tax increment financing	910,267
Interest and penalty on property tax	2,195
Accounts	154,032
Accrued interest	1,629
Due from other governments	830,852
Inventories	169,395
Prepaid expense	130,203
Capital assets, net of accumulated depreciation	62,656,096
Total assets	<u>86,065,687</u>
Liabilities	
Accounts payable	421,247
Accrued interest payable	27,533
Salaries and benefits payable	335,591
Due to other governments	79,898
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	3,965,000
Urban renewal tax increment revenue bond	821,715
Compensated absences	249,054
Portion due or payable after one year:	
General obligation bonds	8,350,000
Urban renewal tax increment revenue bond	1,613
Compensated absences	94,380
Net OPEB liability	134,189
Total liabilities	<u>14,480,220</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	8,664,000
Unavailable tax increment financing revenue	910,267
Total deferred inflows of resources	<u>9,574,267</u>
Net Position	
Net investment in capital assets	53,486,096
Restricted for:	
Supplemental levy purposes	1,636,991
Mental health purposes	981,165
Rural services purposes	500,800
Secondary roads purposes	2,389,559
Capital projects	381,464
Other purposes	219,521
Unrestricted	2,415,604
Total net position	<u>\$ 62,011,200</u>

See notes to financial statements.

Washington County

Statement of Activities

Year ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,138,085	504,151	224,999	-	(3,408,935)
Physical health and social services	2,282,948	310,082	1,132,880	-	(839,986)
Mental health	328,747	26,014	388,195	-	85,462
County environment and education	1,076,674	18,766	16,732	-	(1,041,176)
Roads and transportation	6,170,764	261,308	3,051,932	1,969,727	(887,797)
Governmental services to residents	626,204	405,007	16,513	-	(204,684)
Administration	1,773,725	255,073	26,880	-	(1,491,772)
Non-program	324,920	283,521	147,967	-	106,568
Interest on long-term debt	482,646	-	-	-	(482,646)
Total	\$ 17,204,713	2,063,922	5,006,098	1,969,727	(8,164,966)
General Revenues:					
Property and other county tax levied for:					
General purposes					7,910,959
Debt service					742,011
Tax increment financing					1,746,821
Penalty and interest on property tax					70,802
State tax credits					413,799
Local option sales and services tax					1,114,808
Gaming wager tax					438,347
Unrestricted investment earnings					44,021
Gain on disposition of capital assets					111,963
Miscellaneous					81,752
Total general revenues					12,675,283
Change in net position					4,510,317
Net position beginning of year					57,500,883
Net position end of year					\$ 62,011,200

See notes to financial statements.

Washington County

Balance Sheet
Governmental Funds

June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 4,223,496	999,745	327,824	1,951,741
U.S. Treasury securities on deposit with escrow agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	4,683	270	141	-
Succeeding year	5,518,000	319,000	2,047,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	2,195	-	-	-
Accounts	126,372	70	16,626	10,964
Accrued interest	1,629	-	-	-
Due from other funds	-	-	-	6,549
Due from other governments	102,400	2,627	174,209	549,335
Advance to other funds	63,655	-	-	-
Inventories	-	-	-	169,395
Prepaid expenditures	130,203	-	-	-
Total assets	\$ 10,172,633	1,321,712	2,565,800	2,687,984
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 116,253	7,035	14,094	130,025
Salaries and benefits payable	246,940	4,568	3,906	80,177
Due to other funds	6,521	28	-	-
Due to other governments	70,846	4,060	-	4,992
Advance from other funds	-	-	-	-
Total liabilities	440,560	15,691	18,000	215,194
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,518,000	319,000	2,047,000	-
Succeeding year tax increment financing	-	-	-	-
Other	2,317	134	192	-
Total deferred inflows of resources	5,520,317	319,134	2,047,192	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	169,395
Prepaid expenditures	130,203	-	-	-
Loan receivable	-	-	-	-
Restricted for:				
Supplemental levy purposes	1,690,790	-	-	-
Mental health purposes	-	986,887	-	-
Rural services purposes	-	-	500,608	-
Secondary roads purposes	-	-	-	2,303,395
Debt service	-	-	-	-
Capital projects	-	-	-	-
Resource enhancement and protection	-	-	-	-
Other purposes	-	-	-	-
Unassigned	2,390,763	-	-	-
Total fund balances	4,211,756	986,887	500,608	2,472,790
Total liabilities, deferred inflows of resources and fund balances	\$ 10,172,633	1,321,712	2,565,800	2,687,984

See notes to financial statements.

