



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

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NEWS RELEASE

FOR RELEASE

December 30, 2016

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

The City's receipts totaled \$18,114,543 for the year ended June 30, 2016, a 41% increase over the prior year. The receipts included \$3,300,727 of property tax, \$219,550 of tax increment financing, \$4,797,986 of charges for service, \$1,488,980 of operating grants, contributions and restricted interest, \$450,798 of capital grants, contributions and restricted interest, \$805,866 of local option sales tax, \$110,532 of commercial/industrial tax replacement, \$424,306 of grants and contributions not restricted to specific purposes, \$33,092 of unrestricted interest on investments, \$6,192,213 of bond and note proceeds and \$290,493 of other general receipts.

Disbursements for the year ended June 30, 2016 totaled \$16,366,999, a 20% increase over the prior year, and included \$2,770,192 for capital projects, \$2,217,055 for debt service and \$1,762,948 for public safety. The City also refunded \$604,895 of general obligation notes during the year. Disbursements for business type activities totaled \$5,946,174.

The significant increase in receipts and disbursements is due primarily to the issuance of bonds and notes primarily used to refund debt.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1620-0887-B00F>.

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

JUNE 30, 2016

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City of Washington

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sandra Johnson	Mayor	Jan 2016
Bob Shepherd	Mayor Pro Tem	Jan 2016
Bob Shellmeyer	Council Member	(Resigned Nov 2015)
Brendan DeLong (Appointed)	Council Member	Nov 2015
Mark Kendall	Council Member	(Resigned Nov 2015)
Millie Youngquist (Appointed)	Council Member	Nov 2015
Russ Zieglowsky	Council Member	Jan 2018
Jaron Rosien	Council Member	Jan 2018
Kathryn Salazar	Council Member	Jan 2018
Brent Hinson	City Administrator	Indefinite
Illa Earnest	City Clerk	Indefinite
Kelsey Brown	Finance Director	Indefinite
Kevin Olson	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sandra Johnson	Mayor	Jan 2018
Russ Zieglowsky	Mayor Pro tem	Jan 2018
Jaron Rosien	Council Member	Jan 2018
Kathryn Salazar	Council Member	Jan 2018
Kerry Janecek	Council Member	Jan 2020
Brendan DeLong	Council Member	Jan 2020
Millie Youngquist	Council Member	Jan 2020
Brent Hinson	City Administrator	Indefinite
Illa Earnest	City Clerk	Indefinite
Kelsey Brown	Finance Director	Indefinite
Kevin Olson	Attorney	Indefinite

City of Washington



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Washington's basic financial statements. The financial Statements for the nine years ended June 30, 2015 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 40 through 45, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2016 on our consideration of the City of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Washington's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

December 20, 2016

City of Washington

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Washington 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, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 58%, or approximately \$5,111,000, from fiscal year 2015 to fiscal year 2016. Property tax increased approximately \$64,000 and bond and note proceeds increased approximately \$5,900,000.
- Disbursements of the City's governmental activities increased 21%, or approximately \$1,812,000, in fiscal year 2016 from fiscal year 2015. Debt service, capital projects and payment to refunding escrow agent disbursements increased approximately \$1,267,000, \$235,000 and \$605,000, respectively.
- The City's total cash basis net position increased 23%, or approximately \$1,748,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities increased \$2,091,460 and the cash basis net position of the business type activities decreased \$343,916.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City'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 the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and sanitation. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government 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 City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Sanitation Funds. The Enterprise, Water and Sewer Funds are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

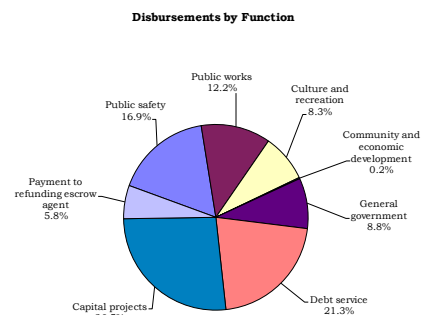
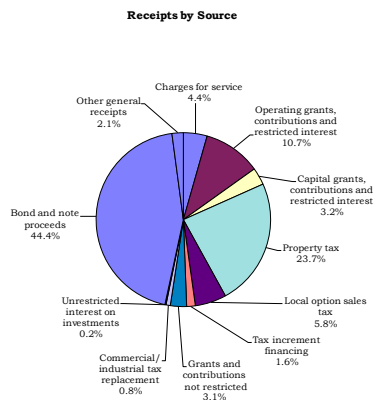
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$4.957 million to approximately \$7.049 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 609,753	956,957
Operating grants, contributions and restricted interest	1,488,980	841,217
Capital grants, contributions and restricted interest	450,798	1,660,041
General receipts:		
Property tax	3,300,727	3,236,860
Local option sales tax	805,866	766,736
Tax increment financing	219,550	215,206
Grants and contributions not restricted to specific purposes	424,306	-
Commercial/industrial tax replacement	110,532	89,619
Unrestricted interest on investments	33,082	23,141
Bond and note proceeds	6,192,213	273,350
Other general receipts	290,493	751,922
Total receipts	13,926,300	8,815,049
Disbursements:		
Public safety	1,762,948	1,752,423
Public works	1,270,390	1,517,128
Culture and recreation	865,558	1,036,518
Community and economic development	17,166	15,342
General government	912,621	802,057
Debt service	2,217,055	950,438
Capital projects	2,770,192	2,535,258
Payment to refunding escrow agent	604,895	-
Total disbursements	10,420,825	8,609,164
Change in cash basis net position before transfers	3,505,475	205,885
Transfers, net	(1,414,015)	(639,480)
Change in cash basis net position	2,091,460	(433,595)
Cash basis net position beginning of year	4,957,196	5,390,791
Cash basis net position end of year	\$ 7,048,656	4,957,196



The City's total receipts for governmental activities increased 58.0%, or approximately \$5,111,000, from the prior year. The total cost of all programs and services increased approximately \$1,812,000, or 21%, with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received from the issuance of general obligation capital loan notes and refunding bonds.

