



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

_____ April 1, 2005 _____

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$22,188,670 for the year ended June 30, 2004, which included \$1,157,133 in tax credits from the state. The County forwarded \$16,321,886 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,866,784 of the local tax revenue to finance County operations, a less than one percent increase over the prior year. Other revenues included charges for service of \$1,147,773, operating grants, contributions and restricted interest of \$4,479,144, capital grants, contributions and restricted interest of \$4,415,217, local option sales tax of \$681,633, unrestricted investment earnings of \$95,531 and other general revenues of \$193,496.

Expenses for County operations totaled \$12,916,221, a 10 percent increase over the prior year. Expenses included \$4,238,205 for roads and transportation, \$2,660,742 for public safety and legal services and \$1,890,183 for physical health and social services.

The increase in expenses was due primarily to road construction attributed to the transfer of jurisdiction highway from the state and a federal highway planning and construction project.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

###

WASHINGTON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		44-45
Budget to GAAP Reconciliation		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	50-51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52-53
Internal Service Funds:		
Combining Schedule of Net Assets	3	54
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	55
Combining Schedule of Cash Flows	5	57
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	58-59
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	60-61
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	62
Schedule of Expenditures of Federal Awards	9	63-65
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		67-68
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance		71-72
Schedule of Findings and Questioned Costs		73-77
Staff		78

Washington County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry DeLong	Board of Supervisors	Jan 2005
Robert L. Stout	Board of Supervisors	Jan 2005
Jack Dillion	Board of Supervisors	Jan 2007
Bill Fredrick	County Auditor	Jan 2005
Jeffrey A. Garrett	County Treasurer	Jan 2007
Connie Pence	County Recorder	Jan 2007
Yale H. Jarvis	County Sheriff	Jan 2005
Barbara A. Edmondson	County Attorney	Jan 2007
Lil Perry	County Assessor	Jan 2010

Washington County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Washington County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Washington County's management. Our responsibility is to express opinions on these financial statements based on our audit.

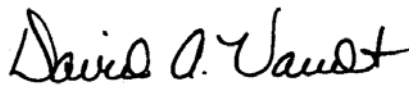
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Washington County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated February 15, 2005 on our consideration of Washington County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Washington County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of the general fixed assets account group and materials and supplies inventories, pertaining primarily to the Special Revenue Funds. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 15, 2005

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, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 28.7%, or approximately \$3,760,000, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$198,000, operating grants, contributions and restricted interest decreased approximately \$4,000 and capital grants, contributions and restricted interest increased approximately \$3,916,000.
- Program expenses increased 10%, or approximately \$1,179,000, from fiscal 2003 to fiscal 2004. Roads and transportation expense increased approximately \$1,107,000.
- The County's net assets increased 11.6%, or approximately \$3,963,000, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Washington County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Washington County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Washington County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 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 Insurance and Flexible Benefits Funds. Internal Service Funds are an accounting device used to accumulate the allocate costs internally among the County's various functions.

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Washington County's combined net assets increased \$3,963,357, from \$34,241,165 to \$38,204,522. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2004	2003
Current and other assets	\$ 10,806,480	11,150,513
Capital assets	34,328,952	29,815,466
Total assets	<u>45,135,432</u>	<u>40,965,979</u>
Long-term liabilities	470,699	512,968
Other liabilities	6,460,211	6,211,846
Total liabilities	<u>6,930,910</u>	<u>6,724,814</u>
Net assets:		
Invested in capital assets, net of related debt	34,084,947	29,517,082
Restricted	2,632,192	2,745,720
Unrestricted	<u>1,487,383</u>	<u>1,978,363</u>
Total net assets	<u>\$ 38,204,522</u>	<u>34,241,165</u>

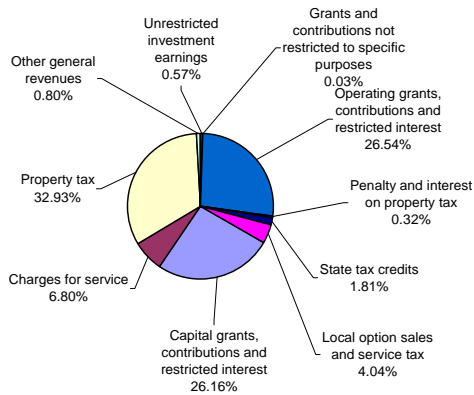
Net assets of Washington County's governmental activities increased by \$3,963,357 (\$34,241,165 compared to \$38,204,522). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$1,978,000 at June 30, 2003 to approximately \$1,487,000 at the end of this year, a decrease of 24.8 percent.

This decrease of approximately \$491,000 in unrestricted net assets was a result of increased expenditures for secondary roadway construction. The County increased its investment in roadway equipment and road construction by approximately \$4.8 million over the prior year. The County has adopted a five year plan to replace aging equipment.

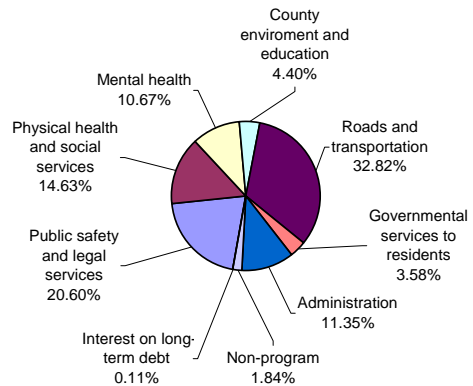
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2004	2003
Revenues:		
Program revenues:		
Charges for service	\$ 1,147,773	1,434,873
Operating grants, contributions and restricted interest	4,479,144	4,483,100
Capital grants, contributions and restricted interest	4,415,217	499,203
General revenues:		
Property tax	5,560,931	5,362,489
Penalty and interest on property tax	53,893	54,570
State tax credits	305,853	489,385
Local option sales and service tax	681,633	351,225
Grants and contributions not restricted to specific purposes	5,076	-
Unrestricted investment earnings	95,531	129,129
Other general revenues	134,527	315,289
Total revenues	16,879,578	13,119,263
Program expenses:		
Public safety and legal services	2,660,742	2,573,299
Physical health and social services	1,890,183	1,794,909
Mental health	1,378,298	1,526,795
County environment and education	568,356	540,623
Roads and transportation	4,238,205	3,131,079
Governmental services to residents	462,784	475,701
Administration	1,466,568	1,254,179
Non-program	237,421	422,449
Interest on long-term debt	13,664	18,243
Total expenses	12,916,221	11,737,277
Increase in net assets	3,963,357	1,381,986
Net assets beginning of year	34,241,165	32,859,179
Net assets end of year	\$ 38,204,522	34,241,165

Revenue by Source



Expenses by Program



Washington County's net assets of governmental activities increased by approximately \$3,963,000 during the year. Revenues for governmental activities (a major portion from capital grants) increased by approximately \$3,760,000 over the prior year, with property tax revenue up from the prior year by approximately \$198,000, or 3.7 percent.