City of Riverside Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
554	78,545	384,429	221,964	8,188,298
-	3,004,975	-	-	3,004,975
-	627	-	-	5,721
-	780,000	-	-	8,664,000
910,267	-	-	-	910,267
-	-	-	-	2,195
-	-	-	-	154,032
-	-	-	-	1,629
-	-	-	-	6,549
-	-	-	2,281	830,852
-	-	-	-	63,655
-	-	-	-	169,395
-	-	-	-	130,203
910,821	3,864,147	384,429	224,245	22,131,771
-	-	2,965	605	270,977
-	-	-	-	335,591
-	-	-	-	6,549
-	-	-	-	79,898
63,655	-	-	-	63,655
63,655	-	2,965	605	756,670
-	780,000	-	-	8,664,000
910,267	-	-	-	910,267
-	310	-	-	2,953
910,267	780,310	-	-	9,577,220
-	-	-	-	169,395
-	-	-	-	130,203
-	-	-	-	1,690,790
-	-	-	-	986,887
-	-	-	-	500,608
-	-	-	-	2,303,395
-	3,083,837	-	-	3,083,837
-	-	381,464	-	381,464
-	-	-	114,265	114,265
-	-	-	109,375	109,375
(63,101)	-	-	-	2,327,662
(63,101)	3,083,837	381,464	223,640	11,797,881
910,821	3,864,147	384,429	224,245	22,131,771

Washington County
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position

June 30, 2014

Total governmental fund balances (page 21) \$ 11,797,881

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$85,787,396 and the accumulated depreciation is \$23,131,300. 62,656,096

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 2,953

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 Position. 1,197,754

Long-term liabilities, including general obligation 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. (13,643,484)

Net position of governmental activities (page 18) \$ 62,011,200

See notes to financial statements.

Washington County

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

Year ended June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 6,025,865	315,355	2,008,991	-
Tax increment financing	-	-	-	-
Local option sales and services tax	-	-	1,114,808	-
Interest and penalty on property tax	70,802	-	-	-
Intergovernmental	2,232,621	403,439	96,313	3,136,792
Licenses and permits	73,430	-	-	13,670
Charges for service	657,077	26,014	2,100	223
Use of money and property	32,981	-	-	-
Miscellaneous	155,088	-	16,626	253,300
Total revenues	<u>9,247,864</u>	<u>744,808</u>	<u>3,238,838</u>	<u>3,403,985</u>
Expenditures:				
Operating:				
Public safety and legal services	3,751,216	-	260,007	-
Physical health and social services	2,242,735	-	65	-
Mental health	-	324,392	-	-
County environment and education	519,072	-	379,751	-
Roads and transportation	-	-	200,773	4,805,553
Governmental services to residents	595,578	-	2,929	-
Administration	1,661,955	-	-	-
Non-program	88,683	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	903,471
Total expenditures	<u>8,859,239</u>	<u>324,392</u>	<u>843,525</u>	<u>5,709,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>388,625</u>	<u>420,416</u>	<u>2,395,313</u>	<u>(2,305,039)</u>
Other financing sources (uses):				
Transfers in	-	-	-	1,888,466
Transfers out	(162,983)	-	(2,150,483)	-
Total other financing sources (uses)	<u>(162,983)</u>	<u>-</u>	<u>(2,150,483)</u>	<u>1,888,466</u>
Change in fund balances	225,642	420,416	244,830	(416,573)
Fund balances beginning of year	<u>3,986,114</u>	<u>566,471</u>	<u>255,778</u>	<u>2,889,363</u>
Fund balances end of year	<u>\$ 4,211,756</u>	<u>986,887</u>	<u>500,608</u>	<u>2,472,790</u>

See notes to financial statements.

City of Riverside Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
-	742,056	-	-	9,092,267
1,746,821	-	-	-	1,746,821
-	-	-	-	1,114,808
-	-	-	-	70,802
-	33,402	16,500	16,729	5,935,796
-	-	-	-	87,100
-	-	47,894	4,677	737,985
554	14,233	91,531	291	139,590
-	-	61,260	28,644	514,918
1,747,375	789,691	217,185	50,341	19,440,087
-	-	-	-	4,011,223
-	-	-	-	2,242,800
-	-	-	-	324,392
-	-	-	27,255	926,078
-	-	-	-	5,006,326
-	-	-	605	599,112
-	-	-	-	1,661,955
-	-	-	-	88,683
1,747,553	1,369,790	-	-	3,117,343
-	-	2,077,643	-	2,981,114
1,747,553	1,369,790	2,077,643	27,860	20,959,026
(178)	(580,099)	(1,860,458)	22,481	(1,518,939)
-	425,000	-	-	2,313,466
-	-	-	-	(2,313,466)
-	425,000	-	-	-
(178)	(155,099)	(1,860,458)	22,481	(1,518,939)
(62,923)	3,238,936	2,241,922	201,159	13,316,820
(63,101)	3,083,837	381,464	223,640	11,797,881

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, 2014

Change in fund balances - Total governmental funds (page 25) \$(1,518,939)

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

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

Expenditures for capital assets	\$ 3,459,129	
Capital assets contributed by the Department of Transportation	1,877,725	
Depreciation expense	<u>(1,999,468)</u>	3,337,386

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 111,963

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds. (952)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 2,624,469

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	6,269	
Other postemployment benefits	(25,141)	
Interest on long-term debt	<u>10,228</u>	(8,644)

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 position of the Internal Service Funds is reported with governmental activities. (34,966)

Change in net position of governmental activities (page 19) \$ 4,510,317

See notes to financial statements.

Washington County
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 1,348,024
Liabilities	
Accounts payable	<u>150,270</u>
Net Position	
Unrestricted	<u>\$ 1,197,754</u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2014

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,048,067
Reimbursements from employees and others		20,809
Reimbursements from Agency Funds		128,038
Stop loss reimbursements		130,248
Contributions for flexible benefits		32,585
Total operating revenues		<u>1,359,747</u>
Operating expenses:		
Medical claims	\$ 1,119,623	
Administrative fees	243,997	
Flexible benefits claims	<u>33,779</u>	<u>1,397,399</u>
Operating loss		(37,652)
Non-operating revenues:		
Interest income		<u>2,686</u>
Net loss		(34,966)
Net position beginning of year		<u>1,232,720</u>
Net position end of year		<u><u>\$ 1,197,754</u></u>

See notes to financial statements.