The cost of all governmental activities this year was approximately \$10.421 million compared to approximately \$8.609 million last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$7.266 million because some of the cost was paid by those directly benefited from the programs (approximately \$610,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1,940,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2016 from approximately \$3,458,000 to approximately \$2,550,000, principally due to receiving grant proceeds in fiscal year 2015 for airport improvements.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,718,821	1,619,229
Sewer	2,058,494	2,030,093
Sanitation	410,918	393,233
General receipts:		
Unrestricted interest on investments	10	-
Other general receipts	-	3,442
Total receipts	4,188,243	4,045,997
Disbursements:		
Water	2,805,254	2,597,106
Sewer	2,738,210	2,099,835
Sanitation	402,710	382,536
Total disbursements	5,946,174	5,079,477
Change in cash basis net position before transfers	(1,757,931)	(1,033,480)
Transfers, net	1,414,015	639,480
Change in cash basis net position	(343,916)	(394,000)
Cash basis net position beginning of year	2,567,207	2,961,207
Cash basis net position end of year	\$ 2,223,291	2,567,207

Total business type activities receipts for the fiscal year were approximately \$4.188 million compared to approximately \$4.046 million last year. This increase was due primarily to an increase in water and sewer billing rates. The cash balance decreased approximately \$344,000 from the prior year due to increased spending on capital projects. Total disbursements for the fiscal year increased 17.1% to approximately \$5.946 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Washington completed the year, its governmental funds reported a combined fund balance of \$6,919,329, an increase of more than \$2 million above last year's total of \$4,851,260. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$175,085 or 16.5%, from the prior year to \$1,236,666. The increase is primarily due to the Airport's receipts increasing for fuel sales and state grants along with a decrease in Airport disbursements due to a drop in fuel costs.
- The Special Revenue, Road Use Tax Fund cash balance increased \$135,681 to \$810,568. This increase is attributable to increased road use tax receipts from the state and decreased spending on sidewalk repair/replacement and equipment purchases.
- The Special Revenue, Local Option Sales Tax cash balance stayed at zero for the fiscal year. This is attributable to monthly transfers to the General Fund and the Capital Projects Fund as designated by the local option sales tax ballot.
- The Debt Service Fund cash balance increased \$1,757,392 to \$1,761,150. This is primarily attributable to the issuance of \$1,770,000 general obligation refunding bonds, the proceeds of which will be used to redeem \$1,730,000 of general obligation notes in June 2017.
- The Capital Projects Fund cash balance increased \$19,271 or less than 1.0%, to \$2,314,585.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$218,095 to \$1,163,096, due primarily to an increase in the sale of water and a reduction in net transfers out to fund capital projects.
- The Enterprise, Sewer Fund cash balance decreased \$577,215 to \$887,838, due primarily to an increase in disbursements to fund debt service and capital projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on December 1, 2015 and resulted in an increase in disbursements related to capital projects. The second amendment was approved on May 31, 2016 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$711,546 less than budgeted. This was primarily due to the City receiving less water and sewer charges for services revenue than anticipated, even after the amendments as well as project grant receipts were less than expected due to delays in the projects.

With the budget amendments, total disbursements were \$3,113,479 less than the amended budget. This was primarily due to the City delaying disbursements related to capital projects, including the Southwest Industrial Park project.

The City exceeded the amount budgeted in the debt service function prior to the May 31, 2016 amendment due to the advance refunding of general obligation capital loan notes, series 2008. The City exceeded the amounts budgeted in the community and economic development and general government functions at June 30, 2016 due to not budgeting expenses for health insurance and not fully budgeting for economic development grants.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$23,903,145 of bonds and other long-term debt outstanding, compared to \$20,386,565 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2016	2015
General obligation capital loan notes and bonds	\$ 8,178,390	4,461,632
Revenue capital loan notes	15,623,000	15,787,000
Urban renewal capital loan note	72,500	94,500
Bank loan	29,255	43,433
Total	\$ 23,903,145	20,386,565

Debt increased as a result of issuing general obligation bonds for the purpose of refunding general obligation capital loan notes and defraying a portion of the costs of street, water and sewer improvements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation and tax increment financing (TIF) debt of \$8,280,145 is significantly below its constitutional debt limit of approximately \$18 million. Additional information about the City’s long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City of Washington’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various City activities. Those factors include the economy, employment rates, operating expenses, capital projects and increases in service and state mandates.

For fiscal year 2017, the City of Washington has projected and budgeted the following major projects; water plant upgrades and designs \$1,399,300, Sitler Drive Widening (South Ave B to South Iowa) \$250,000, and sewer rehab phase III – lining/separation \$300,000. Other projects include municipal building/facilities planning, airport apron for large hangar/ramp project and Avenue H reconstruction.

The City Council passed an ordinance to increase water, sewer and sanitation rates by 3.50% effective the first day of July each year beginning in 2013, unless otherwise amended.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brent Hinson, City Administrator, City of Washington, 215 E Washington Street, Washington, Iowa 52353.

