



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

July 10, 2009

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

The County had local tax revenue of \$25,991,866 for the year ended June 30, 2008, which included \$1,095,729 in tax credits from the state. The County forwarded \$18,576,061 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,415,805 of the local tax revenue to finance County operations, a 7.5 percent increase over the prior year. Other revenues included charges for service of \$1,536,228, operating grants, contributions and restricted interest of \$4,368,619, capital grants, contributions and restricted interest of \$1,785,098, local option sales and services tax of \$945,907, gaming wager tax of \$438,404, unrestricted investment earnings of \$428,602 and other general revenues of \$285,111.

Expenses for County operations totaled \$15,968,586, a 16.2 percent decrease from the prior year. Expenses included \$4,938,933 for roads and transportation, \$3,657,216 for public safety and legal services and \$2,161,393 for physical health and social services.

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

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

JUNE 30, 2008

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Washington County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Randy Payne	Board of Supervisors	Jan 2009
Larry DeLong	Board of Supervisors	Jan 2009
Jim Miksch	Board of Supervisors	Jan 2011
Bill Fredrick	County Auditor	Jan 2009
Jeffrey A. Garrett	County Treasurer	Jan 2011
Connie Pence	County Recorder	Jan 2011
Jerry A. Dunbar	County Sheriff	Jan 2009
Barbara A. Edmondson	County Attorney	Jan 2011
Lil Perry	County Assessor	Jan 2010

Washington County



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Independent Auditor's Report

To the Officials of Washington County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Washington County's management. Our responsibility is to express opinions on these financial statements based on our audit.

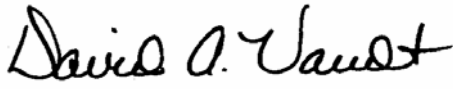
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Washington County at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

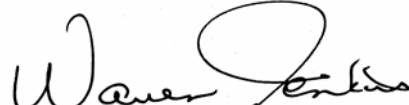
In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2009 on our consideration of Washington County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Washington County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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

June 3, 2009

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, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 9.2%, or approximately \$1,449,000, from fiscal year 2007 to fiscal year 2008. Property and other County tax increased approximately \$532,000, operating grants, contributions and restricted interest decreased approximately \$348,000 and capital grants, contributions and restricted interest increased approximately \$1,152,000.
- Program expenses were 16.2%, or approximately \$3,087,000, less in fiscal 2008 than in fiscal 2007.
- The County's net assets increased 3.2%, or approximately \$1,235,000 from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of 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 governmental and the individual Internal Service and Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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. These 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 and Flexible Benefits Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Washington County's combined net assets increased \$1,235,188 from a year ago, from \$38,973,663 to \$40,208,851. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2008	2007
Current and other assets	\$ 15,332,154	15,598,494
Capital assets	46,953,766	45,128,079
Total assets	<u>62,285,920</u>	<u>60,726,573</u>
Long-term liabilities	13,944,928	13,823,795
Other liabilities	8,132,141	7,929,115
Total liabilities	<u>22,077,069</u>	<u>21,752,910</u>
Net assets:		
Invested in capital assets, net of related debt	42,992,195	42,696,150
Restricted	3,338,375	2,315,998
Unrestricted	<u>(6,121,719)</u>	<u>(6,038,485)</u>
Total net assets	<u>\$ 40,208,851</u>	<u>38,973,663</u>

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

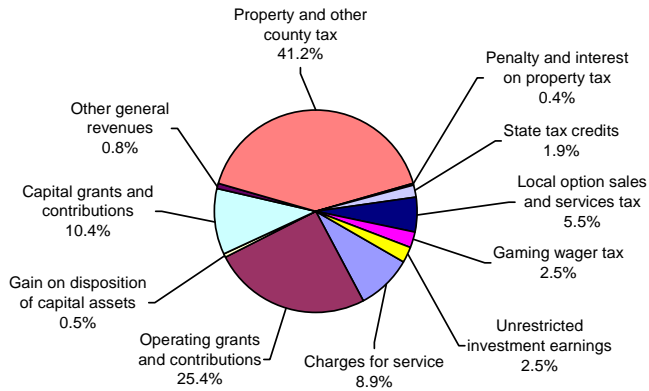
Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets increased from approximately \$2,316,000 at June 30, 2007 to approximately \$3,338,000 at the end of this year, an increase of 44.4%. This increase is primarily the result of an increase in the amount restricted for supplemental levy purposes of approximately \$350,000 and secondary roads of approximately \$992,000 offset by a decrease in the amounts restricted for mental health of approximately \$425,000, respectively.

Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately (\$6,038,000) at June 30, 2007 to approximately (\$6,122,000) at the end of this year, a decrease of 1.39%.

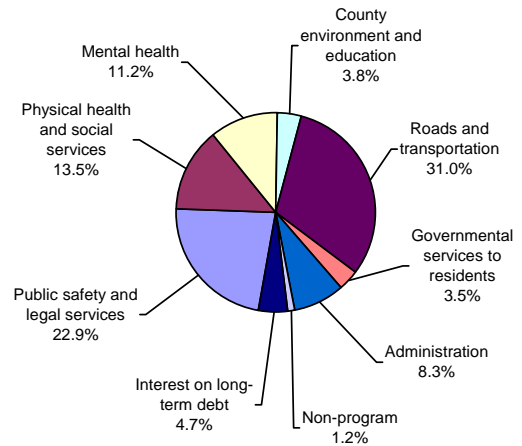
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 1,536,228	1,561,895
Operating grants and contributions	4,368,619	4,716,403
Capital grants and contributions	1,785,098	633,426
General revenues:		
Property and other county tax	7,094,048	6,561,932
Penalty and interest on property tax	68,492	64,707
State tax credits	321,757	333,727
Local option sales and services tax	945,907	1,061,073
Gaming wager tax	438,404	349,705
Unrestricted investment earnings	428,602	325,632
Gain on disposition of capital assets	87,463	67,750
Other general revenues	129,156	78,839
Total revenues	17,203,774	15,755,089
Program expenses:		
Public safety and legal services	3,657,216	2,774,548
Physical health and social services	2,161,393	2,249,946
Mental health	1,791,162	1,829,529
County environment and education	602,596	625,375
Roads and transportation	4,938,933	4,804,921
Governmental services to residents	564,446	515,128
Administration	1,316,250	1,469,838
Non-program	190,658	4,124,551
Interest on long-term debt	745,932	661,995
Total expenses	15,968,586	19,055,831
Increase (decrease) in net assets	1,235,188	(3,300,742)
Net assets beginning of year	38,973,663	42,274,405
Net assets end of year	\$ 40,208,851	38,973,663

Revenues by Source



Expenses by Program



Washington County's net assets of governmental activities increased approximately \$1,235,000 during the year. Revenues for governmental activities (a major portion from property tax and operating grants) increased approximately \$1,449,000 over the prior year. Property and other county tax revenue increased approximately \$532,000, or 8.1%, over the prior year. Capital grants and contributions increased approximately \$1,152,000 over the prior year due to transfer of jurisdiction funds received from the Iowa Department of Transportation (IDOT) in fiscal 2008.