The County decreased property tax rates by \$.43650 per \$1,000 of valuation in the rural levy and property tax rates remained unchanged per \$1,000 of valuation in the countywide levy. The rural property valuation increased by \$12,711,427 and the countywide property valuation increased by \$17,883,303. Local option sales and services tax increased by \$330,408 during the fiscal year.

The cost of all governmental activities this year was \$12,916,221 compared to \$11,737,277 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$2,874,087, as \$1,147,773 of the cost was paid by those directly benefiting from the programs and \$8,894,361 of the cost was paid by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2004 from approximately \$6,417,176 to \$10,042,134, principally due to Secondary Roads' Farm to Market reimbursements. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6,243,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Washington County completed the year, its governmental funds reported a combined fund balance of \$4,091,217, a decrease of \$647,555 from last year's total of \$4,738,772. The decrease in fund balance is primarily attributable to flat revenues (with the exception of restricted capital grants) and increasing costs. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues declined and expenditures increased from 2003. The ending fund balance showed a decline of \$441,513 from the prior year balance of \$2,816,652 to \$2,375,139.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,379,000, a decrease of 9.5% from the prior year. The Mental Health Fund balance at year ended increased by approximately \$193,000 over the prior year.
- The Rural Services Fund balance increased from \$139,514 in FY03 to \$320,359 in FY04. The increase is due to the County receiving more local option sales and services tax than anticipated. The property levy rate decreased from \$2.72934 per \$1,000 of valuation in FY03 to \$2.29284 per \$1,000 of valuation in FY04.
- Secondary Roads Fund expenditures increased by approximately \$405,000 over the prior year, due principally to road construction costs attributed to the transfer of jurisdiction of Old Highway 218 from the State. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$684,000, or 65.5%.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.
- The Capital Projects Fund ended FY04 with a \$45,412 balance compared to the prior year balance of \$18,310.

BUDGETARY HIGHLIGHTS

Over the course of the year, Washington County amended its certified budget two (2) times. The first amendment was made in October 2003 for unanticipated expenses related to Public Health grants received, additional costs of the County Conservation center, remodeling of some offices, jail architect fees and replacement of a roof on an Orchard Hill building. The second amendment was made in May 2004 for the County Attorney for increased juvenile case costs and for Conservation to purchase a tractor and truck.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Washington County had approximately \$34.3 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 \$4,630,793 from FY03.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2004	2003
Land	\$ 580,172	580,172
Construction in progress	921,836	-
Buildings and improvements	3,255,845	3,456,675
Equipment and vehicles	2,301,418	2,220,963
Infrastructure	27,269,681	23,440,349
Total	\$ 34,328,952	29,698,159

Washington County had depreciation expense of \$1,224,931 in FY04 and total accumulated depreciation of \$11,009,330 at June 30, 2004.

The County's fiscal year 2004 capital budget included \$3,974,988 for capital projects, principally for roadway construction. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2004, Washington County had \$244,005 in general obligation notes outstanding compared to \$298,384 at June 30, 2003.

Debt decreased as a result of general obligation note payments on the communication equipment note. The County does not have a current 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 percent 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 \$37,022,684. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Washington County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various County activities. One of those factors is the economy. Washington County's unemployment rate has increased by 1.4% this past year, due in great part to the loss of a major manufacturer in the County. Unemployment in the County now stands at 4.8% versus 3.4% a year ago, compared with the State's unemployment rate of 4.3% and the national rate of 5.6% for the same period ended June 30, 2004.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 2.4% for fiscal year 2004 compared with the national rate of 2.7%. Inflation has been modest here despite an increase in the County's residential housing market and significant increases in energy prices in 2003-2004. The State's modest financial condition and somewhat bleak revenue projections continue to be common knowledge.

In a continuing effort to maintain County services without raising tax askings, the Washington County Board of Supervisors has been committed to limiting expenditure increases and to spend down fund balances in order to provide required services. Amounts available for appropriation in the 2005 cash operating budget are \$16,782,464, a decrease in the amount budgeted for 2004, but an increase of 27.85% over actual final 2004 cash expenditures (due in large part to unspent capital project funds). A slight property tax revenue decrease, due to significant decreases in the County's taxable valuations, will be somewhat offset by increased intergovernmental revenues. Washington County will attempt to use these receipts to finance eligible programs we are currently involved in and offset the effect we expect inflation to have on these program costs. Budgeted 2005 disbursements, over what was actually spent in 2004, are expected to rise by approximately \$3,755,402. Increased wage and cost of living adjustments, increased insurance costs, and an anticipated increase in Secondary Roads capital projects, brought about by the State transfer of jurisdiction of Old State Highway 218 represent the largest increases. The County has added no other major new programs or initiatives to the 2005 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease again by the close of 2005, a trend that must be closely monitored.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Washington County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Washington County Auditor's Office, 222 West Main Street, PO Box 889, Washington, Iowa 52353.