Washington County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2014

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,076,225
Cash received from employees and others	151,057
Cash received from Agency Funds	132,465
Cash paid to suppliers for services	(1,395,577)
Net cash used by operating activities	(35,830)
Cash flows from investing activities:	
Interest on investments	2,686
Decrease in cash and cash equivalents	(33,144)
Cash and cash equivalents beginning of year	1,381,168
Cash and cash equivalents end of year	\$ 1,348,024
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (37,652)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Increase in accounts payable	1,822
Net cash used by operating activities	\$ (35,830)

See notes to financial statements.

Washington County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,764,730
Other County officials	89,872

Receivables:

Property tax:

Delinquent	26,542
Succeeding year	22,925,000

Accounts	92,371
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Special assessments	58,568
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Due from other governments	66,536
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Total assets

25,023,619

Liabilities

Accounts payable	85,550
------------------	--------

Salaries and benefits payable	45,323
-------------------------------	--------

Due to other governments	24,830,908
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Trusts payable	25,106
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Compensated absences	36,732
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Total liabilities

25,023,619

Net position

\$ -

See notes to financial statements.

Washington County

Notes to Financial Statements

June 30, 2014

(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 Position 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 Position presents the County’s nonfiduciary assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restated net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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, intellectual disabilities 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 Fund and the Special Revenue, Rural Services Fund 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 position 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.

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, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have 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, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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 Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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, 2014. 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 Position.

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

Deferred Inflows of Resources – 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 inflows of resources 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 inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax and tax increment financing receivables which will not be recognized as revenue until the year for which it is levied.

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 Position – The net position 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, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2014 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, 2014, the County had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity</u>
U.S. Treasury Securities	\$ 27,465	December 2014
U.S. Treasury Securities	<u>2,977,510</u>	June 2015
Total	<u>\$ 3,004,975</u>	

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

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, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 6,521
	Special Revenue: Mental Health	28
Total		<u>\$ 6,549</u>

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

(4) Advances to and From Other Funds

The detail of advances to/from other funds at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: City of Riverside Tax Increment Financing	<u>\$63,655</u>

The County approved an advance from the General Fund to the Special Revenue, City of Riverside Tax Increment Financing Fund.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 162,983
	Special Revenue: Rural Services	1,725,483
		<u>1,888,466</u>
Debt Service	Special Revenue: Rural Services	425,000
Total		<u>\$ 2,313,466</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, 2014 was as follows:

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 821,024	-	-	821,024
Intangibles, road network	3,060,717	-	-	3,060,717
Construction in progress	273,097	4,612,066	(2,455,055)	2,430,108
Total capital assets not being depreciated/amortized	<u>4,154,838</u>	<u>4,612,066</u>	<u>(2,455,055)</u>	<u>6,311,849</u>
Capital assets being depreciated/amortized:				
Buildings	11,799,960	-	-	11,799,960
Improvements other than buildings	88,044	58,964	-	147,008
Equipment and vehicles	8,318,808	699,654	(369,113)	8,649,349
Intangibles	-	90,620	-	90,620
Infrastructure, road network	56,333,555	2,455,055	-	58,788,610
Total capital assets being depreciated/amortized	<u>76,540,367</u>	<u>3,304,293</u>	<u>(369,113)</u>	<u>79,475,547</u>
Less accumulated depreciation/amortization for:				
Buildings	4,066,589	225,647	-	4,292,236
Improvements other than buildings	17,608	6,368	-	23,976
Equipment and vehicles	5,521,988	630,402	(356,626)	5,795,764
Intangibles	-	6,041	-	6,041
Infrastructure, road network	11,882,273	1,131,010	-	13,013,283
Total accumulated depreciation/amortization	<u>21,488,458</u>	<u>1,999,468</u>	<u>(356,626)</u>	<u>23,131,300</u>
Total capital assets being depreciated/amortized, net	<u>55,051,909</u>	<u>1,304,825</u>	<u>(12,487)</u>	<u>56,344,247</u>
Governmental activities capital assets, net	<u>\$ 59,206,747</u>	<u>5,916,891</u>	<u>(2,467,542)</u>	<u>62,656,096</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 278,775
Physical health and social services	11,419
County environment and education	65,223
Roads and transportation	1,529,404
Governmental services to residents	16,391
Administration	<u>98,256</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 1,999,468</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, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 70,846
Special Revenue:		
Mental Health	Services	4,060
Secondary Roads	Services	4,992
		<u>9,052</u>
Total for governmental funds		<u>\$ 79,898</u>
Agency:		
County Offices	Collections	\$ 65,117
Agricultural Extension Education		216,704
County Assessor		674,244
Schools		14,247,895
Community Colleges		1,048,831
Corporations		5,883,525
Townships		335,586
Public Safety Commission		92,925
Auto License and Use Tax		498,265
All other		1,767,816
Total for agency funds		<u>\$ 24,830,908</u>