The County decreased property tax rates \$.10271 per \$1,000 of taxable valuation in the rural levy and increased property tax rates \$.15465 per \$1,000 of taxable valuation in the countywide levy. The rural property valuation increased \$8,058,705 and the countywide property valuation increased \$16,800,791.

The cost of all governmental activities this year was \$15,968,586 compared to \$19,055,831 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities this year was \$8,278,641 as \$1,536,228 of the cost was paid by those directly benefiting from the programs and \$6,153,717 of the cost was paid by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, increased in 2008 from \$6,911,724 to \$7,689,945, principally due to transfer of jurisdiction funds received from the IDOT in fiscal 2008. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$9,514,000 in taxes (some of which could only be used for certain programs) and other revenues, such as local option sales tax, interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Washington County completed the year, its governmental funds reported a combined fund balance of \$6,683,731, a decrease of \$700,563 from last year's total of \$7,384,294. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund ending fund balance increased \$531,007, or 16%, over the prior year, from \$3,233,758 to \$3,764,765. Revenues increased approximately \$348,000, primarily due to an increase in property tax, while expenditures increased approximately \$870,000 over 2007.
- The Mental Health Fund balance decreased approximately \$478,000, or 144%, from the prior year. The County has continued to look for ways to effectively manage the cost of mental health services. Revenues for the year decreased approximately \$82,000 while expenditures decreased approximately \$37,000, or 2%, from approximately \$1,831,000 to approximately \$1,794,000.
- The Rural Services Fund balance decreased from \$521,016 at the end of fiscal 2007 to \$438,360 at the end of fiscal 2008, due in part to a reduction in the amount of local option sales and services tax revenues received. The rural services levy rate decreased from \$2.31730 per \$1,000 of taxable valuation in fiscal 2007 to \$2.21459 per \$1,000 of taxable valuation in fiscal 2008.
- Secondary Roads Fund expenditures increased approximately \$357,000 and revenues increased approximately \$1,456,000 over the prior year. Revenue increases resulted in an increase in the Secondary Roads Fund ending balance of approximately \$1,007,000, or 90%. Revenues increased primarily due to transfer of jurisdiction funds received in the current year for old Highway 218. Expenditures increased due to a major ice storm and flooding in 2008.
- The City of Riverside Tax Increment Financing Fund revenues include property tax collections and TIF revenue bond proceeds and expenditures include the amounts paid to the City of Riverside for infrastructure improvements and interest payments on the debt. This fund had a balance of \$2,898 at June 30, 2008.

- Debt Service Fund expenditures decreased approximately \$65,000 and revenues decreased approximately \$70,000 from the prior year. Expenditures include payment of principal and interest on general obligation bonds issued for the jail project.
- The Capital Projects Fund ended fiscal 2008 with a \$278,429 balance compared to the prior year balance of \$1,968,071. This decrease is primarily due to the completion of the jail construction project.

Budgetary Highlights

Over the course of the year, Washington County amended its certified budget two times. The first amendment was made in February 2008 for conservation projects, capital projects, public safety, environmental health and information technology disbursements. The second amendment was made in May 2008 for secondary roads projects, court house security and publication disbursements.

Actual net receipts for fiscal year 2008 were \$16,727,481, which was \$448,560 more than budgeted, due primarily to collection of greater than anticipated local option sales tax and gambling tax. Total disbursements for the year were \$17,698,616, which was \$2,833,432 under the amount budgeted for disbursements. Secondary roads and capital projects function disbursements were significantly less than anticipated during fiscal year 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2008, Washington County had approximately \$47 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges, computers and audio-visual equipment, transportation equipment and administrative offices. This is a net increase of approximately \$1.8 million over fiscal 2007.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2008	2007
Land	\$ 3,577,162	3,485,613
Construction in progress	258,739	3,091,157
Buildings and improvements	7,912,032	2,771,689
Equipment and vehicles	2,663,967	2,699,272
Infrastructure	32,541,866	33,080,348
Total	<u>\$ 46,953,766</u>	<u>45,128,079</u>

Washington County had depreciation expense of \$1,456,458 in fiscal year 2008 and total accumulated depreciation of \$15,204,067 at June 30, 2008.

The County's fiscal year 2008 capital projects budget included \$3,480,052 for capital projects, principally for roadway and jail construction. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At the end of fiscal 2008, Washington County had \$4,240,000 in general obligation bonds outstanding compared to \$4,400,000 at the end of fiscal 2007. The County also has a \$9,400,000 urban renewal tax increment revenue bond outstanding at June 30, 2008.

The County has not had 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% 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 \$61,866,784. In addition, the County continued to draw down the proceeds of the \$9.4 million TIF revenue bonds committed to in fiscal 2006 for the Riverside infrastructure projects. Urban renewal tax increment revenue bond debt increased as a result of drawing down the remaining proceeds for the water and sewer infrastructure projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Washington County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Washington County's unemployment rate has increased 0.7% this past year, and the prospects for it remaining low are favorable with the construction of a multimillion dollar land-based casino/golf resort in the County and the construction of two new biodiesel plants. Unemployment in the County now stands at 3.7% versus 3.0% a year ago, compared with the State's unemployment rate of 4.1% and the national rate of 5.6% for the same period ended June 30, 2008.