Washington County

Basic Financial Statements

Exhibit A

Washington County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,490,781
Receivables:	
Property tax:	
Delinquent	8,275
Succeeding year	5,577,000
Interest and penalty on property tax	157
Accounts	71,502
Accrued interest	968
Due from other governments	412,591
Inventories	219,765
Prepaid insurance	25,441
Capital assets (net of accumulated depreciation)	<u>34,328,952</u>
Total assets	<u>45,135,432</u>
Liabilities	
Accounts payable	587,747
Accrued interest payable	946
Salaries and benefits payable	88,237
Due to other governments	206,281
Deferred revenue:	
Succeeding year property tax	5,577,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	127,762
Compensated absences	175,661
Portion due or payable after one year:	
General obligation notes	116,243
Compensated absences	<u>51,033</u>
Total liabilities	<u>6,930,910</u>
Net Assets	
Invested in capital assets, net of related debt	34,084,947
Restricted for:	
Supplemental levy purposes	780,019
Mental health purposes	708,177
Secondary roads purposes	305,596
Debt service	15,717
Capital projects	45,412
Other purposes	777,271
Unrestricted	<u>1,487,383</u>
Total net assets	<u>\$ 38,204,522</u>

See notes to financial statements.

Washington County
Statement of Activities
Year ended June 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,660,742	99,953	338,488	-	(2,222,301)
Physical health and social services	1,890,183	352,622	783,641	-	(753,920)
Mental health	1,378,298	2,180	794,888	-	(581,230)
County environment and education	568,356	2,012	-	-	(566,344)
Roads and transportation	4,238,205	131,456	-	4,369,399	262,650
Governmental services to residents	462,784	381,984	14,368	-	(66,432)
Administration	1,466,568	27,473	42,808	-	(1,396,287)
Non-program	237,421	150,093	2,504,951	45,818	2,463,441
Interest on long-term debt	13,664	-	-	-	(13,664)
Total	\$ 12,916,221	1,147,773	4,479,144	4,415,217	(2,874,087)
General Revenues:					
Property and other county tax levied for general purposes					5,560,931
Penalty and interest on property tax					53,893
State tax credits					305,853
Local option sales tax					681,633
Grants and contributions not restricted to specific purpose					5,076
Unrestricted investment earnings					95,531
Miscellaneous					134,527
Total general revenues					6,837,444
Change in net assets					3,963,357
Net assets beginning of year					34,241,165
Net assets end of year					\$ 38,204,522

See notes to financial statements.

Washington County

Balance Sheet
Governmental Funds

June 30, 2004

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,370,296	899,901	258,606	320,815
Receivables:				
Property tax:				
Delinquent	6,402	1,171	702	-
Succeeding year	4,028,000	737,000	812,000	-
Interest and penalty on property tax	157	-	-	-
Accounts	63,375	630	52	4,274
Accrued interest	968	-	-	-
Due from other funds	130	-	-	3,600
Due from other governments	121,645	2,817	68,378	205,555
Inventories	-	-	-	219,765
Prepaid insurance	25,441	-	-	-
Total assets	\$ 6,616,414	1,641,519	1,139,738	754,009
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 99,559	33,320	4,897	367,450
Salaries and benefits payable	58,156	1,406	2,110	26,134
Due to other funds	3,600	-	-	130
Due to other governments	47,982	158,154	-	145
Deferred revenue:				
Succeeding year property tax	4,028,000	737,000	812,000	-
Other	3,978	728	372	-
Total liabilities	4,241,275	930,608	819,379	393,859
Fund balances:				
Reserved for:				
Supplemental levy purposes	802,911	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,572,228	-	-	-
Special revenue funds	-	710,911	320,359	360,150
Capital projects fund	-	-	-	-
Total fund balances	2,375,139	710,911	320,359	360,150
Total liabilities and fund balances	\$ 6,616,414	1,641,519	1,139,738	754,009

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
16,663	45,412	247,888	4,159,581
-	-	-	8,275
-	-	-	5,577,000
-	-	-	157
-	-	1,161	69,492
-	-	-	968
-	-	-	3,730
-	-	14,196	412,591
-	-	-	219,765
-	-	-	25,441
16,663	45,412	263,245	10,477,000
-	-	231	505,457
-	-	431	88,237
-	-	-	3,730
-	-	-	206,281
-	-	-	5,577,000
-	-	-	5,078
-	-	662	6,385,783
-	-	-	802,911
16,663	-	-	16,663
-	-	-	1,572,228
-	-	262,583	1,654,003
-	45,412	-	45,412
16,663	45,412	262,583	4,091,217
16,663	45,412	263,245	10,477,000

Washington County

Washington County

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

June 30, 2004

Total governmental fund balances (page 19) \$ 4,091,217

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$45,338,282 and the accumulated depreciation is \$11,009,330. 34,328,952

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 5,078

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and flexible benefits plan to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 250,920

Long-term liabilities, including notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (471,645)

Net assets of governmental activities (page 16) \$ 38,204,522

See notes to financial statements.

Washington County

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

Year ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,839,619	734,091	1,667,844	-
Interest and penalty on property tax	53,893	-	-	-
Intergovernmental	1,604,144	835,618	51,990	2,576,362
Licenses and permits	47,718	-	-	660
Charges for service	613,654	2,180	1,712	4,388
Use of money and property	142,787	-	-	-
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	37,101	-	494	126,815
Total revenues	<u>6,338,916</u>	<u>1,571,889</u>	<u>1,722,040</u>	<u>2,708,225</u>
Expenditures:				
Operating:				
Public safety and legal services	2,563,668	-	9,297	-
Physical health and social services	1,903,086	-	-	-
Mental health	-	1,379,236	-	-
County environment and education	362,104	-	115,253	-
Roads and transportation	-	-	38,034	3,728,176
Governmental services to residents	457,950	-	3,378	-
Administration	1,293,299	-	-	-
Non-program	52,601	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	1,162,731
Total expenditures	<u>6,632,708</u>	<u>1,379,236</u>	<u>165,962</u>	<u>4,890,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(293,792)</u>	<u>192,653</u>	<u>1,556,078</u>	<u>(2,182,682)</u>
Other financing sources (uses):				
Sale of capital assets	5,051	-	-	-
Operating transfers in	50,000	-	-	1,499,105
Operating transfers out	(202,772)	-	(1,375,233)	-
Total other financing sources (uses)	<u>(147,721)</u>	<u>-</u>	<u>(1,375,233)</u>	<u>1,499,105</u>
Net change in fund balances	(441,513)	192,653	180,845	(683,577)
Fund balances beginning of year	<u>2,816,652</u>	<u>518,258</u>	<u>139,514</u>	<u>1,043,727</u>
Fund balances end of year	<u>\$ 2,375,139</u>	<u>710,911</u>	<u>320,359</u>	<u>360,150</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
-	-	-	6,241,554
-	-	-	53,893
-	-	15,364	5,083,478
-	-	1,241	49,619
-	-	64,233	686,167
207	13,920	14,488	171,402
-	-	3,116	3,116
68,254	-	151,984	384,648
68,461	13,920	250,426	12,673,877
-	-	2,880	2,575,845
-	-	3,591	1,906,677
-	-	-	1,379,236
-	-	1,500	478,857
-	-	-	3,766,210
-	-	3,865	465,193
-	-	-	1,293,299
-	-	34,350	86,951
68,254	-	-	68,254
-	56,318	86,912	1,305,961
68,254	56,318	133,098	13,326,483
207	(42,398)	117,328	(652,606)
-	-	-	5,051
-	69,500	9,400	1,628,005
-	-	(50,000)	(1,628,005)
-	69,500	(40,600)	5,051
207	27,102	76,728	(647,555)
16,456	18,310	185,855	4,738,772
16,663	45,412	262,583	4,091,217