(8) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	General Obligation Bonds	General County Road Improvement Bonds	Urban Renewal Tax Increment Revenue Bond	Compen- sated Absences	Other Post- employment Benefits	Total
Balance beginning of year	\$ 6,500,000	6,815,000	2,447,797	349,703	109,048	16,221,548
Increases	-	-	-	392,555	33,206	425,761
Decreases	200,000	800,000	1,624,469	398,824	8,065	3,031,358
Balance end of year	<u>\$ 6,300,000</u>	<u>6,015,000</u>	<u>823,328</u>	<u>343,434</u>	<u>134,189</u>	<u>13,615,951</u>
Due within one year	<u>\$ 3,155,000</u>	<u>810,000</u>	<u>821,715</u>	<u>249,054</u>	<u>-</u>	<u>5,035,769</u>

General Obligation Bonds

A summary of the County's June 30, 2014 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Series 2006B			Series 2012A		
	Issued August 15, 2006			Issued February 15, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	4.10%	\$ 3,155,000	138,825		\$ -	67,528
2016		-	-	2.00%	260,000	67,528
2017		-	-	2.00	265,000	62,328
2018		-	-	2.00	270,000	57,028
2019		-	-	2.00	275,000	51,628
2020-2024		-	-	2.00-2.30	1,450,000	173,195
2025-2026		-	-	2.45-2.60	625,000	23,975
Total		<u>\$ 3,155,000</u>	<u>138,825</u>		<u>\$3,145,000</u>	<u>503,210</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2015	\$ 3,155,000	206,353	3,361,353
2016	260,000	67,528	327,528
2017	265,000	62,328	327,328
2018	270,000	57,028	327,028
2019	275,000	51,628	326,628
2020-2024	1,450,000	173,195	1,623,195
2025-2026	625,000	23,975	648,975
Total	<u>\$ 6,300,000</u>	<u>642,035</u>	<u>6,942,035</u>

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 the 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.

During the year ended June 30, 2014, the County retired \$200,000 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, 2014 general obligation county road improvement bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.000%	\$ 810,000	138,088	948,088
2016	2.000	820,000	121,838	941,838
2017	2.125	835,000	105,388	940,388
2018	2.375	855,000	87,531	942,531
2019	2.625	875,000	67,372	942,372
2020-2021	2.750 - 3.000	1,820,000	65,093	1,885,093
Total		\$ 6,015,000	585,310	6,600,310

During the year ended June 30, 2014, the County retired \$800,000 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, 2014, the County retired \$1,624,469 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 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$581,845, \$558,893 and \$524,720, 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, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 33,006
Interest on net OPEB obligation	4,400
Adjustment to annual required contributions	<u>(4,200)</u>
Annual OPEB cost	33,206
Contribution made	<u>(8,065)</u>
Increase in net OPEB obligation	25,141
Net OPEB obligation beginning of year	<u>109,048</u>
Net OPEB obligation end of year	<u>\$134,189</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, 2014.

For the year ended June 30, 2014, the County contributed \$8,065 to the medical plan. Plan members eligible for benefits contributed \$21,973, or 73% 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
2013	\$ 28,145	34.0%	\$ 84,086
2014	33,027	24.4	109,048
2015	33,206	24.3	134,189

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$246,838, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$246,838. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,432,000 and the ratio of UAAL to covered payroll was 3.8%. As of June 30, 2014, there were no trust fund assets.

The projection of future benefit payments for an ongoing plan involves 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 health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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, presents 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.

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, presents 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, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

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 700 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 of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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, 2014 were \$163,392.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the county's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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 \$100,000, respectively. The county assumes liability for nay 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, 2014 was \$1,048,067.

Amounts payable from the Employee Group Health Fund at June 30, 2014 total \$150,270, 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 \$1,197,754 at June 30, 2014 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. 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	\$ 148,448
Incurred claims (including claims incurred but not reported at June 30, 2014)	1,119,623
Payments	<u>(1,117,801)</u>
Unpaid claims end of year	<u>\$ 150,270</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, 2014 was \$17,810,000.

(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, 2014:

Additions:

Contributions from governmental units:

Washington County	\$ 257,919	
City of Washington	240,185	
Other cities	176,193	\$ 674,297
Reimbursement from Joint E-911 Service Board		20,000
Miscellaneous		8,875
Total additions		<u>\$ 703,172</u>

Deductions:

Salaries	438,252	
Benefits	144,976	
Office supplies and postage	3,261	
Uniforms	1,427	
Travel	9,011	
Telephone and fax services	13,485	
Training	1,670	
Tort liability insurance	4,191	
Professional services	26,076	
Equipment maintenance	21,127	
Radio equipment maintenance	10,869	
Office equipment and furniture	369	
Utilities	9,937	
Miscellaneous	4,367	689,018
Net		14,154
Balance beginning of year		138,182
Balance end of year		<u><u>\$ 152,336</u></u>

(15) Deficit Fund Balance

The Special Revenue, City of Riverside Tax Increment Financing Fund had a deficit balance of \$63,101 at June 30, 2014. The deficit balance will be eliminated upon receipt of tax increment financing revenue in fiscal year 2015.