Inflation in the State increased from June 2007 to June 2008 but is currently less than the national Consumer Price Index (CPI). The State's CPI increase was 4.9% for fiscal year 2008 compared to the national rate of 5.0%. Inflation has increased significantly here due in part to a continuing increase in the County's residential housing market and significant increases in energy prices in 2007-2008. The population of the County has increased 3.3% since the last decennial census. Washington County is one of only eleven of the ninety-nine Iowa counties showing a population increase greater than 3.0% since the 2000 census.

In an ongoing effort to maintain County services without a major increase in tax askings, the Washington County Board of Supervisors continues to limit departmental expenditure increases and reduce fund balances to provide required services. Amounts appropriated in the 2009 cash operating budget are \$19,657,308, a 4.2% decrease from the final budget amount for 2008 and an increase of 11% over actual final 2008 cash disbursements (due in large part to the anticipated retirement of debt). A property tax revenue increase, due to slight increases in the County's taxable valuations and a decision by the Board of Supervisors to impose a general basic levy rate of \$3.85 per \$1,000 of taxable valuation (exceeding the statutory minimum of \$3.50 per \$1,000 of taxable valuation), will be supplemented by an anticipated increase in TIF property tax collections and intergovernmental revenues. The decision to increase the general basic levy was made by the Board to slow shrinking fund balances. 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 some of these program costs. Increased wage and cost of living adjustments, increased insurance costs and operation of the new County correctional facility represent the largest expenditure increases. Decreased capital project costs represent the largest expenditure decrease. The County has added no other major new programs or initiatives to the 2009 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease at a slower rate than what has been budgeted for the last three years.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Washington County
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,222,927
Receivables:	
Property tax:	
Delinquent	15,460
Succeeding year	7,090,000
Interest and penalty on property tax	485
Accounts	140,728
Accrued interest	4,528
Due from other governments	521,806
Inventories	237,240
Prepaid insurance	98,980
Capital assets (net of accumulated depreciation)	46,953,766
Total assets	<u>62,285,920</u>
Liabilities	
Accounts payable	528,668
Accrued interest payable	62,516
Salaries and benefits payable	180,940
Due to other governments	270,017
Deferred revenue:	
Succeeding year property tax	7,090,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	165,000
Urban renewal tax increment revenue bond	845,436
Compensated absences	214,086
Portion due or payable after one year:	
General obligation bonds	4,075,000
Urban renewal tax increment revenue bond	8,554,564
Compensated absences	90,842
Total liabilities	<u>22,077,069</u>
Net Assets	
Invested in capital assets, net of related debt	42,992,195
Restricted for:	
Supplemental levy purposes	1,109,282
Secondary roads purposes	2,044,365
Other purposes	184,728
Unrestricted	(6,121,719)
Total net assets	<u>\$ 40,208,851</u>

See notes to financial statements.

Washington County
Statement of Activities
Year ended June 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 3,657,216	162,818	258,817	852	(3,234,729)
Physical health and social services	2,161,393	375,275	816,700	-	(969,418)
Mental health	1,791,162	1,992	733,960	-	(1,055,210)
County environment and education	602,596	59,204	11,266	70,466	(461,660)
Roads and transportation	4,938,933	249,419	2,448,623	1,705,719	(535,172)
Governmental services to residents	564,446	353,530	15,210	8,061	(187,645)
Administration	1,316,250	119,539	27,338	-	(1,169,373)
Non-program	190,658	214,451	56,705	-	80,498
Interest on long-term debt	745,932	-	-	-	(745,932)
Total	\$ 15,968,586	1,536,228	4,368,619	1,785,098	(8,278,641)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,461,828
Debt service					320,521
Tax increment financing					311,699
Penalty and interest on property tax					68,492
State tax credits					321,757
Local option sales tax					945,907
Gaming wager tax					438,404
Unrestricted investment earnings					428,602
Gain on disposition of capital assets					87,463
Miscellaneous					129,156
Total general revenues					9,513,829
Change in net assets					1,235,188
Net assets beginning of year					38,973,663
Net assets end of year					\$ 40,208,851

See notes to financial statements.

Washington County

Balance Sheet
Governmental Funds

June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 3,702,179	224,203	293,736	1,886,429
Receivables:				
Property tax:				
Delinquent	13,326	767	1,076	-
Succeeding year	4,738,000	750,000	1,283,000	-
Interest and penalty on property tax	485	-	-	-
Accounts	90,414	33,563	-	16,751
Accrued interest	4,528	-	-	-
Due from other funds	76	-	-	21,925
Due from other governments	169,220	-	156,889	195,241
Inventories	-	-	-	237,240
Prepaid insurance	98,980	-	-	-
Total assets	\$ 8,817,208	1,008,533	1,734,701	2,357,586
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 118,057	171,015	9,385	182,482
Salaries and benefits payable	131,249	3,419	2,610	43,662
Due to other funds	21,565	-	360	76
Due to other governments	39,480	228,806	-	1,517
Deferred revenue:				
Succeeding year property tax	4,738,000	750,000	1,283,000	-
Other	4,092	648	986	-
Total liabilities	5,052,443	1,153,888	1,296,341	227,737
Fund balances:				
Reserved for:				
Supplemental levy purposes	1,152,457	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unreserved, reported in:				
General fund	2,612,308	-	-	-
Special revenue funds	-	(145,355)	438,360	2,129,849
Total fund balances	3,764,765	(145,355)	438,360	2,129,849
Total liabilities and fund balances	\$ 8,817,208	1,008,533	1,734,701	2,357,586

See notes to financial statements.

City of Riverside Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
2,898	32,909	281,241	182,016	6,605,611
-	291	-	-	15,460
-	319,000	-	-	7,090,000
-	-	-	-	485
-	-	-	-	140,728
-	-	-	-	4,528
-	-	-	-	22,001
-	-	-	456	521,806
-	-	-	-	237,240
-	-	-	-	98,980
2,898	352,200	281,241	182,472	14,736,839
-	-	2,812	428	484,179
-	-	-	-	180,940
-	-	-	-	22,001
-	-	-	214	270,017
-	319,000	-	-	7,090,000
-	245	-	-	5,971
-	319,245	2,812	642	8,053,108
-	-	-	-	1,152,457
-	32,955	-	-	32,955
-	-	278,429	-	278,429
-	-	-	-	2,612,308
2,898	-	-	181,830	2,607,582
2,898	32,955	278,429	181,830	6,683,731
2,898	352,200	281,241	182,472	14,736,839

Washington County

Washington County

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

June 30, 2008

Total governmental fund balances (page 19)

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

\$ 6,683,731

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$62,157,833 and the accumulated depreciation is \$15,204,067.