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, 2004

Net change in fund balances - Total governmental funds (page 23) \$ (647,555)

**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	\$ 1,656,705	
Capital assets contributed by the Iowa Department of Transportation	4,086,763	
Depreciation expense	(1,224,931)	4,518,537

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (5,051)

Because some property tax revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds. 1,014

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The County did not issue long-term debt during the year, but did make repayments on existing long-term liabilities. 54,379

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 governmental funds, as follows:

Compensated absences	(12,110)	
Interest on long-term debt	210	(11,900)

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's employee health insurance benefit plan and flexible benefits plan to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 53,933

Change in net assets of governmental activities (page 17) \$ 3,963,357

See notes to financial statements.

Washington County
 Statement of Net Assets
 Proprietary Funds
 June 30, 2004

	Internal Service
Assets	
Cash and cash equivalents	\$ 331,200
Accounts receivable	2,010
Total assets	333,210
Liabilities	
Accounts payable	82,290
Net Assets	
Unrestricted	\$ 250,920

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2004

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 846,426
Reimbursements from employees	20,051
Reimbursements from agency funds	88,521
Contributions for flexible benefits	44,419
Total operating revenues	<u>999,417</u>
Operating expenses:	
Medical claims	\$ 609,781
Administrative fees	293,794
Flexible benefits claims	45,453
Operating income	<u>50,389</u>
Non-operating revenues:	
Interest income	3,544
Net income	<u>53,933</u>
Net assets beginning of year	<u>196,987</u>
Net assets end of year	<u><u>\$ 250,920</u></u>

See notes to financial statements.

Washington County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2004

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 846,426
Cash received from employees and others	62,460
Cash received from agency funds	88,520
Cash paid to suppliers for services	(920,925)
Net cash provided by operating activities	76,481
Cash flows from investing activities:	
Interest on investments	3,544
Net increase in cash and cash equivalents	80,025
Cash and cash equivalents beginning of year	251,175
Cash and cash equivalents end of year	\$ 331,200
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 50,389
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	(2,010)
Increase in accounts payable	28,102
Net cash provided by operating activities	\$ 76,481

See notes to financial statements.

Washington County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,319,180
Other County officials	49,830
Receivables:	
Property tax:	
Delinquent	17,427
Succeeding year	15,473,000
Accounts	58,441
Special assessments	21,382
Due from other governments	13,000
Total assets	<u>16,952,260</u>

Liabilities

Accounts payable	18,118
Salaries and benefits payable	13,559
Due to other governments	16,867,733
Trusts payable	39,640
Compensated absences	13,210
Total liabilities	<u>16,952,260</u>

Net assets

\$ -

See notes to financial statements.

Washington County

Notes to Financial Statements

June 30, 2004

(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 that 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 have been displayed as a Nonmajor Special Revenue Fund.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor’s Conference Board, County Emergency Management Commission, County Public Safety Commission and County Joint E911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in 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: East Central Iowa Council of Governments, Washington County Recycling Center, Heartland Group, South Iowa Case Management, Washington County Mini Bus and Southeast Multi-County Solid Waste Agency.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account 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.

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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

Property Tax Receivable – Property tax 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds 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 property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death or retirement. A liability is

recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or egally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Unrestricted Net Assets – The unrestricted net assets of the 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. During the year ended June 30, 2004, disbursements in one department exceeded the amount appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$66,404 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Secondary Roads	\$ 130
Special Revenue: Secondary Roads	General	<u>3,600</u>
Total		<u>\$ 3,730</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Conservation Land Acquisition	\$ 50,000
Special Revenue: Secondary Roads	General	123,872
	Special Revenue: Rural Services	1,375,233
Conservation Land Acquisition	General	9,400
Capital Projects	General	<u>69,500</u>
Total		<u>\$ 1,628,005</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 580,172	-	-	580,172
Construction in progress	-	921,836	-	921,836
Total capital assets not being depreciated	580,172	921,836	-	1,502,008
Capital assets being depreciated:				
Buildings	5,656,123	-	-	5,656,123
Equipment and vehicles	5,784,551	687,969	(471,702)	6,000,818
Infrastructure, road network	28,050,721	4,128,612	-	32,179,333
Total capital assets being depreciated	39,491,395	4,816,581	(471,702)	43,836,274
Less accumulated depreciation for:				
Buildings	2,199,448	200,830	-	2,400,278
Equipment and vehicles	3,625,368	545,734	(471,702)	3,699,400
Infrastructure, road network	4,431,285	478,367	-	4,909,652
Total accumulated depreciation	10,256,101	1,224,931	(471,702)	11,009,330
Total capital assets being depreciated, net	29,235,294	3,591,650	-	32,826,944
Governmental activities capital assets, net	\$ 29,815,466	4,513,486	-	34,328,952