(16) Early Childhood Iowa Area Board

The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2014 is as follows:

	Early Childhood	School Ready	Total
Additions:			
State of Iowa grants:			
Early childhood	\$ 67,564	-	67,564
Family support and parent education	-	211,605	211,605
Preschool support for low-income families	-	92,910	92,910
Quality improvement	-	46,187	46,187
Allocation for administration	-	11,536	11,536
Other grant programs	-	22,659	22,659
Interest income	42	190	232
Total additions	67,606	385,087	452,693
Deductions:			
Program services:			
Early childhood	57,461	-	57,461
Family support and parent education	-	211,605	211,605
Preschool support for low income families	-	102,732	102,732
Quality improvement	-	45,691	45,691
Other program services	-	33,328	33,328
Total program services	57,461	393,356	450,817
Administration	3,379	13,215	16,594
Total deductions	60,840	406,571	467,411
Change in fund balance	6,766	(21,484)	(14,718)
Fund balance beginning of year	-	31,924	31,924
Fund balance end of year	\$ 6,766	10,440	17,206

(17) Construction Commitments

The County has entered into contracts totaling \$6,187,946 for road, trail construction and building improvement projects. As of June 30, 2014, costs of \$4,882,761 on the projects have been incurred. The balance of \$1,305,185 remaining on the contracts at June 30, 2014 will be paid as work on the projects progress.

(18) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

Washington County

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2014

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 11,940,231	-	11,940,231
Interest and penalty on property tax	68,802	-	68,802
Intergovernmental	5,933,507	-	5,933,507
Licenses and permits	87,073	-	87,073
Charges for service	803,337	-	803,337
Use of money and property	140,117	-	140,117
Miscellaneous	508,678	9,481	499,197
Total receipts	<u>19,481,745</u>	<u>9,481</u>	<u>19,472,264</u>
Disbursements:			
Public safety and legal services	3,986,723	-	3,986,723
Physical health and social services	2,237,629	-	2,237,629
Mental health	338,284	-	338,284
County environment and education	1,299,827	15,035	1,284,792
Roads and transportation	4,939,980	-	4,939,980
Governmental services to residents	596,069	-	596,069
Administration	1,656,379	-	1,656,379
Non-program	55,237	-	55,237
Debt service	3,117,344	-	3,117,344
Capital projects	3,032,406	-	3,032,406
Total disbursements	<u>21,259,878</u>	<u>15,035</u>	<u>21,244,843</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,778,133)	(5,554)	(1,772,579)
Balance beginning of year	<u>12,971,406</u>	<u>8,059</u>	<u>12,963,347</u>
Balance end of year	<u>\$ 11,193,273</u>	<u>2,505</u>	<u>11,190,768</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
11,932,949	11,932,949	7,282
70,500	70,500	(1,698)
5,476,983	5,576,974	356,533
52,550	52,550	34,523
697,997	697,977	105,360
147,184	147,184	(7,067)
363,250	434,435	64,762
18,741,413	18,912,569	559,695
4,539,054	4,554,254	567,531
2,631,192	2,685,323	447,694
677,150	677,150	338,866
942,693	1,391,693	106,901
5,189,114	5,331,675	391,695
706,212	706,212	110,143
1,949,618	1,949,618	293,239
45,400	55,400	163
3,172,840	3,172,840	55,496
3,261,606	3,531,106	498,700
23,114,879	24,055,271	2,810,428
(4,373,466)	(5,142,702)	3,370,123
7,783,948	9,902,535	3,060,812
3,410,482	4,759,833	6,430,935

Washington County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 19,481,745	(41,658)	19,440,087
Expenditures	21,259,878	(300,852)	20,959,026
Net	(1,778,133)	259,194	(1,518,939)
Other financing sources (uses), net	-	-	-
Beginning fund balances	12,971,406	345,414	13,316,820
Ending fund balances	\$ 11,193,273	604,608	11,797,881

See accompanying independent auditor's report.

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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 \$940,392. 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, 2014, disbursements did not exceed the amounts budgeted.

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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)			
2011	Jul 1, 2009	-	-	\$ 205	0.0%	\$ 6,261	3.3%
2012	Jul 1, 2009	-	-	205	0.0	6,263	3.3
2013	Jul 1, 2012	-	-	247	0.0	6,295	3.9
2014	Jul 1, 2012	-	-	247	0.0	6,432	3.8

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, 2014

	County Recorder's Records Management	Resource Enhance- ment and Protection	Law Enforcement County Attorney
Assets			
Cash, cash equivalents and pooled investments	\$ 32,079	114,265	13,412
Due from other governments	423	-	-
Total assets	\$ 32,502	114,265	13,412
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 605	-	-
Fund balances:			
Restricted for:			
Resource enhancement and protection	-	114,265	-
Other purposes	31,897	-	13,412
Total fund balances	31,897	114,265	13,412
Total liabilities and fund balances	\$ 32,502	114,265	13,412

See accompanying independent auditor's report.