Basic Financial Statements

City of Washington

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,762,948	22,689	127,031	-
Public works	1,270,390	440,663	949,582	57,375
Culture and recreation	865,558	137,316	73,135	1,094
Community and economic development	17,166	-	-	-
General government	912,621	9,085	226,483	-
Debt service	2,217,055	-	-	-
Capital projects	2,770,192	-	112,749	392,329
Total governmental activities	9,815,930	609,753	1,488,980	450,798
Business type activities:				
Water	2,805,254	1,718,821	-	-
Sewer	2,738,210	2,058,494	-	-
Sanitation	402,710	410,918	-	-
Total business type activities	5,946,174	4,188,233	-	-
Total	\$ 15,762,104	4,797,986	1,488,980	450,798
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond and note proceeds				
Payment to refunding bond escrow agent				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Customer deposits				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(1,613,228)	-	(1,613,228)
177,230	-	177,230
(654,013)	-	(654,013)
(17,166)	-	(17,166)
(677,053)	-	(677,053)
(2,217,055)	-	(2,217,055)
(2,265,114)	-	(2,265,114)
(7,266,399)	-	(7,266,399)
-	(1,086,433)	(1,086,433)
-	(679,716)	(679,716)
-	8,208	8,208
-	(1,757,941)	(1,757,941)
(7,266,399)	(1,757,941)	(9,024,340)

2,468,553	-	2,468,553
832,174	-	832,174
219,550	-	219,550
805,866	-	805,866
424,306	-	424,306
110,532	-	110,532
33,082	10	33,092
6,192,213	-	6,192,213
(604,895)	-	(604,895)
263,742	-	263,742
26,751	-	26,751
(1,414,015)	1,414,015	-
9,357,859	1,414,025	10,771,884
2,091,460	(343,916)	1,747,544
4,957,196	2,567,207	7,524,403
\$ 7,048,656	2,223,291	9,271,947

\$ 810,568	-	810,568
108,646	-	108,646
1,761,150	-	1,761,150
2,314,585	-	2,314,585
-	62,455	62,455
687,714	-	687,714
1,365,993	2,160,836	3,526,829
\$ 7,048,656	2,223,291	9,271,947

City of Washington

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2016

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 1,840,028	-	-
Tax increment financing	-	-	-
Other city tax	-	-	805,866
Licenses and permits	148,217	-	-
Use of money and property	131,319	-	-
Intergovernmental	125,981	897,927	-
Charges for service	116,674	566	-
Special assessments	-	-	-
Miscellaneous	709,759	18,196	-
Total receipts	3,071,978	916,689	805,866
Disbursements:			
Operating:			
Public safety	1,748,070	-	-
Public works	513,625	756,824	-
Culture and recreation	796,909	-	-
Community and economic development	-	-	-
General government	854,232	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	3,912,836	756,824	-
Excess (deficiency) of receipts over (under) disbursements	(840,858)	159,865	805,866
Other financing sources (uses):			
Bond/note proceeds and \$56,272 premium, net of \$45,709 of issuance costs	-	-	-
Payment to refunding bond escrow agent	-	-	-
Sale of capital assets	15,947	-	-
Transfers in	1,413,466	103,929	-
Transfers out	(413,470)	(128,113)	(805,866)
Total other financing sources (uses)	1,015,943	(24,184)	(805,866)
Change in cash balances	175,085	135,681	-
Cash balances beginning of year	1,061,581	674,887	-
Cash balances end of year	\$ 1,236,666	810,568	-
Cash Basis Fund Balances			
Restricted for:			
Streets	-	810,568	-
Urban renewal purposes	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Committed for safety programming and initiatives	700	-	-
Committed for airport operations	225,518	-	-
Unassigned	1,010,448	-	-
Total cash basis fund balances	\$ 1,236,666	810,568	-

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
832,174	-	628,525	3,300,727
-	-	219,550	219,550
-	-	-	805,866
-	-	-	148,217
4	66,629	2,957	200,909
27,319	381,456	33,643	1,466,326
-	107	334	117,681
-	27,309	-	27,309
-	521,051	171,744	1,420,750
859,497	996,552	1,056,753	7,707,335
-	-	15,059	1,763,129
-	-	-	1,270,449
-	-	69,129	866,038
-	-	31,945	31,945
-	-	81,060	935,292
2,176,236	-	26,040	2,202,276
-	2,768,782	1,410	2,770,192
2,176,236	2,768,782	224,643	9,839,321
(1,316,739)	(1,772,230)	832,110	(2,131,986)
3,837,263	2,354,950	-	6,192,213
(604,895)	-	-	(604,895)
-	-	10,805	26,752
269,665	1,163,635	29,103	2,979,798
(427,902)	(1,727,084)	(891,378)	(4,393,813)
3,074,131	1,791,501	(851,470)	4,200,055
1,757,392	19,271	(19,360)	2,068,069
3,758	2,295,314	815,720	4,851,260
1,761,150	2,314,585	796,360	6,919,329
-	-	-	810,568
-	-	108,646	108,646
1,761,150	-	-	1,761,150
-	2,314,585	-	2,314,585
-	-	687,714	687,714
-	-	-	700
-	-	-	225,518
-	-	-	1,010,448
1,761,150	2,314,585	796,360	6,919,329

City of Washington

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2016

Total governmental funds cash balances (page 19) \$ 6,919,329

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

129,327

Cash basis net position of governmental activities (page 17)

\$ 7,048,656

Change in cash balances (page 19)

\$ 2,068,069

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

23,391

Change in cash basis net position of governmental activities (page 17)

\$ 2,091,460

See notes to financial statements.