46,953,766

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

5,971

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.

572,827

Long-term liabilities, including general obligation bonds payable, urban renewal tax increment revenue bond payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

(14,007,444)

Net assets of governmental activities (page 16)

\$ 40,208,851

See notes to financial statements.

Washington County

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

Year ended June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 5,374,390	552,769	1,913,224	-
Interest and penalty on property tax	68,492	-	-	-
Intergovernmental	1,781,145	760,309	44,587	4,030,524
Licenses and permits	45,622	-	-	2,330
Charges for service	651,220	1,992	-	1,143
Use of money and property	396,172	-	-	-
Miscellaneous	63,326	-	1,726	264,585
Total revenues	<u>8,380,367</u>	<u>1,315,070</u>	<u>1,959,537</u>	<u>4,298,582</u>
Expenditures:				
Operating:				
Public safety and legal services	3,218,029	-	222,304	-
Physical health and social services	2,183,032	-	168	-
Mental health	-	1,793,564	-	-
County environment and education	406,909	-	226,585	-
Roads and transportation	-	-	67,965	4,453,212
Governmental services to residents	548,486	-	2,456	-
Administration	1,350,061	-	-	-
Non-program	56,424	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	489,587
Total expenditures	<u>7,762,941</u>	<u>1,793,564</u>	<u>519,478</u>	<u>4,942,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>617,426</u>	<u>(478,494)</u>	<u>1,440,059</u>	<u>(644,217)</u>
Other financing sources (uses):				
Sale of capital assets	41,763	-	-	-
Operating transfers in	-	-	-	1,650,897
Operating transfers out	(128,182)	-	(1,522,715)	-
Urban renewal tax increment revenue bond issued	-	-	-	-
Total other financing sources (uses)	<u>(86,419)</u>	<u>-</u>	<u>(1,522,715)</u>	<u>1,650,897</u>
Net change in fund balances	531,007	(478,494)	(82,656)	1,006,680
Fund balances beginning of year	<u>3,233,758</u>	<u>333,139</u>	<u>521,016</u>	<u>1,123,169</u>
Fund balances end of year	<u>\$ 3,764,765</u>	<u>(145,355)</u>	<u>438,360</u>	<u>2,129,849</u>

See notes to financial statements.

City of Riverside Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
311,699	332,602	-	-	8,484,684
-	-	-	-	68,492
-	15,522	-	62,596	6,694,683
-	-	-	994	48,946
-	-	-	33,701	688,056
2,805	4,981	-	20,279	424,237
-	-	24,409	28,080	382,126
314,504	353,105	24,409	145,650	16,791,224
-	-	-	7,032	3,447,365
-	-	-	702	2,183,902
-	-	-	-	1,793,564
-	-	-	4,058	637,552
-	-	-	-	4,521,177
-	-	-	8,975	559,917
4,021	-	-	-	1,354,082
-	-	-	-	56,424
557,145	348,034	-	-	905,179
-	-	1,714,051	120,310	2,323,948
561,166	348,034	1,714,051	141,077	17,783,110
(246,662)	5,071	(1,689,642)	4,573	(991,886)
-	-	-	-	41,763
-	-	-	-	1,650,897
-	-	-	-	(1,650,897)
249,560	-	-	-	249,560
249,560	-	-	-	291,323
2,898	5,071	(1,689,642)	4,573	(700,563)
-	27,884	1,968,071	177,257	7,384,294
2,898	32,955	278,429	181,830	6,683,731

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, 2008

Net change in fund balances - Total governmental funds (page 23)

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

\$ (700,563)

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

Expenditures for capital assets	\$ 3,127,163	
Capital assets contributed by the Iowa Department of Transportation	109,282	
Depreciation expense	<u>(1,456,458)</u>	1,779,987

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

45,700

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.

(6,327)

Proceeds from issuing long term liabilities provide current financial resources to the 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. Current year issues exceeded repayments, as follows:

Issued	(249,560)	
Repaid	<u>160,000</u>	(89,560)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(31,573)	
Interest on long-term debt	<u>(753)</u>	(32,326)

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.

238,277

Change in net assets of governmental activities (page 17)

\$ 1,235,188

See notes to financial statements.

Washington County
Statement of Net Assets
Proprietary Funds
June 30, 2008

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 617,316
Liabilities	
Accounts payable	<u>44,489</u>
Net Assets	
Unrestricted	<u><u>\$ 572,827</u></u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2008

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,178,429
Reimbursements from employees and others		15,047
Reimbursements from agency funds		117,507
Contributions for flexible benefits		67,884
Stop loss reimbursements		<u>75,165</u>
Total operating revenues		1,454,032
Operating expenses:		
Medical claims	\$ 883,866	
Administrative fees	281,954	
Flexible benefits claims	<u>69,342</u>	<u>1,235,162</u>
Operating income		218,870
Non-operating revenues:		
Interest income		<u>19,407</u>
Net income		238,277
Net assets beginning of year		<u>334,550</u>
Net assets end of year		<u><u>\$ 572,827</u></u>

See notes to financial statements.

Washington County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2008

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,246,313
Cash received from employees and others	117,311
Cash received from agency funds	117,507
Cash paid to suppliers for services	(1,259,461)
Net cash provided by operating activities	221,670
Cash flows from investing activities:	
Interest on investments	19,407
Net increase in cash and cash equivalents	241,077
Cash and cash equivalents beginning of year	376,239
Cash and cash equivalents end of year	\$ 617,316
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 218,870
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	27,099
(Decrease) in accounts payable	(24,299)
Net cash provided by operating activities	\$ 221,670

See notes to financial statements.

Washington County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,603,292
Other County officials	96,444
Receivables:	
Property tax:	
Delinquent	17,467
Succeeding year	18,007,000
Accounts	56,795
Special assessments	10,611
Due from other governments	49,812
Total assets	<u>19,841,421</u>

Liabilities

Accounts payable	17,438
Salaries and benefits payable	23,582
Due to other governments	19,722,141
Trusts payable	55,906
Compensated absences	22,354
Total liabilities	<u>19,841,421</u>

Net assets \$ -

See notes to financial statements.