Special Revenue					
Law Enforcement County Sheriff	Supplemental Environmental Projects	Washington County Conservation Foundation	Delinquent Fines		Total
18,658	1,554	2,505	39,491		221,964
-	-	-	1,858		2,281
18,658	1,554	2,505	41,349		224,245
-	-	-	-		605
-	-	-	-		114,265
18,658	1,554	2,505	41,349		109,375
18,658	1,554	2,505	41,349		223,640
18,658	1,554	2,505	41,349		224,245

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

Year ended June 30, 2014

	County Recorder's Records Management	Resource Enhance- ment and Protection	Law Enforcement County Attorney
Revenues:			
Intergovernmental	\$ -	16,729	-
Charges for service	4,677	-	-
Use of money and property	63	225	-
Miscellaneous	-	-	-
Total revenues	4,740	16,954	-
Expenditures:			
Operating:			
County environment and education	-	-	-
Governmental services to residents	605	-	-
Total expenditures	605	-	-
Change in fund balances	-	-	-
Fund balances beginning of year	27,762	97,311	13,412
Fund balances end of year	\$ 27,762	97,311	13,412

See accompanying independent auditor's report.

Special Revenue					
Law Enforcement County Sheriff	Supplemental Environmental Projects	Washington County Conservation Foundation	Delinquent Fines	Total	
-	-	-	-	-	16,729
-	-	-	-	-	4,677
-	3	-	-	-	291
180	-	9,481	18,983		28,644
180	3	9,481	18,983		50,341
-	-	15,035	12,220		27,255
-	-	-	-		605
-	-	15,035	12,220		27,860
-	-	-	-		-
18,478	1,551	8,059	34,586		201,159
18,478	1,551	8,059	34,586		201,159

Schedule 3

Washington County
Combining Schedule of Net Position
Internal Service Funds

June 30, 2014

	Employee Group Health	Flexible Benefits	Total
Assets			
Cash and cash equivalents	\$ 1,337,476	10,548	1,348,024
Liabilities			
Accounts payable	150,270	-	150,270
Net Position			
Unrestricted	\$ 1,187,206	10,548	1,197,754

See accompanying independent auditor's report.

Washington County

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

Year ended June 30, 2014

	Employee Group Health	Flexible Benefits	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,048,067	-	1,048,067
Reimbursements from employees and others	20,809	-	20,809
Reimbursements from Agency Funds	128,038	-	128,038
Stop loss reimbursements	130,248	-	130,248
Contributions for flexible benefits	-	32,585	32,585
Total operating revenues	1,327,162	32,585	1,359,747
Operating expenses:			
Medical claims	1,119,623	-	1,119,623
Administrative fees	243,997	-	243,997
Flexible benefits claims	-	33,779	33,779
Total operating expenses	1,363,620	33,779	1,397,399
Operating loss	(36,458)	(1,194)	(37,652)
Non-operating revenues:			
Interest income	2,686	-	2,686
Net loss	(33,772)	(1,194)	(34,966)
Net position beginning of year	1,220,978	11,742	1,232,720
Net position end of year	\$ 1,187,206	10,548	1,197,754

See accompanying independent auditor's report.

Washington County

Washington County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2014

	Employee Group Health	Flexible Benefits	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 1,048,067	28,158	1,076,225
Cash received from employees and others	151,057	-	151,057
Cash received from Agency Funds	128,038	4,427	132,465
Cash paid to suppliers for services	(1,361,798)	(33,779)	(1,395,577)
Net cash used by operating activities	(34,636)	(1,194)	(35,830)
Cash flows from investing activities:			
Interest on investments	2,686	-	2,686
Net decrease in cash and cash equivalents	(31,950)	(1,194)	(33,144)
Cash and cash equivalents beginning of year	1,369,426	11,742	1,381,168
Cash and cash equivalents end of year	\$ 1,337,476	10,548	1,348,024
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (36,458)	(1,194)	(37,652)
Adjustment to reconcile operating loss to net cash used by operating activities:			
Increase in accounts payable	1,822	-	1,822
Net cash used by operating activities	\$ (34,636)	(1,194)	(35,830)

See accompanying independent auditor's report.

Washington County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,523	218,739	170,929	11,955
Other County officials	89,872	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	181	403	11,966	876
Succeeding year	-	214,000	475,000	14,065,000	1,036,000
Accounts	351	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 90,223	216,704	694,142	14,247,895	1,048,831
Liabilities					
Accounts payable	\$ -	-	121	-	-
Salaries and benefits payable	-	-	13,938	-	-
Due to other governments	65,117	216,704	674,244	14,247,895	1,048,831
Trusts payable	25,106	-	-	-	-
Compensated absences	-	-	5,839	-	-
Total liabilities	\$ 90,223	216,704	694,142	14,247,895	1,048,831

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
69,270	3,556	152,336	498,265	637,157	1,764,730
-	-	-	-	-	89,872
12,255	30	-	-	831	26,542
5,802,000	332,000	-	-	1,001,000	22,925,000
-	-	-	-	92,020	92,371
-	-	-	-	58,568	58,568
-	-	-	-	66,536	66,536
<u>5,883,525</u>	<u>335,586</u>	<u>152,336</u>	<u>498,265</u>	<u>1,856,112</u>	<u>25,023,619</u>
-	-	4,394	-	81,035	85,550
-	-	24,124	-	7,261	45,323
5,883,525	335,586	92,925	498,265	1,767,816	24,830,908
-	-	-	-	-	25,106
-	-	30,893	-	-	36,732
<u>5,883,525</u>	<u>335,586</u>	<u>152,336</u>	<u>498,265</u>	<u>1,856,112</u>	<u>25,023,619</u>