City of Washington

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2016

	Enterprise				Internal
	Water	Sewer	Sanitation		Employee Health
			Nonmajor	Total	
Operating receipts:					
Charges for service	\$ 1,581,329	2,055,691	409,883	4,046,903	115,830
Miscellaneous	137,492	2,803	1,045	141,340	13,580
Total operating receipts	1,718,821	2,058,494	410,928	4,188,243	129,410
Operating disbursements:					
Governmental activities:					
General government	-	-	-	-	98,974
Business type activities	1,182,481	1,135,053	402,769	2,720,303	-
Total operating disbursements	1,182,481	1,135,053	402,769	2,720,303	98,974
Excess of operating receipts over operating disbursements	536,340	923,441	8,159	1,467,940	30,436
Non-operating disbursements:					
Debt service	-	(677,078)	-	(677,078)	-
Capital projects	(1,625,950)	(929,888)	-	(2,555,838)	-
Total non-operating disbursements	(1,625,950)	(1,606,966)	-	(3,232,916)	-
Excess (deficiency) of receipts over (under) disbursements	(1,089,610)	(683,525)	8,159	(1,764,976)	30,436
Transfers in	1,558,692	171,222	-	1,729,914	-
Transfers out	(250,987)	(64,912)	-	(315,899)	-
Total transfers in (out):	1,307,705	106,310	-	1,414,015	-
Change in cash balances	218,095	(577,215)	8,159	(350,961)	30,436
Cash balances beginning of year	945,001	1,465,053	118,398	2,528,452	144,691
Cash balances end of year	\$ 1,163,096	887,838	126,557	2,177,491	175,127
Cash Basis Fund Balances					
Restricted for customer deposits	\$ 62,455	-	-	62,455	-
Unrestricted	1,100,641	887,838	126,557	2,115,036	175,127
Total cash basis fund balances	\$ 1,163,096	887,838	126,557	2,177,491	175,127

See notes to financial statements.

City of Washington

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position –
Proprietary Funds

As of and for the year ended June 30, 2016

Total enterprise funds cash balances (page 21)	\$ 2,177,491
<i>Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.	45,800
	<u>45,800</u>
Cash basis net position of business type activities (page 17)	<u>\$ 2,223,291</u>
Change in cash balances (page 21)	\$ (350,961)
<i>Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.	7,045
	<u>7,045</u>
Change in cash basis net position of business type activities (page 17)	<u>\$ (343,916)</u>

See notes to financial statements.

City of Washington

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Washington is a political subdivision of the State of Iowa located in Washington County. It was first incorporated in 1864 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer and sanitation services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Washington has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City.

These financial statements present the City of Washington (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The Washington Free Public Library Foundation (Library Foundation) is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Library Foundation was incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the general operation of the Washington Public Library.

The Washington Volunteer Fire Department (Volunteer Fire Department) is legally separate from the City, but it is so intertwined with the City it is, in substance, part of the City. It is reported as part of the City and blended into the Special Revenue Funds. The Volunteer Fire Department was incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the City of Washington Fire Department.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Washington County Assessor's Conference Board, Washington County Emergency Management Commission, Washington County Joint E-911 Service Board, Washington County Public Safety Committee and Southeast Iowa Multi-County Solid Waste Agency.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

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

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts 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 disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales tax.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City'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.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

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

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the debt service function prior to amendment. At June 30, 2016, disbursements exceeded the amounts budgeted in the community and economic development and general government functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 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 ensure there will be no loss of public funds.

The City 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 City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the City had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
City:			
U. S. Treasury Note	\$ 14,435	14,435	December 2016
U.S. Treasury Note	1,741,751	1,741,751	June 2017
	1,756,186	1,756,186	
Washington Free Public Library Foundation:			
Stock	7,409	7,409	
Mutual funds	154,438	154,438	
	161,847	161,847	
	\$ 1,918,033	1,918,033	

Interest Rate Risk – The City’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 City.

Credit Risk – Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation to the City. To reduce the City’s exposure to credit risk no more than 5% of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the City’s investment in a single issue or issuer. Except for Treasury, no more than 5% of the portfolio can be invested in securities of a single issuer.

Fair Value Measurement – The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

City investments that do not have a readily determinable fair value, such as ownership interest in partner’s capital, are reported using Net Asset Value per share (NAV). Used as a practical expedient for the estimated fair value, NAV per share or its equivalent is provided by the fund manager and reviewed by the City. Investment holdings using the NAV as a practical expedient consist of City interests in open end mutual funds.

Due to the nature of the investments held by the funds, changes in market conditions, economic environment, regulatory environment, currency exchange rates, interest rates and commodity price fluctuations may significantly impact the NAV of the funds and, consequently, the fair value of the City’s interest in the funds and could materially affect the amounts reported in the financial statements. The City attempts to manage these risks through diversification, ongoing due diligence, maintain adequate liquidity and continuously monitoring economic and market conditions.

The following table reflects fair value measurements of investment assets at June 30, 2016 as categorized by level of the fair value hierarchy or NAV:

	Quoted Market Prices for Identical Assets (Level 1)		Net Asset Value	Total
U.S. Government Treasuries	\$ 1,756,186		-	1,756,186
Stock	7,409		-	7,409
Mutual funds	9,700		144,738	154,438
	<u>\$ 1,773,295</u>		<u>144,738</u>	<u>1,918,033</u>

The following table summarizes the City's investments at June 30, 2016 for which net asset value was used as a practical expedient to estimate fair value:

Asset Class	Fair Value Determined Using NAV	Unfunded Commitments at June 30, 2016	Redemption Frequency	Redemption Notice Period
	Mutual funds	\$ 144,738	-	Daily