Washington County

Notes to Financial Statements

June 30, 2008

(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 governmental fund.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor’s Conference Board, County Emergency Management Commission, County Public Safety Commission and County Joint E911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The Debt Service Fund is utilized to account for 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-reimbursement 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 financial statements:

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

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

Property Tax Receivable – 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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, 2008, 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 acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current 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 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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. 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.

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 legally 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 Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 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 \$1,491,335 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Secondary Roads	\$ 76
Special Revenue: Secondary Roads	General	21,565
	Special Revenue: Rural Services	360
Total		<u>\$ 22,001</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, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 128,182
	Special Revenue: Rural Services	1,522,715
Total		<u>\$ 1,650,897</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, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,485,613	91,549	-	3,577,162
Construction in progress	3,091,157	2,538,659	(5,371,077)	258,739
Total capital assets not being depreciated	6,576,770	2,630,208	(5,371,077)	3,835,901
Capital assets being depreciated:				
Buildings	5,656,123	5,329,427	-	10,985,550
Equipment and vehicles	7,026,752	546,412	(305,182)	7,267,982
Infrastructure, road network	39,888,872	179,528	-	40,068,400
Total capital assets being depreciated	52,571,747	6,055,367	(305,182)	58,321,932
Less accumulated depreciation for:				
Buildings	2,884,434	189,084	-	3,073,518
Equipment and vehicles	4,327,480	549,364	(272,829)	4,604,015
Infrastructure, road network	6,808,524	718,010	-	7,526,534
Total accumulated depreciation	14,020,438	1,456,458	(272,829)	15,204,067
Total capital assets being depreciated, net	38,551,309	4,598,909	(32,353)	43,117,865
Governmental activities capital assets, net	\$ 45,128,079	7,229,117	(5,403,430)	46,953,766

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 263,400
Physical health and social services	19,347
County environment and education	9,127
Roads and transportation	1,070,173
Governmental services to residents	12,520
Administration	81,891
Total depreciation expense - governmental activities	<u>\$ 1,456,458</u>

(6) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 39,480</u>
Special Revenue:		
Mental Health	Services	228,806
Secondary Roads	Services	1,517
County Recorder's Electronic Transaction Fee	Services	66
Federal Emergency Management Assistance	Services	148
		<u>230,537</u>
Total for governmental funds		<u>\$ 270,017</u>
Agency:		
County Offices	Collections	\$ 40,538
Agriculture Extension Education		177,146
County Assessor		486,276
Schools		11,365,617
Community Colleges		686,041
Corporations		4,723,169
Townships		264,657
Public Safety Commission		69,889
Auto License and Use Tax		325,212
All other		1,583,596
Total for agency funds		<u>\$ 19,722,141</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	<u>General Obligation Bonds</u>	<u>Urban Renewal Tax Increment Revenue Bond</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 4,400,000	9,150,440	273,355	13,823,795
Increases	-	249,560	328,942	578,502
Decreases	160,000	-	297,369	457,369
Balance end of year	<u>\$ 4,240,000</u>	<u>9,400,000</u>	<u>304,928</u>	<u>13,944,928</u>
Due within one year	<u>\$ 165,000</u>	<u>845,436</u>	<u>214,086</u>	<u>1,224,522</u>

General Obligation Bonds Payable

A summary of the County's June 30, 2008 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.85%	\$ 165,000	181,555	346,555
2010	3.85	170,000	175,203	345,203
2011	3.90	175,000	168,658	343,658
2012	3.95	185,000	161,833	346,833
2013	4.00	190,000	154,525	344,525
2014- 2018	4.05 - 4.25	1,080,000	649,715	1,729,715
2019- 2023	4.30 - 4.50	1,330,000	399,325	1,729,325
2024- 2026	4.55 - 4.65	945,000	88,665	1,033,665
Total		\$ 4,240,000	1,979,479	6,219,479

During the year ended June 30, 2008, the County retired \$160,000 of bonds. The bonds were issued to construct a county jail.

Urban Renewal Tax Increment Revenue Bond

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

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

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

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of annual covered payroll. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the year ended June 30, 2008, 2007 and 2006 were \$349,309, \$314,654 and \$291,249, 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 563 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 and inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 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, 2008 were \$156,559.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage 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, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, 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 \$1,000,000 and \$200,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(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, 2008 was \$1,178,429.

Amounts payable from the Employee Group Health Fund at June 30, 2008 total \$44,489, 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 \$572,827 at June 30, 2008 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 68,788
Incurred claims (including claims incurred but not reported at June 30, 2008)	883,866
Payments	<u>(908,165)</u>
Unpaid claims end of year	<u><u>\$ 44,489</u></u>

(11) County Hospital Revenue Bonds

On July 1, 1997 and April 11, 2006, the County entered into a loan agreements pursuant to Chapter 331.402(3) of the Code of Iowa and issued \$5,200,000 and \$18,500,000, respectively, of Hospital Revenue Bonds for constructing, remodeling and expanding the Washington County Hospital. The bonds and related interest are payable solely out of the net earnings of the Washington County Hospital and do not constitute liabilities of the County. The outstanding balance on the bonds at June 30, 2008 was \$20,680,000.

(12) 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, 2008:

Additions:

Contributions from governmental units:

Washington County	\$ 217,041	
City of Washington	210,630	
Other cities	155,540	
Reimbursement from Joint E-911 Service Board	<u>18,000</u>	\$ 601,211

Deductions:

Salaries	390,122	
Benefits	74,302	
Office supplies	3,036	
Uniforms	1,576	
Travel	10,852	
Telephone and fax services	12,296	
Training	1,535	
Professional services	20,961	
Equipment maintenance	17,083	
Radio equipment maintenance	12,093	
Miscellaneous	<u>6,008</u>	<u>549,864</u>

Net		51,347
Balance beginning of year		<u>51,010</u>
Balance end of year		<u><u>\$ 102,357</u></u>

(13) Deficit Fund Balance

The Mental Health Fund had a deficit balance of \$145,355 at June 30, 2008. The deficit balance was a result of mental health expenditures incurred prior to availability of funds. The deficit will be eliminated upon receipt of funds. The County also plans to work with the Iowa Department of Human Services for ways to lower costs and improve efficiency.