Washington County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 112,418	208,921	610,776	13,750,290	1,005,889
Additions:					
Property and other county tax	-	212,370	471,223	13,954,762	1,027,945
E911 surcharge	-	-	-	-	-
State tax credits	-	9,880	21,718	653,443	46,949
Office fees and collections	657,776	-	-	-	-
Auto licenses, use tax, postage and drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	701	-	-	-	-
Miscellaneous	14	-	251	-	-
Total additions	658,491	222,250	493,192	14,608,205	1,074,894
Deductions:					
Agency remittances:					
To other funds	35,334	-	409,826	-	-
To other governments	512,247	214,467	-	14,110,600	1,031,952
Trusts paid out	133,105	-	-	-	-
Total deductions	680,686	214,467	409,826	14,110,600	1,031,952
Balances end of year	\$ 90,223	216,704	694,142	14,247,895	1,048,831

See accompanying independent auditor's report.

Corpora- tions	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
5,633,001	320,049	138,182	471,657	1,728,197	23,979,380
5,681,083	331,177	-	-	992,551	22,671,111
-	-	-	-	225,593	225,593
256,653	14,953	-	-	46,269	1,049,865
-	-	-	-	297,064	954,840
-	-	-	6,432,984	-	6,432,984
-	-	-	-	102,439	102,439
-	-	-	-	70,450	71,151
-	-	703,172	-	600,823	1,304,260
5,937,736	346,130	703,172	6,432,984	2,335,189	32,812,243
-	-	-	250,167	-	695,327
5,687,212	330,593	689,018	6,156,209	2,207,274	30,939,572
-	-	-	-	-	133,105
5,687,212	330,593	689,018	6,406,376	2,207,274	31,768,004
5,883,525	335,586	152,336	498,265	1,856,112	25,023,619

Washington County

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

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 9,092,267	9,658,584	9,197,085	8,129,183
Tax increment financing	1,746,821	1,807,197	1,785,917	1,790,775
Local option sales tax	1,114,808	969,263	1,084,809	968,286
Interest and penalty on property tax	70,802	72,171	74,276	76,322
Intergovernmental	5,935,796	6,094,416	6,833,101	6,690,934
Licenses and permits	87,100	71,390	70,128	61,438
Charges for service	737,985	788,891	758,402	714,553
Use of money and property	139,590	148,447	135,668	151,486
Miscellaneous	514,918	856,268	704,465	623,606
Total	\$ 19,440,087	20,466,627	20,643,851	19,206,583
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,011,223	4,106,744	3,776,403	3,752,408
Physical health and social services	2,242,800	2,517,575	2,461,339	2,412,125
Mental health	324,392	435,068	2,301,318	1,733,162
County environment and education	926,078	1,247,107	1,043,520	886,227
Roads and transportation	5,006,326	4,651,989	4,242,814	4,729,678
Governmental services to residents	599,112	600,254	595,946	599,233
Administration	1,661,955	1,695,303	1,581,466	1,576,049
Non-program	88,683	59,227	54,498	57,065
Debt service	3,117,343	3,417,027	2,971,717	2,288,019
Capital projects	2,981,114	2,677,266	5,340,817	1,801,336
Total	\$ 20,959,026	21,407,560	24,369,838	19,835,302

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
7,795,295	7,474,768	7,227,078	6,906,888	5,967,872	5,591,648
1,795,275	1,712,008	311,699	-	-	-
872,690	907,821	945,907	1,061,073	668,312	748,083
79,213	72,916	68,492	64,707	63,726	59,045
7,101,605	6,721,217	6,694,683	5,286,299	8,240,176	6,161,660
54,308	51,350	48,946	46,203	50,678	50,816
704,331	718,783	688,056	714,464	919,552	649,381
175,085	206,634	424,237	605,055	315,561	206,180
358,210	444,509	382,126	499,479	179,197	419,137
18,936,012	18,310,006	16,791,224	15,184,168	16,405,074	13,885,950
3,777,719	3,671,315	3,447,365	2,680,060	2,660,864	2,781,551
2,382,538	2,316,409	2,183,902	2,239,164	2,004,389	1,900,854
1,633,941	1,642,744	1,793,564	1,830,624	1,338,335	1,368,581
796,374	733,200	637,552	624,445	525,778	540,426
4,660,891	4,141,415	4,521,177	3,927,041	3,998,812	4,109,636
594,919	587,746	559,917	513,407	640,779	474,804
1,572,228	1,523,319	1,354,082	1,221,558	1,247,345	1,224,129
46,241	62,187	56,424	4,082,771	4,656,959	63,080
2,297,777	2,061,861	905,179	853,834	143,920	136,507
254,840	2,392,295	2,323,948	3,998,616	2,979,542	1,045,744
18,017,468	19,132,491	17,783,110	21,971,520	20,196,723	13,645,312

Washington County



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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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 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, the 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, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 3, 2015.

Internal Control Over Financial Reporting

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

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

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 deficiencies described in the accompanying Schedule of Findings as items (A) through (D) to be material weaknesses.

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 deficiency described in the accompanying Schedule of Findings as item (E) to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 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

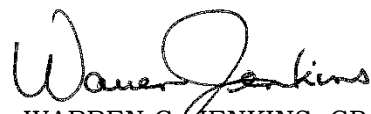
Washington County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Washington County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 3, 2015

Washington County

Washington County

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or more individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Collection and deposit preparation functions were not performed by an individual who does not record and account for cash receipts.	Auditor, Recorder and Agricultural Extension
(2) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. There is no independent review of the bank reconciliation.	Recorder and Agricultural Extension

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Officials should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Responses –

County Auditor – We will review our operating procedures in an effort to determine maximum internal control possible utilizing current staff and space limitations.