In addition, City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,487,812 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the investments. The City's investment in the IPAIT is unrated.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds/notes, sewer revenue notes, urban renewal tax increment financing revenue notes and bank loan are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Sewer Revenue Notes		Urban Renewal Tax Increment Financing Revenue Notes		Bank Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,729,892	239,766	166,000	468,690	23,500	3,118	14,474	616	2,933,866	712,190
2018	973,606	121,132	437,000	463,710	24,000	2,107	14,781	310	1,449,387	587,259
2019	514,892	108,118	451,000	450,600	25,000	1,075	-	-	990,892	559,793
2020	475,000	99,045	466,000	437,070	-	-	-	-	941,000	536,115
2021	385,000	89,883	481,000	423,090	-	-	-	-	866,000	512,973
2022-2026	1,515,000	342,900	2,648,000	1,889,490	-	-	-	-	4,163,000	2,232,390
2027-2031	1,210,000	155,478	3,109,000	1,465,470	-	-	-	-	4,319,000	1,620,948
2032-2036	375,000	28,200	3,646,000	968,010	-	-	-	-	4,021,000	996,210
2037-2041	-	-	4,072,000	384,330	-	-	-	-	4,072,000	384,330
2042	-	-	147,000	4,410	-	-	-	-	147,000	4,410
Total	<u>\$ 8,178,390</u>	<u>1,184,522</u>	<u>15,623,000</u>	<u>6,954,870</u>	<u>72,500</u>	<u>6,300</u>	<u>29,255</u>	<u>926</u>	<u>23,903,145</u>	<u>8,146,618</u>

General Obligation Bonds and Notes

On July 21, 2015, the City issued \$2,335,000 of general obligation capital loan notes to provide funds to pay the costs of construction of a new water tower, to help fund the annual street program and the purchase of a fire truck. The notes bear interest at 1.50-3.75% per annum and are payable through June 2034.

On April 19, 2016, the City issued \$1,770,000 of general obligation refunding bonds, series 2016A. The City entered into an escrow agreement with Bankers Trust Company and deposited the proceeds from the refunding bonds. The proceeds will be used to crossover refund \$1,730,000 of general obligation capital loan notes dated June 17, 2009. The notes will be called on June 1, 2017. As required, the City will report the liability for both the general obligation capital loan notes and the general obligation refunding bonds until the crossover date of June 1, 2017. The amount available in the refunding bond escrow account at June 30, 2016 was \$1,756,186, consisting of investments in U.S. government securities. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

The City reduced its total general obligation debt service payments by \$259,740 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$229,145.

On April 19, 2016, the City issued \$630,000 of general obligation refunding bonds, series 2016B. The City entered into an escrow agreement with Bankers Trust Company and deposited the proceeds from the refunding bonds. The proceeds will be used to advance refund on June 1, 2017 \$555,000 of general obligation capital loan notes dated June 17 2009 and to currently refund \$30,000 of the 2009 notes maturing in 2017.

The City reduced its total general obligation debt service payments by \$19,664 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$19,610.

On April 19, 2016, the City issued \$1,470,000 general obligation bonds, series 2016C. The proceeds were used to currently refund \$985,000 of general obligation capital loan notes issued June 18, 2008. The remaining proceeds will be used to pay the costs of infrastructure projects in the business park as well as to help fund the annual street program.

The City reduced its total general obligation debt service payments by \$44,204 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$43,578.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay two revenue capital loan notes. The notes were issued in September 2011 and April 2012. Proceeds from the notes provided financing for the construction of sewer system projects and construction of a new waste water treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2042. Annual principal and interest payments on the notes are expected to require 73% of net receipts. The total principal and interest remaining to be paid on the notes is \$22,577,870. For the current year, principal and interest paid and total customer net receipts were \$677,078 and \$923,441, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sewer user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year.

Urban Renewal Tax Increment Financing Revenue Notes

In September 2006, the City issued \$280,000 of urban renewal tax increment financing (TIF) revenue notes for the purpose of defraying a portion of the costs of construction and refurbishing projects within the urban renewal area. The notes are payable solely from the TIF receipts generated by increased property values in the City's urban renewal area and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the notes. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the notes is \$78,800, payable through June 2019. For the current year, principal and interest paid and total TIF receipts were \$26,040 and \$219,550, respectively.

Bank Loan

The City obtained a bank loan in October 2013 totaling \$57,628 for the purchase of records management software for the Police Department. The loan is through Washington State Bank and has an interest rate of 2.10% per annum. Payments of \$15,090 are due annually through July 2017.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$255,663.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$1,125,339 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.022778%, which was an increase of 0.002595% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$136,724, \$343,295 and \$470,343, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 2,524,141	1,125,339	(54,645)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical, prescription drug, dental and vision benefits for employees, retirees and their spouses. There are 47 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical, prescription drug, dental and vision benefits are provided through a fully-insured plan with Wellmark. Retirees pay an additional 2% administrative fee which does not apply to active employee members. Aside from the 2% fee, retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$402 for single coverage and \$1,234 for family coverage. For the year ended June 30, 2016, the City contributed \$396,667 and plan members eligible for benefits contributed \$61,388 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 183,000
Compensatory time	<u>24,000</u>
Total	<u>\$ 207,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Airport	\$ 126,020
	Local Option Sales Tax	663,967
	Employee Benefits	523,693
	Urban Renewal Tax Increment	49,786
	Capital Projects	50,000
		<u>1,413,466</u>
Special Revenue:		
Road Use Tax	General	50,000
	Special Revenue:	
	Employee Benefits	53,929
		<u>103,929</u>
Debt Service	General	29,000
	Capital projects	15,090
	Enterprise:	
	Water	165,575
	Sewer	60,000
		<u>269,665</u>
Capital Projects	General	327,834
	Special revenue:	
	Road Use Tax	85,605
	Local Option Sales Tax	141,899
	Urban Renewal Tax Increment	103,960
	Cemetery Gift	11,523
	Debt service	427,902
	Enterprise:	
	Water	60,000
	Sewer	4,912
		<u>1,163,635</u>
Special Revenue:		
Housing Rehabilitation	Urban Renewal Tax Increment	22,467
Park	General	1,636
Cemetery Gift	General	5,000
Enterprise:		
Water	Capital Projects	1,558,692
Sewer	Road Use Tax	42,508
	Capital Projects	103,302
	Enterprise:	
	Water	25,412
		<u>171,222</u>
Total		<u>\$ 4,709,712</u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$597,298 during the year ended June 30, 2016.