Washington County

Required Supplementary Information

Washington County

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

Required Supplementary Information

Year ended June 30, 2008

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 8,522,980	-	8,522,980
Interest and penalty on property tax	70,988	-	70,988
Intergovernmental	6,630,944	-	6,630,944
Licenses and permits	49,225	-	49,225
Charges for service	699,661	-	699,661
Use of money and property	408,159	-	408,159
Miscellaneous	358,550	13,026	345,524
Total receipts	<u>16,740,507</u>	<u>13,026</u>	<u>16,727,481</u>
Disbursements:			
Public safety and legal services	3,424,622	-	3,424,622
Physical health and social services	2,177,599	-	2,177,599
Mental health	1,758,689	-	1,758,689
County environment and education	629,905	4,058	625,847
Roads and transportation	4,492,578	-	4,492,578
Governmental services to residents	557,932	-	557,932
Administration	1,344,993	-	1,344,993
Non-program	65,440	-	65,440
Debt service	905,181	-	905,181
Capital projects	2,345,735	-	2,345,735
Total disbursements	<u>17,702,674</u>	<u>4,058</u>	<u>17,698,616</u>
Excess (deficiency) of receipts over (under) disbursements	(962,167)	8,968	(971,135)
Other financing sources, net	155,367	-	155,367
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(806,800)	8,968	(815,768)
Balance beginning of year	7,412,411	17,496	7,394,915
Balance end of year	<u>\$ 6,605,611</u>	<u>26,464</u>	<u>6,579,147</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
8,160,849	8,160,849	362,131
58,000	58,000	12,988
6,304,500	6,667,920	(36,976)
41,550	41,550	7,675
656,345	656,345	43,316
352,605	352,605	55,554
307,110	341,652	3,872
<u>15,880,959</u>	<u>16,278,921</u>	<u>448,560</u>
3,568,076	3,728,501	303,879
2,442,619	2,482,452	304,853
1,974,131	1,974,131	215,442
631,242	668,642	42,795
4,043,460	4,957,460	464,882
635,343	648,943	91,011
1,548,788	1,606,888	261,895
57,600	74,600	9,160
904,879	910,379	5,198
<u>2,380,500</u>	<u>3,480,052</u>	<u>1,134,317</u>
<u>18,186,638</u>	<u>20,532,048</u>	<u>2,833,432</u>
(2,305,679)	(4,253,127)	3,281,992
<u>256,647</u>	<u>256,647</u>	<u>(101,280)</u>
(2,049,032)	(3,996,480)	3,180,712
<u>5,202,013</u>	<u>7,371,850</u>	<u>23,065</u>
<u><u>3,152,981</u></u>	<u><u>3,375,370</u></u>	<u><u>3,203,777</u></u>

Washington County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 16,740,507	50,717	16,791,224
Expenditures	17,702,674	80,436	17,783,110
Net	(962,167)	(29,719)	(991,886)
Other financing sources, net	155,367	135,956	291,323
Beginning fund balances	7,412,411	(28,117)	7,384,294
Ending fund balances	<u>\$ 6,605,611</u>	<u>78,120</u>	<u>6,683,731</u>

See accompanying independent auditor's report.

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit, Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 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 \$2,345,410. 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, 2008, disbursements did not exceed the amounts budgeted by function.

Washington County

Other Supplementary Information

Washington County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2008

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhance- ment and Protection	Law Enforcement County Attorney
Assets				
Cash and pooled investments	\$ 24,588	309	66,246	13,593
Due from other governments	456	-	-	-
Total assets	\$ 25,044	309	66,246	13,593
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	-
Due to other governments	-	66	-	-
Total liabilities	-	66	-	-
Fund balances:				
Unreserved	25,044	243	66,246	13,593
Total liabilities and fund balances	\$ 25,044	\$ 309	\$ 66,246	\$ 13,593

See accompanying independent auditor's report.

Special Revenue						
Law Enforcement County Sheriff	Federal Emergency Management Assistance	Supplemental Environmental Projects	Conservation Land Acquisition	Washington County Conservation Foundation		Total
2,762	2,109	548	45,397	26,464		182,016
-	-	-	-	-		456
2,762	2,109	548	45,397	26,464		182,472
-	428	-	-	-		428
-	148	-	-	-		214
-	576	-	-	-		642
2,762	1,533	548	45,397	26,464		181,830
\$ 2,762	\$ 2,109	\$ 548	\$ 45,397	\$ 26,464	\$	\$ 182,472

Washington County

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

Year ended June 30, 2008

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhance- ment and Protection	Law Enforcement County Attorney
Revenues:				
Intergovernmental	\$ -	-	60,466	-
Licenses and permits	-	-	-	-
Charges for service	5,305	-	-	-
Use of money and property	983	-	3,326	-
Miscellaneous	-	-	10,000	-
Total revenues	6,288	-	73,792	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	2,095
Physical health and social services	-	-	-	-
County environment and education	-	-	-	-
Governmental services to residents	8,897	78	-	-
Capital projects	-	-	92,566	-
Total expenditures	8,897	78	92,566	2,095
Excess (deficiency) of revenues over (under) expenditures	(2,609)	(78)	(18,774)	(2,095)
Fund balances beginning of year	27,653	321	85,020	15,688
Fund balances end of year	\$ 25,044	243	66,246	13,593

See accompanying independent auditor's report.

Special Revenue						
Law Enforcement County Sheriff	Federal Emergency Management Assistance	Supplemental Environmental Projects	Conservation Land Acquisition	Washington County Conservation Foundation		Total
-	2,109	21	-	-		62,596
-	-	-	994	-		994
-	-	-	28,396	-		33,701
-	-	-	15,970	-		20,279
2,123	-	-	2,931	13,026		28,080
2,123	2,109	21	48,291	13,026		145,650
4,937	-	-	-	-		7,032
-	702	-	-	-		702
-	-	-	-	4,058		4,058
-	-	-	-	-		8,975
-	-	-	27,744	-		120,310
4,937	702	-	27,744	4,058		141,077
(2,814)	1,407	21	20,547	8,968		4,573
5,576	126	527	24,850	17,496		177,257
2,762	1,533	548	45,397	26,464		181,830