County Recorder – With our number of employees, segregation of duties is difficult if not impossible. However, we will continue to search for ways to correct this.

County Agricultural Extension – Administrative assistant will sign and date monthly bank reconciliation to acknowledge they have been reviewed. Office assistants will take turns opening mail, preparing bank deposits and delivering deposits to bank. They will verify each other’s deposit and initial deposit slip after reviewing receipts to deposit.

Conclusions – Responses acknowledged. The County Auditor, the County Recorder and the County Agricultural Extension Office should utilize current personnel, including personnel from other offices, to provide additional control through review of financial transactions, reconciliations and reports.

Washington County

Schedule of Findings

Year ended June 30, 2014

- (B) Capital Assets – Capital assets are not periodically tested by an independent person to determine the assets exist and all assets are included in the capital asset listing. In addition, no individual reconciles the capital assets to capital expenditures to ensure the asset list is complete.

Recommendation – A person who does not have responsibility for capital assets should periodically test capital assets to ensure the accuracy of the capital asset listing. In addition, a reconciliation of capital asset additions should be reconciled to capital expenditures to ensure the asset listing is accurate and complete.

Response – We will designate personnel to periodically test capital assets with the goal of ensuring accuracy of the capital asset listing. We will also reconcile capital asset additions to capital expenditures.

Conclusion – Response accepted.

- (C) Payroll – Wage calculations by the County for Washington County E911 dispatchers were reviewed for timesheets from July 2012 through August 6, 2014 to determine if dispatchers were properly paid. Our procedures identified incorrect calculations for overtime paid by the County. The incorrect calculations resulted in \$17,384 of underpaid overtime to 13 dispatchers and an overpayment of \$65.89 to one dispatcher.

Recommendation – The County should consult legal counsel to determine the proper disposition of these matters.

Response – This matter has been completed.

Conclusion – Response accepted.

- (D) Tax Increment Financing – The County Auditor did 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 for each district.

Response – Each TIF district will be reconciled in terms of cumulative TIF tax remitted compared to debt certified.

Conclusion – Response accepted.

Washington County

Schedule of Findings

Year ended June 30, 2014

(E) 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 – We will work on a goal of establishing a written disaster recovery plan, information security policy and password policy.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Washington County

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.
- (2) Questionable Expenditures - In 2014, the County Assessor's Office allowed a claim for \$127.62 for the purchase of Sirius XM Radio. This expenditure may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The County Assessor's Office should determine and document the public purpose served by this expenditure before authorizing any further payments. If this practice is continued, the County Assessor's Office should establish written policies and procedures, including the requirement for proper documentation.

Response – This issue will be discussed with the Assessor's Office in order to inform and review public purpose.

Conclusion – Response accepted.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (5) 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.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) 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.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Washington County

Schedule of Findings

Year ended June 30, 2014

- (9) 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, 2014 for the County Extension Office did not exceed the amount budgeted.

- (10) Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management (DOM) on or before December 1, but the amount reported by the County as tax increment financing debt outstanding at the beginning of the year was underreported by \$5,700.

Recommendation – The County should file the Annual Urban Renewal Report timely and ensure the debt amounts reported on the Levy Summary agree with County records.

Response – We will correct this issue on future Annual Urban Renewal Reports.

Conclusion – Response accepted.

- (12) Financial Condition – Although the Special Revenue, City of Riverside Tax Increment Financing Fund had a positive cash balance at June 30, 2014, the unassigned fund balance was a deficit of \$63,101.

Recommendation – The County should continue to investigate alternatives to eliminate the deficit balance to return the Special Revenue, City of Riverside Tax Increment Financing Fund to a sound financial condition.

Response – We will investigate alternatives to eliminate the deficit balance to return the City of Riverside TIF Fund to sound financial condition.

Conclusion – Response accepted.

- (13) Sheriff Quarterly Reports – Beginning with the quarter ended March 31, 2014, the quarterly reports submitted to the Board of Supervisors did not include receipts by type. Iowa Code 331.902(3) states, in part, "Each elective officer is required to submit quarterly reports to the board, showing, by type, the fees collected during the preceding year."

Washington County

Schedule of Findings

Year ended June 30, 2014

Recommendation – The County Sheriff’s Office should implement procedures to ensure quarterly reports are submitted which identify receipts by type as required by Chapter 331.902(3) of the Code of Iowa.

Response – The Washington County Sheriff’s Office has switched over to a new RMS, (Records Management System) TAC 10. It appears the data is being entered correctly but, the data (by type), is not being printed out. This is a fairly new program and I’m guessing it is a programming issue. We have contacted our RMS vendor and have told them of the issue. They are looking at what can be done to get the software to print out the needed information.

Conclusion – Response accepted.

Washington County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Timothy D. Houlette, CPA, Manager
Eric L. Rath, Staff Auditor
Zack D. Kubik, CPA, Staff Auditor
James P. Moriarty, CPA, Assistant Auditor
Joseph B. Sparks, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State