(9) Industrial Development Revenue Bonds

The City has issued a \$2,400,000 elderly housing revenue bond under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(10) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, 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 casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims of expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2016 were \$136,424.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expense become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Operating Leases – Lessor

The City leases farm land around the airport to two individuals. The lease terms are on a year-to-year basis. Rental income for the year ended June 30, 2016 totaled \$53,947.

The City leases hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2016 totaled \$37,680.

(12) Construction Contracts

The City has entered into construction contracts totaling \$3,145,546 for widening of Sitler Drive, business park development and the north water tower improvements. As of June 30, 2016, \$2,211,148 has been paid on the contracts. The remaining \$934,398 will be paid as work on the projects progresses.

(13) Subsequent Events

In September 2016, the City issued \$6,400,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa for the United Presbyterian Home Project. The bonds and related interest are payable solely by the United Presbyterian Home and do not constitute liabilities of the City.

In October 2016, the City issued \$507,000 of water revenue capital loan notes for water plant improvements.

(14) New Accounting Pronouncement

The City of Washington adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

City of Washington

Other Information

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

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 3,411,258	-	-
Tax increment financing	219,550	-	-
Other city tax	805,866	-	-
Licenses and permits	148,217	-	-
Use of money and property	200,909	-	2,756
Intergovernmental	1,355,795	-	-
Charges for service	117,681	3,947,825	115,830
Special assessments	27,309	-	-
Miscellaneous	1,420,750	369,828	95,872
Total receipts	7,707,335	4,317,653	214,458
Disbursements:			
Public safety	1,763,129	-	15,059
Public works	1,270,449	-	-
Culture and recreation	866,038	-	7,437
Community and economic development	31,945	-	-
General government	935,292	98,974	98,974
Debt service	2,202,276	-	-
Capital projects	2,770,192	-	-
Business type activities	-	5,953,219	-
Total disbursements	9,839,321	6,052,193	121,470
Excess(deficiency) of receipts over (under) disbursements	(2,131,986)	(1,734,540)	92,988
Other financing sources, net	4,200,055	1,414,015	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,068,069	(320,525)	92,988
Balances beginning of year	4,851,260	2,673,143	318,285
Balances end of year	\$ 6,919,329	2,352,618	411,273

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
3,411,258	3,223,650	3,223,650	187,608
219,550	219,617	219,617	(67)
805,866	794,225	889,225	(83,359)
148,217	126,825	126,825	21,392
198,153	178,947	178,947	19,206
1,355,795	1,663,784	3,033,991	(1,678,196)
3,949,676	4,764,457	4,764,457	(814,781)
27,309	20,000	20,000	7,309
1,694,706	20,008	65,364	1,629,342
11,810,530	11,011,513	12,522,076	(711,546)
1,748,070	1,795,488	1,799,013	50,943
1,270,449	1,433,540	1,566,540	296,091
858,601	841,583	894,641	36,040
31,945	28,889	28,889	(3,056)
935,292	857,281	890,700	(44,592)
2,202,276	1,201,692	2,246,257	43,981
2,770,192	1,085,446	5,047,346	2,277,154
5,953,219	5,590,277	6,410,137	456,918
15,770,044	12,834,196	18,883,523	3,113,479
(3,959,514)	(1,822,683)	(6,361,447)	2,401,933
5,614,070	625,000	4,460,932	1,153,138
1,654,556	(1,197,683)	(1,900,515)	3,555,071
7,206,118	6,078,119	7,350,800	(144,682)
8,860,674	4,880,436	5,450,285	3,410,389

City of Washington

Notes to Other Information – Budgetary Reporting

June 30, 2016

The budgetary comparison is presented 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 City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and the blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$6,049,327. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the debt service function prior to amendment. Also disbursements at June 30, 2016 exceeded the amounts budgeted in the community and economic development and general government functions.

City of Washington

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Other Information

	2016	2015
City's proportion of the net pension liability	0.022778%	0.020183%
City's proportionate share of the net pension liability	\$ 1,125	800
City's covered-employee payroll	\$ 2,620	2,487
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	42.94%	32.17%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Washington

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Four Years
(In Thousands)

Other Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 256	245	232	224
Contributions in relation to the statutorily required contribution	(256)	(245)	(232)	(224)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 2,771	2,620	2,487	2,452
Contributions as a percentage of covered-employee payroll	9.24%	9.35%	9.33%	9.14%