Schedule 3

Washington County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2008

	Employee Group Health	Flexible Benefits	Total
Assets			
Cash and pooled investments	\$ 617,234	82	617,316
Liabilities			
Accounts payable	44,489	-	44,489
Net Assets			
Unrestricted	\$ 572,745	82	572,827

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, 2008

	Employee Group Health	Flexible Benefits	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,178,429	-	1,178,429
Reimbursements from employees and others	15,047	-	15,047
Reimbursements from agency funds	117,507	-	117,507
Contributions for flexible benefits	-	67,884	67,884
Stop loss reimbursements	75,165	-	75,165
Total operating revenues	1,386,148	67,884	1,454,032
Operating expenses:			
Medical claims	883,866	-	883,866
Administrative fees	281,954	-	281,954
Flexible benefits claims	-	69,342	69,342
Total operating expenses	1,165,820	69,342	1,235,162
Operating income (loss)	220,328	(1,458)	218,870
Non-operating revenues:			
Interest income	19,407	-	19,407
Net income (loss)	239,735	(1,458)	238,277
Net assets beginning of year	333,010	1,540	334,550
Net assets end of year	\$ 572,745	82	572,827

See accompanying independent auditor's report.

Washington County

Washington County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2008

	Employee Group Health	Flexible Benefits	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 1,178,429	67,884	1,246,313
Cash received from others	117,311	-	117,311
Cash received from agency funds	117,507	-	117,507
Cash paid to suppliers for services	(1,190,119)	(69,342)	(1,259,461)
Net cash provided by (used for) operating activities	223,128	(1,458)	221,670
Cash flows from investing activities:			
Interest on investments	19,407	-	19,407
Net increase (decrease) in cash and cash equivalents	242,535	(1,458)	241,077
Cash and cash equivalents at beginning of year	374,699	1,540	376,239
Cash and cash equivalents at end of year	\$ 617,234	82	617,316
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 220,328	(1,458)	218,870
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Changes in assets and liabilities:			
Decrease in accounts receivable	27,099	-	27,099
(Decrease) in accounts payable	(24,299)	-	(24,299)
Net cash provided by (used for) operating activities	\$ 223,128	(1,458)	221,670

See accompanying independent auditor's report.

Washington County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,968	129,813	204,469	12,393
Other County officials	96,444	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	178	380	11,148	648
Succeeding year	-	174,000	371,000	11,150,000	673,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 96,444	177,146	501,193	11,365,617	686,041
Liabilities					
Accounts payable	\$ -	-	301	-	-
Salaries and benefits payable	-	-	8,512	-	-
Due to other governments	40,538	177,146	486,276	11,365,617	686,041
Trusts payable	55,906	-	-	-	-
Compensated absences	-	-	6,104	-	-
Total liabilities	\$ 96,444	177,146	501,193	11,365,617	686,041

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
104,069	3,407	101,113	325,212	719,848	1,603,292
-	-	-	-	-	96,444
4,100	250	-	-	763	17,467
4,615,000	261,000	-	-	763,000	18,007,000
-	-	-	-	56,795	56,795
-	-	-	-	10,611	10,611
-	-	1,244	-	48,568	49,812
4,723,169	264,657	102,357	325,212	1,599,585	19,841,421
-	-	3,604	-	13,533	17,438
-	-	12,614	-	2,456	23,582
4,723,169	264,657	69,889	325,212	1,583,596	19,722,141
-	-	-	-	-	55,906
-	-	16,250	-	-	22,354
4,723,169	264,657	102,357	325,212	1,599,585	19,841,421

Washington County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 61,359	153,928	473,321	10,546,788
Additions:				
Property and other county tax	-	173,100	368,292	11,061,763
E911 surcharge	-	-	-	-
State tax credits	-	7,043	17,002	487,028
Office fees and collections	510,152	-	-	-
Auto licenses, use tax, postage and drivers license fees	-	-	-	-
Assessments	-	-	-	-
Trusts	211,140	-	-	-
Miscellaneous	32,699	-	371	-
Total additions	753,991	180,143	385,665	11,548,791
Deductions:				
Agency remittances:				
To other funds	55,278	-	-	-
To other governments	462,929	156,925	357,793	10,729,962
Trusts paid out	200,699	-	-	-
Total deductions	718,906	156,925	357,793	10,729,962
Balances end of year	\$ 96,444	177,146	501,193	11,365,617

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
677,258	4,174,904	247,321	51,010	366,556	1,431,881	18,184,326
668,453	4,512,586	261,740	-	-	756,155	17,802,089
-	-	-	-	-	205,963	205,963
29,506	187,026	11,010	-	-	35,357	773,972
-	-	-	-	-	331,570	841,722
-	-	-	-	4,478,297	86,350	4,564,647
-	-	-	-	-	18,164	18,164
-	-	-	-	-	198,293	409,433
-	-	-	601,211	-	117,794	752,075
697,959	4,699,612	272,750	601,211	4,478,297	1,749,646	25,368,065
-	-	-	-	180,786	236	236,300
689,176	4,151,347	255,414	549,864	4,338,855	1,384,435	23,076,700
-	-	-	-	-	197,271	397,970
689,176	4,151,347	255,414	549,864	4,519,641	1,581,942	23,710,970
686,041	4,723,169	264,657	102,357	325,212	1,599,585	19,841,421

Washington County

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

For the Last Nine Years

	2008	2007	2006	Modified 2005
Revenues:				
Property and other county tax	\$ 8,484,684	7,967,961	6,636,184	6,339,731
Interest and penalty on property tax	68,492	64,707	63,726	59,045
Intergovernmental	6,694,683	5,286,299	8,240,176	6,161,660
Licenses and permits	48,946	46,203	50,678	50,816
Charges for service	688,056	714,464	919,552	649,381
Use of money and property	424,237	605,055	315,561	206,180
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	382,126	499,479	179,197	419,137
Total	\$ 16,791,224	15,184,168	16,405,074	13,885,950
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,447,365	2,680,060	2,660,864	2,781,551
Physical health and social services	2,183,902	2,239,164	2,004,389	1,900,854
Mental health	1,793,564	1,830,624	1,338,335	1,368,581
County environment and education	637,552	624,445	525,778	540,426
Roads and transportation	4,521,177	3,927,041	3,998,812	4,109,636
Governmental services to residents	559,917	513,407	640,779	474,804
Administration	1,354,082	1,221,558	1,247,345	1,224,129
Non-program	56,424	4,082,771	4,656,959	63,080
Debt service	905,179	853,834	143,920	136,507
Capital projects	2,323,948	3,998,616	2,979,542	1,045,744
Total	\$ 17,783,110	21,971,520	20,196,723	13,645,312

See accompanying independent auditor's report.