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 112,212
Physical health and social services	10,248
County environment and education	3,812
Roads and transportation	855,112
Governmental services to residents	3,856
Administration	239,691
Total depreciation expense - governmental activities	\$ 1,224,931

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 47,982
Special Revenue:		
Mental Health	Services	158,154
Secondary Roads	Services	145
		<u>158,299</u>
Total for governmental funds		<u>\$ 206,281</u>
Agency:		
County Assessor	Collections	\$ 387,681
Schools		9,604,645
Community Colleges		491,886
Corporations		4,263,558
Auto License and Use Tax		389,188
All other		<u>1,730,775</u>
Total for agency funds		<u>\$ 16,867,733</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Notes	Compen- sated Absences	Total
Balalance beginning of year	\$ 298,384	214,584	512,968
Increase	-	255,596	255,596
Decreases	54,379	243,486	297,865
Balance end of year	<u>\$ 244,005</u>	<u>226,694</u>	<u>470,699</u>
Due within one year	<u>\$ 127,762</u>	<u>175,661</u>	<u>303,423</u>

Notes Payable

A summary of the County's June 30, 2004 general obligation note indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2005	4.65%	\$ 127,762	8,745	136,507
2006	4.65	62,848	5,406	68,254
2007	4.65	53,395	2,482	55,877
Total		\$ 244,005	16,633	260,638

On January 9, 2001, the County issued \$400,000 in general obligation communications equipment notes to pay a portion of the cost of acquiring communications equipment for the Washington County Public Safety Center. The notes bear interest at 4.65% per annum and mature on June 1, 2007. The Joint E911 Service Board has agreed to repay Washington County from the E911 telephone surcharge funds.

During the year ended June 30, 2004, the County retired note principal of \$54,379.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$268,739, \$252,273 and \$236,806, respectively, equal to the required contributions for each year.

(9) Risk Management

Washington County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from 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, inland marine, and

boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2004 were \$131,882.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) 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, 2004 was \$846,426.

Amounts payable from the Employee Group Health Fund at June 30, 2004 total \$82,290, 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 \$247,944 at June 30, 2004 and is reported as a designation of the Internal Service, Employee Group Health Fund retained earnings. 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	\$ 54,188
Incurred claims (including claims incurred but not reported at June 30, 2004)	609,781
Payments	<u>(581,679)</u>
Unpaid claims end of year	<u><u>\$ 82,290</u></u>

(11) Contingent Liability

The Heartland Group is a public authority established under a 28E agreement between Jefferson, Keokuk, Lucas, Wapello and Washington counties. In March 1994, the Heartland Group issued \$800,000 in general obligation capital loan notes. Each of the five counties approved the issuance of \$160,000 in general obligation capital loan notes as a guarantee of the Heartland Group's issuance.

To date, Washington County has not issued any debt as a guarantor for the Heartland Group. However, the County remains contingently liable in the event the Heartland Group cannot satisfy its debt payments.

(12) County Hospital Revenue Bonds

On July 1, 1997, the County entered into a loan agreement and issued \$5,200,000 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.

(13) 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, 2004:

Additions:

Contributions from governmental units:

Washington County	\$	255,663	
City of Washington		161,901	
Reimbursement from Joint E-911 Service Board		68,254	\$ 485,818

Deductions:

Salaries	289,744	
Benefits	52,359	
Office supplies	2,218	
Uniforms	1,373	
Telephone and fax services	7,476	
Postage and mailing	428	
Travel	641	
Training	642	
Professional services	2,788	
Equipment maintenance	64,796	
Distribution to Debt Service Fund	68,254	
Machinery and equipment	863	
Office equipment and furniture	755	
Miscellaneous	725	493,062

Net (7,244)

Balance beginning of year 116,718

Balance end of year \$ 109,474

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, 2004

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 6,211,426	-
Interest and penalty on property tax	53,854	-
Intergovernmental	5,010,054	-
Licenses and permits	48,904	-
Charges for service	666,897	-
Use of money and property	171,563	562
Miscellaneous	379,896	83,526
Total receipts	<u>12,542,594</u>	<u>84,088</u>
Disbursements:		
Public safety and legal services	2,599,232	-
Physical health and social services	1,938,061	-
Mental health	1,318,798	-
County environment and education	477,920	-
Roads and transportation	3,851,856	-
Governmental services to residents	475,316	-
Administration	1,250,297	-
Non-program	96,095	34,350
Debt service	68,254	-
Capital projects	1,085,583	-
Total disbursements	<u>13,161,412</u>	<u>34,350</u>
Excess (deficiency) of receipts over (under) disbursements	(618,818)	49,738
Other financing sources, net	5,051	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(613,767)	49,738
Balance beginning of year	<u>4,773,348</u>	<u>6,853</u>
Balance end of year	<u>\$ 4,159,581</u>	<u>56,591</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
6,211,426	6,008,069	6,008,069	203,357
53,854	55,000	55,000	(1,146)
5,010,054	8,862,239	8,930,776	(3,920,722)
48,904	41,240	41,240	7,664
666,897	527,135	543,865	123,032
171,001	189,570	189,570	(18,569)
296,370	381,620	383,120	(86,750)
<u>12,458,506</u>	<u>16,064,873</u>	<u>16,151,640</u>	<u>(3,693,134)</u>
2,599,232	2,727,399	2,730,409	131,177
1,938,061	2,026,197	2,117,314	179,253
1,318,798	1,699,500	1,699,500	380,702
477,920	496,870	502,870	24,950
3,851,856	4,148,000	4,148,000	296,144
475,316	559,603	559,603	84,287
1,250,297	1,329,390	1,347,049	96,752
61,745	76,450	86,350	24,605
68,254	68,500	68,500	246
1,085,583	3,810,700	3,974,988	2,889,405
<u>13,127,062</u>	<u>16,942,609</u>	<u>17,234,583</u>	<u>4,107,521</u>
(668,556)	(877,736)	(1,082,943)	414,387
5,051	15,000	69,876	(64,825)
(663,505)	(862,736)	(1,013,067)	349,562
4,766,495	3,564,236	3,564,236	1,202,259
<u>4,102,990</u>	<u>2,701,500</u>	<u>2,551,169</u>	<u>1,551,821</u>

Washington County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,542,594	131,283	12,673,877
Expenditures	13,161,412	165,071	13,326,483
Net	(618,818)	(33,788)	(652,606)
Other financing sources, net	5,051	-	5,051
Beginning fund balances	4,773,348	(34,576)	4,738,772
Ending fund balances	\$ 4,159,581	(68,364)	4,091,217

See accompanying independent auditor's report.