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Washington

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

City of Washington

Supplementary Information

City of Washington

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2016

	Airport	Employee Benefits	Urban Renewal Tax Increment	Housing Rehabilitation	Special Dog Park
Receipts:					
Property tax	\$ -	628,525	-	-	-
Tax increment financing	-	-	219,550	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	21,218	-	12,425	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	23,449	833
Total receipts	-	649,743	219,550	35,874	833
Disbursements:					
Operating:	-	-	-	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	18,110	-	-
General government	-	72,121	-	7,596	1,343
Debt service	-	-	26,040	-	-
Capital projects	-	-	-	-	1,410
Total disbursements	-	72,121	44,150	7,596	2,753
Excess (deficiency) of receipts over (under) disbursements	-	577,622	175,400	28,278	(1,920)
Other financing sources (uses):					
Sale of capital assets	-	-	-	10,805	-
Transfers in	-	-	-	22,467	-
Transfers out	(126,020)	(577,622)	(176,213)	-	-
Total other financing sources (uses):	(126,020)	(577,622)	(176,213)	33,272	-
Change in cash balances	(126,020)	-	(813)	61,550	(1,920)
Cash balances beginning of year	126,020	-	1,444	46,465	6,341
Cash balances end of year	\$ -	-	631	108,015	4,421
Cash Basis Fund Balances					
Restricted for:					
Urban renewal purposes	\$ -	-	631	108,015	-
Other purposes	-	-	-	-	4,421
Total cash basis fund balances	\$ -	-	631	108,015	4,421

See accompanying independent auditor's report.

Revenue							
Tree	Park	Library Trust	Cemetery Gift	Police Forfeiture	Free Public Library Foundation	Volunteer Fire Department	Total
-	-	-	-	-	-	-	628,525
-	-	-	-	-	-	-	219,550
-	5	196	-	-	2,693	63	2,957
-	-	-	-	-	-	-	33,643
-	-	-	-	334	-	-	334
15,277	37,338	12,555	-	-	5,842	76,450	171,744
15,277	37,343	12,751	-	334	8,535	76,513	1,056,753
-	-	-	-	-	-	15,059	15,059
-	42,827	18,810	55	-	7,437	-	69,129
13,835	-	-	-	-	-	-	31,945
-	-	-	-	-	-	-	81,060
-	-	-	-	-	-	-	26,040
-	-	-	-	-	-	-	1,410
13,835	42,827	18,810	55	-	7,437	15,059	224,643
1,442	(5,484)	(6,059)	(55)	334	1,098	61,454	832,110
-	-	-	-	-	-	-	10,805
-	1,636	-	5,000	-	-	-	29,103
-	-	-	(11,523)	-	-	-	(891,378)
-	1,636	-	(6,523)	-	-	-	(851,470)
1,442	(3,848)	(6,059)	(6,578)	334	1,098	61,454	(19,360)
6,017	154,261	251,275	50,150	153	173,594	-	815,720
7,459	150,413	245,216	43,572	487	174,692	61,454	796,360
-	-	-	-	-	-	-	108,646
7,459	150,413	245,216	43,572	487	174,692	61,454	687,714
7,459	150,413	245,216	43,572	487	174,692	61,454	796,360

City of Washington
Schedule of Indebtedness
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Capital loan note	Jun 18, 2008	2.50-4.00%	\$ 4,355,000
Capital loan note	Jun 17, 2009	3.20	3,500,000
Capital loan note	Jul 2, 2012	2.35	250,000
Capital loan note	Jul 1, 2013	0.75	250,000
Capital loan note	Jul 1, 2014	0.55-1.80	250,000
Capital loan note	Jul 21, 2015	1.50-3.75	2,335,000
Refunding bonds	Apr 19, 2016	2.00-2.20	1,770,000
Refunding bonds	Apr 19, 2016	2.00-3.00	630,000
Bonds	Apr 19, 2016	0.80-1.40	1,470,000
Total			
Revenue notes:			
Sewer	Sep 21, 2011	3.00%	\$ 14,393,405
Sewer	Apr 4, 2012	3.00	2,877,730
Total			
Urban renewal tax increment financing revenue notes	Sep 15, 2006	4.30%	\$ 280,000
Bank loan:			
Police records management system	Oct 4, 2013	2.10%	\$ 57,628

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,445,000	-	1,445,000	-	56,170
2,545,000	-	715,000	1,830,000	105,620
100,000	-	50,000	50,000	1,490
148,714	-	50,000	98,714	1,115
199,568	-	49,892	149,676	2,644
23,350	2,311,650	155,000	2,180,000	53,400
-	1,770,000	-	1,770,000	-
-	630,000	-	630,000	-
-	1,470,000	-	1,470,000	-
\$ 4,461,632	6,181,650	2,464,892	8,178,390	220,439
13,094,000	-	100,000	12,994,000	425,555
2,693,000	-	64,000	2,629,000	87,523
\$ 15,787,000	-	164,000	15,623,000	513,078
94,500	-	22,000	72,500	4,040
43,433	-	14,178	29,255	912

City of Washington
 Bond and Note Maturities
 June 30, 2016

General Obligation Bonds and Notes									
Year Ending June 30,	Capital Loan Note Public Works		Capital Loan Note Streets and Airport		Capital Loan Note Streets and Airport		Capital Loan Note Streets		
	Issued June 17, 2009		Issued July 2, 2012		Issued July 1, 2013		Issued July 1, 2014		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2017	3.20%	\$ 1,830,000	2.35%	\$ 50,000	0.75%	\$ 50,000	1.20%	\$ 49,892	
2018		-		-	0.75	48,714	1.50	49,892	
2019		-		-		-	1.80	49,892	
2020		-		-		-		-	
2021		-		-		-		-	
2022		-		-		-		-	
2023		-		-		-		-	
2024		-		-		-		-	
2025		-		-		-		-	
2026		-		-		-		-	
2027		-		-		-		-	
2028		-		-		-		-	
2029		-		-		-		-	
2030		-		-		-		-	
2031		-		-		-		-	
2032		-		-		-		-	
2033		-		-		-		-	
2034		-		-		-		-	
Total		<u>\$ 1,830,000</u>		<u>\$ 50,000</u>		<u>\$ 98,714</u>		<u>\$ 149,676</u>	

See accompanying independent auditor's report.