Accrual Basis				
2004	2003	2002	2001	2000
6,241,554	5,984,992	5,615,499	5,542,139	4,397,020
53,893	54,570	61,136	48,799	47,863
5,083,478	5,450,236	5,474,357	5,189,339	5,045,627
49,619	53,794	46,699	40,097	37,370
686,167	617,076	533,446	444,212	433,562
171,402	183,428	309,182	549,223	284,635
3,116	8,106	2,465	11,339	2,793
384,648	725,576	311,702	180,510	135,947
12,673,877	13,077,778	12,354,486	12,005,658	10,384,817
2,575,845	2,658,121	2,340,040	2,311,759	2,006,692
1,906,677	1,825,272	1,716,620	1,596,445	1,361,236
1,379,236	1,524,813	1,573,706	1,745,113	1,604,335
478,857	411,633	372,007	328,888	278,301
3,766,210	3,566,052	3,321,231	3,076,050	3,192,729
465,193	480,007	441,334	458,178	402,906
1,293,299	1,133,910	1,041,540	997,963	955,311
86,951	327,280	67,589	481,519	106,112
68,254	138,675	138,835	73,645	76,611
1,305,961	1,833,034	838,276	710,471	1,106,836
13,326,483	13,898,797	11,851,178	11,780,031	11,091,069

Washington County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Officials of Washington County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 3, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Washington County's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Washington County's financial statements that is more than inconsequential will not be prevented or detected by Washington County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Washington County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

Compliance and Other Matters

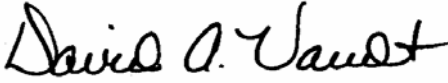
As part of obtaining reasonable assurance about whether Washington County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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


Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Washington County and other parties to whom Washington County may report. 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

June 3, 2009

Washington County

Schedule of Findings

Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the Sheriff's office may have control over collecting receipts, depositing, posting and daily reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Sheriff should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances. The Sheriff should utilize current personnel to provide additional control through review of financial transactions, reconciliations and report.

Response – To provide better oversight and control over these funds, employees from two different departments will have to sign checks and review purchase orders. There will be a total of five Sheriff employees involved with the fund.

Conclusion – Response acknowledged. To strengthen controls over receipts, the independent review of transactions, reconciliations and reports should be evidenced by the reviewer's initials and the date reviewed.

- (B) Information Systems – The County does not have a written disaster recovery plan and does not utilize a lock out function to prevent unauthorized access.

Recommendation – A written disaster recovery plan should be developed and a lock out function should be utilized to protect against unauthorized access.

Response – 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.

- (C) Commissary Account – The County Sheriff maintains a commissary account to purchase resale items for the benefit of inmates. During the year ended June 30, 2008, ledger (book) balances were not reconciled to bank balances monthly.

In addition, expenditures were paid from the County Sheriff's commissary account for certain items not considered resale items and those expenditures have not been included in the County's budget or annual financial reports.

Washington County

Schedule of Findings

Year ended June 30, 2008

Recommendation – To strengthen controls over the commissary account, book balances should be reconciled to bank balances monthly and variances, if any, should be resolved timely.

All expenditures, except resale items, for the County Sheriff's office should be paid by claims approved by the Board of Supervisors and reflected in the County's accounting system, County budget and annual financial statements.

Response – The Washington County Sheriff's Office has already installed and implemented software "Quick Books" to address this problem. Jail staff will make entries and the administrative assistant will review them for appropriateness.

The Sheriff will set policy for the commissary account to run all non-resale items through the Sheriff for Board of Supervisor approval before payment. The expenditures will be included in the County's budget and annual financial reports.

Conclusion – Response acknowledged. To strengthen controls over the commissary account, monthly reconciliations of ledger balances to bank balances should also be performed.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Washington County
Schedule of Findings
Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.
- (2) 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.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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

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

Response – Work loads, as well as budget limitations that preclude adding additional staff, make it periodically difficult to complete Board minutes in a timely fashion. The retirement of a thirty year plus staff member will create the necessity for dedicating additional time for training by the County Auditor and staff for this individual’s replacement, but it is the County Auditor’s intention to reallocate office duties and responsibilities and involve this new staff person in the timely completion of minutes.

Conclusion – Response accepted.

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

Washington County

Schedule of Findings

Year ended June 30, 2008

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

Response – Washington County has contracted with Iowa Codification to complete the update of its code of ordinances. All existing ordinances have been sent to Iowa Codification and the County Auditor has completed his initial review of the draft update. The County Auditor continues to correspond with the company to facilitate the finalization of the updating process.

Conclusion – Response accepted.

- (10) Financial Condition – The Mental Health Fund had a modified accrual basis deficit fund balance of \$145,355 at June 30, 2008.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – On June 30, 2008, Washington County's Mental Health Fund reflected an ending cash balance of \$224,203. No claims or obligations were authorized for payment for Mental Health expenditures in FY 2008 which exceeded available funds.

Washington County Mental Health Disability Services continues to seek ways to reduce costs for services and to plan for reductions in State funding. The department is also in the process of satisfying an existing \$97,495 Iowa Department of Human Services judgment which is reflected as a liability in the modified accrual basis fund balance.

Conclusion – Response accepted.

- (11) Electronic Checks/Warrants – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks and warrants in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check or warrant.

The County did not obtain an image of the back of each cancelled check or warrant as required.

Recommendation – The County should obtain and retain check or warrant images as required.

Response – The County has contacted its financial institution and has requested images of both the front and back of cancelled checks be returned to the County. The financial institution has agreed to devise a system to comply with the County's request.

Conclusion – Response accepted.

Washington County

Schedule of Findings

Year ended June 30, 2008

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

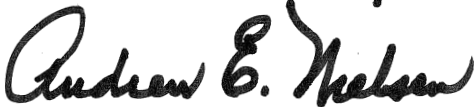
Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

Washington County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor II
Brian P. Schenkelberg, CPA, Staff Auditor
Michael D. Eckard, Staff Auditor
Michael T. Stevens, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State