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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, the 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 10 major classes of expenditures known as functions, not by fund. These 10 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 \$291,974. 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, 2004, disbursements in one department exceeded the amount appropriated.

Washington County

Other Supplementary Information

Washington County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhance- ment and Protection
Assets			
Cash and pooled investments	\$ 23,920	22,750	57,132
Accounts receivable	-	-	-
Due from other governments	-	14,196	-
Total assets	\$ 23,920	36,946	57,132
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	-	-
Salaries and benefits payable	-	-	-
Total liabilities	-	-	-
Fund equity:			
Unreserved fund balance	23,920	36,946	57,132
Total liabilities and fund equity	\$ 23,920	36,946	57,132

See accompanying independent auditor's report.

Law Enforcement County Attorney	Law Enforcement County Sheriff	Federal Emergency Management Assistance	Supplemental Environmental Projects	Conservation Land Acquisition	Washington County Conservation Foundation	Total
18,938	1,827	55	2	66,673	56,591	247,888
-	-	-	-	1,161	-	1,161
-	-	-	-	-	-	14,196
18,938	1,827	55	2	67,834	56,591	263,245
-	-	-	-	231	-	231
431	-	-	-	-	-	431
431	-	-	-	231	-	662
18,507	1,827	55	2	67,603	56,591	262,583
18,938	1,827	55	2	67,834	56,591	263,245

Washington County

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

Year ended June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhance- ment and Protection
Revenues:			
Intergovernmental	\$ -	-	11,718
Licenses and permits	-	-	-
Charges for service	6,733	36,885	-
Use of money and property	230	61	479
Fines, forfeitures and defaults	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>6,963</u>	<u>36,946</u>	<u>12,197</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	-	-
County environment and education	-	-	-
Governmental services to residents	3,865	-	-
Non-program	-	-	-
Capital projects	-	-	-
Total expenditures	<u>3,865</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,098</u>	<u>36,946</u>	<u>12,197</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>3,098</u>	<u>36,946</u>	<u>12,197</u>
Fund balances beginning of year	<u>20,822</u>	<u>-</u>	<u>44,935</u>
Fund balances end of year	<u>\$ 23,920</u>	<u>36,946</u>	<u>57,132</u>

See accompanying independent auditor's report.

Law Enforcement County Attorney	Law Enforcement County Sheriff	Federal Emergency Management Assistance	Supplemental Environmental Projects	Conservation Land Acquisition	Washington County Conservation Foundation	Total
-	-	3,646	-	-	-	15,364
-	-	-	-	1,241	-	1,241
-	-	-	-	20,615	-	64,233
-	-	-	2	13,154	562	14,488
-	1,616	-	1,500	-	-	3,116
-	-	-	-	68,458	83,526	151,984
-	1,616	3,646	1,502	103,468	84,088	250,426
2,880	-	-	-	-	-	2,880
-	-	3,591	-	-	-	3,591
-	-	-	1,500	-	-	1,500
-	-	-	-	-	-	3,865
-	-	-	-	-	34,350	34,350
-	-	-	-	86,912	-	86,912
2,880	-	3,591	1,500	86,912	34,350	133,098
(2,880)	1,616	55	2	16,556	49,738	117,328
-	-	-	-	9,400	-	9,400
-	-	-	-	(50,000)	-	(50,000)
-	-	-	-	(40,600)	-	(40,600)
(2,880)	1,616	55	2	(24,044)	49,738	76,728
21,387	211	-	-	91,647	6,853	185,855
18,507	1,827	55	2	67,603	56,591	262,583

Schedule 3

Washington County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2004

	Employee Group Health	Flexible Benefits	Total
Assets			
Cash and pooled investments	\$ 330,234	966	331,200
Accounts receivable	-	2,010	2,010
Total assets	330,234	2,976	333,210
Liabilities			
Accounts payable	82,290	-	82,290
Net Assets			
Unrestricted	\$ 247,944	2,976	250,920

See accompanying independent auditor's report.

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

Year ended June 30, 2004

	Employee Group Health	Flexible Benefits	Total
Operating revenues:			
Reimbursements from operating funds	\$ 846,426	-	846,426
Reimbursements from employees	20,051	-	20,051
Reimbursements from agency funds	88,521	-	88,521
Withholdings from employees	-	44,419	44,419
	<u>954,998</u>	<u>44,419</u>	<u>999,417</u>
Operating expenses:			
Medical claims	609,781	-	609,781
Administrative fees	293,794	-	293,794
Flexible benefits claims	-	45,453	45,453
Total operating expenses	<u>903,575</u>	<u>45,453</u>	<u>949,028</u>
Operating income (loss)	51,423	(1,034)	50,389
Non-operating revenues:			
Interest on investments	3,544	-	3,544
Net income (loss)	<u>54,967</u>	<u>(1,034)</u>	<u>53,933</u>
Net assets beginning of year	<u>192,977</u>	<u>4,010</u>	<u>196,987</u>
Net assets end of year	<u>\$ 247,944</u>	<u>2,976</u>	<u>250,920</u>

See accompanying independent auditor's report.

Washington County

Washington County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2004

	Employee Group Health	Flexible Benefits	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 846,426	-	846,426
Cash received from others	20,051	42,409	62,460
Cash received from agency funds	88,520	-	88,520
Cash paid to suppliers for services	(875,472)	(45,453)	(920,925)
Net cash provided (used) by operating activities	79,525	(3,044)	76,481
Cash flows from investing activities:			
Interest on investments	3,544	-	3,544
Net increase (decrease) in cash and cash equivalents	83,069	(3,044)	80,025
Cash and cash equivalents at beginning of year	247,165	4,010	251,175
Cash and cash equivalents at end of year	\$ 330,234	966	331,200
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 51,423	(1,034)	50,389
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Increase in receivables and interfund receivables for operating activities	-	(2,010)	(2,010)
Increase in accounts payable	28,102	-	28,102
Net cash provided (used) by operating activities	\$ 79,525	(3,044)	76,481

See accompanying independent auditor's report.

Washington County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor
Assets			
Cash and pooled investments:			
County Treasurer	\$ -	1,706	113,977
Other County officials	49,830	-	-
Receivables:			
Property tax:			
Delinquent	-	156	291
Succeeding year	-	150,000	280,000
Accounts	-	82	153
Special assessments	-	-	-
Due from other governments	-	-	-
Total assets	\$ 49,830	151,944	394,421
Liabilities			
Accounts payable	\$ -	-	119
Salaries and benefits payable	-	-	3,157
Due to other governments	21,364	151,944	387,681
Trusts payable	28,466	-	-
Compensated absences	-	-	3,464
Total liabilities	\$ 49,830	151,944	394,421

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
138,293	7,137	48,970	3,419	109,474	389,188	507,016	1,319,180
-	-	-	-	-	-	-	49,830
10,236	499	5,373	114	-	-	758	17,427
9,451,000	484,000	4,206,000	217,000	-	-	685,000	15,473,000
5,116	250	3,215	75	-	-	49,550	58,441
-	-	-	-	-	-	21,382	21,382
-	-	-	-	-	-	13,000	13,000
9,604,645	491,886	4,263,558	220,608	109,474	389,188	1,276,706	16,952,260
-	-	-	-	5,351	-	12,648	18,118
-	-	-	-	4,816	-	5,586	13,559
9,604,645	491,886	4,263,558	220,608	89,561	389,188	1,247,298	16,867,733
-	-	-	-	-	-	11,174	39,640
-	-	-	-	9,746	-	-	13,210
9,604,645	491,886	4,263,558	220,608	109,474	389,188	1,276,706	16,952,260

Washington County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 39,328	119,141	440,079	9,692,235	516,877
Additions:					
Property and other county tax	-	150,544	280,877	9,477,196	485,889
E911 surcharge	-	-	-	-	-
State tax credits	-	6,536	18,879	531,178	27,174
State allocation	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Office fees and collections	392,557	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	146,931	-	-	-	-
Miscellaneous	-	-	1,111	-	-
Total additions	539,488	157,080	300,867	10,008,374	513,063
Deductions:					
Agency remittances:					
To other funds	209,062	-	19,234	-	-
To other governments	184,885	124,277	327,291	10,095,964	538,054
Trusts paid out	135,039	-	-	-	-
Total deductions	528,986	124,277	346,525	10,095,964	538,054
Balances end of year	\$ 49,830	151,944	394,421	9,604,645	491,886

See accompanying independent auditor's report.

Corpora- tions	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
3,901,730	228,513	116,718	344,453	1,231,361	16,630,435
4,168,424	221,209	-	-	686,467	15,470,606
-	-	-	-	193,997	193,997
215,802	11,922	-	-	39,789	851,280
-	-	-	-	153,116	153,116
-	-	-	-	120,744	120,744
-	-	-	-	142,639	535,196
-	-	-	4,478,132	-	4,478,132
-	-	-	-	40,670	40,670
-	-	-	-	237,655	384,586
-	-	485,818	-	132,533	619,462
4,384,226	233,131	485,818	4,478,132	1,747,610	22,847,789
-	-	69,287	143,212	32,880	473,675
4,022,398	241,036	423,775	4,290,185	1,426,937	21,674,802
-	-	-	-	242,448	377,487
4,022,398	241,036	493,062	4,433,397	1,702,265	22,525,964
4,263,558	220,608	109,474	389,188	1,276,706	16,952,260

Schedule 8

Washington County

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

For the Last Five Years

	Modified Accrual Basis				
	2004	2003	2002	2001	2000
Revenues:					
Property and other county tax	\$ 6,241,554	5,984,992	5,615,499	5,542,139	4,397,020
Interest and penalty on property tax	53,893	54,570	61,136	48,799	47,863
Intergovernmental	5,083,478	5,450,236	5,474,357	5,189,339	5,045,627
Licenses and permits	49,619	53,794	46,699	40,097	37,370
Charges for service	686,167	617,076	533,446	444,212	433,562
Use of money and property	171,402	183,428	309,182	549,223	284,635
Fines, forfeitures and defaults	3,116	8,106	2,465	11,339	2,793
Miscellaneous	384,648	725,576	311,702	180,510	135,947
Total	<u>\$ 12,673,877</u>	<u>13,077,778</u>	<u>12,354,486</u>	<u>12,005,658</u>	<u>10,384,817</u>
Expenditures:					
Operating:					
Public safety and legal services	\$ 2,575,845	2,658,121	2,340,040	2,311,759	2,006,692
Physical health and social services	1,906,677	1,825,272	1,716,620	1,596,445	1,361,236
Mental health	1,379,236	1,524,813	1,573,706	1,745,113	1,604,335
County environment and education	478,857	411,633	372,007	328,888	278,301
Roads and transportation	3,766,210	3,566,052	3,321,231	3,076,050	3,192,729
Governmental services to residents	465,193	480,007	441,334	458,178	402,906
Administration	1,293,299	1,133,910	1,041,540	997,963	955,311
Non-program	86,951	327,280	67,589	481,519	106,112
Debt service	68,254	138,675	138,835	73,645	76,611
Capital projects	1,305,961	1,833,034	838,276	710,471	1,106,836
Total	<u>\$ 13,326,483</u>	<u>13,898,797</u>	<u>11,851,178</u>	<u>11,780,031</u>	<u>11,091,069</u>

See accompanying independent auditor's report.

Washington County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607		\$ 2,550
Drug-Free Communities Support Program Grants	93.276	2002-JN-FX-0041	95,904
Total direct:			<u>98,454</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>13,638</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	03-5-HBRR-002	<u>250,666</u>
Iowa Department of Public Safety:			
Safety Incentive Grants for Use of Seatbelts	20.604		<u>3,500</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Community-Based Family Resource and Support Grants	93.590		<u>4,726</u>
Temporary Assistance for Needy Families	93.558		<u>11,389</u>
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>17,754</u>
			<u>29,143</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>59</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>3,267</u>
Foster Care - Title IV-E	93.658		<u>8,111</u>
Adoption Assistance	93.659		<u>2,158</u>
Medical Assistance Program	93.778		<u>17,840</u>
Social Services Block Grant	93.667		<u>11,670</u>
Social Services Block Grant	93.667		<u>77,636</u>
			<u>89,306</u>

Schedule 9

Washington County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program	93.919	5884NB23	<u>40,032</u>
Iowa Department of Public Health:			
Johnson County Department of Public Health:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5883TB04	1,900
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5884TB04	<u>925</u>
			<u>2,825</u>
Childhood Immunization Grants	93.268	5883I451	4,105
Childhood Immunization Grants	93.268	5884I451	<u>2,543</u>
			<u>6,648</u>
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	5883BT92	21,567
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	5883BT94	6,613
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	5884EHC8	<u>9,916</u>
			<u>38,096</u>
Maternal and Child Health Services			
Block Grant to the States	93.994	5884DH05	15,971
Maternal and Child Health Services Block Grant to the States(\$4,200 provided to subrecipient)	93.994	5883MC11	7,695
Maternal and Child Health Services Block Grant to the States(\$12,600 provided to subrecipient)	93.994	5884MC11	<u>29,430</u>
			<u>53,096</u>

Washington County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Homeland Security Grant Program	97.004		<u>6,791</u>
United Way of America:			
Emergency Food and Shelter National Board Program	97.024	21-3042-00, 22-3042-00	<u>3,647</u>
Total indirect			<u>576,099</u>
Total			<u><u>\$ 672,003</u></u>

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

See accompanying independent auditor's report.

Washington County



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Officials of Washington County:

We have audited the financial statements of Washington County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 15, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved except for item IV-G-04 and IV-J-04.

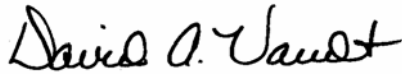
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Washington County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

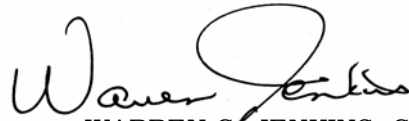
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 15, 2005

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

Washington County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Officials of Washington County:

Compliance

We have audited the compliance of Washington County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Washington County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Washington County's management. Our responsibility is to express an opinion on Washington County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Washington County's compliance with those requirements.

In our opinion, Washington County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

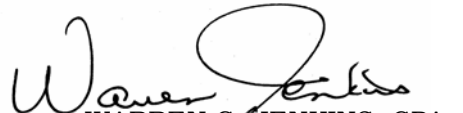
Internal Control Over Compliance

The management of Washington County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Washington County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 15, 2005

Washington County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

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

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

Washington County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-04 Information Systems – During our review of internal control, the existing control activities in the county’s computer based 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 based systems were noted:

The County does not have written policies for:

- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Ensuring only software licensed to the County is installed on computers.

Also, the County does not have a written disaster recovery plan and does not utilize a lock out function to prevent unauthorized access.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems. A written disaster recovery plan should be developed and a lock out function should be utilized to protect against unauthorized access.

Response – Passwords are changed periodically, users are not authorized to install unlicensed software on computers and disaster recovery is addressed in our maintenance agreement. However, a written policy will be developed to include these concerns. Also, the installation of a lock out function will be researched and possibly implemented.

Conclusion – Response accepted.

Washington County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Washington County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year.

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted. Disbursements in one department exceeded the amount appropriated.

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

Response – Subsequent to a prior directive from the State Auditor’s staff, the County moved its Drug Free communities Strengthening Families Support Program (grant) from an Agency Fund to the General Fund. The County, however, failed to do a reappropriation of funds before disbursements were made. The County has since rectified this failure.

Conclusion – Response accepted.

IV-C-04 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-04 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-F-04 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 insure the coverage is adequate for current operations.

IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, minutes are required to be submitted for publication within seven days of a board meeting by Chapter 349.18 of the Code of Iowa. Certain minutes were not submitted for publication in a timely manner.

Recommendation – Minutes should be typed, signed and submitted for publication in a timely manner to ensure compliance with the Code of Iowa.

Washington County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Response – The implementation of the Federal Help America Vote Act (HAVA) and resulting State legislation, causing major revisions in numerous election laws, procedures and documents, coupled with a number of intense election periods (County Riverboat Gambling Referendum and Presidential General Election), has stressed the ability of the Auditor’s office to handle its already burdensome agenda. Coupled with budget constraints that persist in limiting staff numbers, the Auditor continues to find it difficult to prioritize the timely completion of Board minutes.

The Auditor recently has, and intends to continue to dedicate additional hours weekly to meet the required timetable regarding the publication of Board minutes.

Conclusion – Response accepted.

IV-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-I-04 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-04 Code of Ordinances – The County has not compiled a code of ordinances containing all of the county ordinances in effect as required by Chapter 331.302(9) of the Code of Iowa.

Recommendation – The County should compile a code of ordinances containing all of the County ordinances in effect as required by Chapter 331.302(9) of the Code of Iowa.

Response – While the County has compiled a code of ordinances, the required update has not yet been completed. The County has made an initial contact with Iowa Codification Inc. for the updating of its code of ordinances and will pursue the completion of this required update.

Conclusion – Response accepted.

IV-K-04 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.

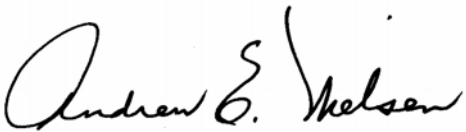
Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

Washington County

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
Richard C. Brown, Senior Auditor
Dustin S. Boxa, Assistant Auditor
Jennifer R. Edgar, Assistant Auditor
Donald N. Miksch, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State