Capital Loan Note Public Works Issued July 21, 2015		General Obligation Bonds Refunding Issued April 19, 2016		General Obligation Bonds Refunding Issued April 19, 2016		General Obligation Bonds Refunding and Public Works Issued April 19, 2016		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
1.50%	\$ 160,000	2.00%	\$ -	2.00%	\$ 35,000	0.80%	\$ 555,000	2,729,892
2.00	160,000	2.00	120,000	2.00	35,000	1.00	560,000	973,606
2.00	165,000	2.00	130,000	2.00	45,000	1.10	125,000	514,892
2.25	165,000	2.00	135,000	2.50	45,000	1.25	130,000	475,000
2.25	100,000	2.00	140,000	2.50	45,000	1.40	100,000	385,000
2.50	100,000	2.00	140,000	2.50	50,000	-	-	290,000
2.50	100,000	2.00	150,000	2.75	50,000	-	-	300,000
2.75	100,000	2.00	155,000	2.75	50,000	-	-	305,000
2.75	100,000	2.00	155,000	2.75	55,000	-	-	310,000
2.75	100,000	2.00	160,000	3.00	50,000	-	-	310,000
3.00	105,000	2.00	165,000	3.00	55,000	-	-	325,000
3.00	105,000	2.10	170,000	3.00	60,000	-	-	335,000
3.25	110,000	2.20	150,000	3.00	55,000	-	-	315,000
3.25	115,000	-	-	-	-	-	-	115,000
3.50	120,000	-	-	-	-	-	-	120,000
3.50	120,000	-	-	-	-	-	-	120,000
3.75	125,000	-	-	-	-	-	-	125,000
3.75	130,000	-	-	-	-	-	-	130,000
	<u>\$ 2,180,000</u>		<u>\$ 1,770,000</u>		<u>\$ 630,000</u>		<u>\$ 1,470,000</u>	<u>8,178,390</u>

City of Washington
Bond and Note Maturities
June 30, 2016

Year Ending June 30,	Revenue Notes					Total
	Sewer		Sewer			
	Issued Sept 21, 2011		Issued April 4, 2012			
	Interest Rates	Amount	Interest Rates	Amount		
2017	3.00%	\$ 100,000	3.00%	\$ 66,000	166,000	
2018	3.00	369,000	3.00	68,000	437,000	
2019	3.00	381,000	3.00	70,000	451,000	
2020	3.00	393,000	3.00	73,000	466,000	
2021	3.00	406,000	3.00	75,000	481,000	
2022	3.00	419,000	3.00	77,000	496,000	
2023	3.00	433,000	3.00	80,000	513,000	
2024	3.00	447,000	3.00	82,000	529,000	
2025	3.00	461,000	3.00	85,000	546,000	
2026	3.00	476,000	3.00	88,000	564,000	
2027	3.00	492,000	3.00	91,000	583,000	
2028	3.00	508,000	3.00	94,000	602,000	
2029	3.00	524,000	3.00	97,000	621,000	
2030	3.00	541,000	3.00	100,000	641,000	
2031	3.00	559,000	3.00	103,000	662,000	
2032	3.00	577,000	3.00	106,000	683,000	
2033	3.00	596,000	3.00	110,000	706,000	
2034	3.00	615,000	3.00	113,000	728,000	
2035	3.00	635,000	3.00	117,000	752,000	
2036	3.00	656,000	3.00	121,000	777,000	
2037	3.00	677,000	3.00	125,000	802,000	
2038	3.00	699,000	3.00	129,000	828,000	
2039	3.00	722,000	3.00	133,000	855,000	
2040	3.00	745,000	3.00	137,000	882,000	
2041	3.00	563,000	3.00	142,000	705,000	
2042		-	3.00	147,000	147,000	
Total		<u>\$ 12,994,000</u>		<u>\$ 2,629,000</u>	<u>15,623,000</u>	

Year Ending June 30,	Urban Renewal Tax Increment Financing Revenue Notes Issued September 15, 2006		Bank Loan Police Records Management System Issued October 4, 2013	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2017	4.30%	\$ 23,500	2.10%	\$ 14,474
2018	4.30	24,000	2.10	14,781
2019	4.30	25,000		-
Total		<u>\$ 72,500</u>		<u>\$ 29,255</u>

City of Washington

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2016	2015	2014	2013
Receipts:				
Property tax	\$ 3,300,727	3,267,526	3,209,016	3,071,074
Tax increment financing	219,550	215,206	149,557	128,147
Other city tax	805,866	825,689	816,399	774,672
Licenses and permits	148,217	58,908	10,696	1,761
Use of money and property	200,909	23,141	33,601	62,061
Intergovernmental	1,466,326	2,377,451	903,850	1,186,036
Charges for service	117,681	131,127	143,559	181,176
Special assessments	27,309	26,758	39,159	26,834
Miscellaneous	1,420,750	1,591,193	1,630,055	1,515,118
Total	\$ 7,707,335	8,516,999	6,935,892	6,946,879
Disbursements:				
Operating:				
Public safety	\$ 1,763,129	1,752,423	1,696,702	1,660,239
Public works	1,270,449	1,517,128	1,285,350	1,073,896
Culture and recreation	866,038	1,036,518	954,821	855,510
Community and economic development	31,945	15,342	62,752	264,215
General government	935,292	776,462	819,975	764,518
Debt service	2,202,276	950,438	888,347	1,589,854
Capital projects	2,770,192	2,535,258	1,572,030	1,350,909
Total	\$ 9,839,321	8,583,569	7,279,977	7,559,141

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
2,855,973	2,629,923	2,533,258	2,405,145	2,350,999	2,365,634
412,169	311,511	336,447	209,724	104,729	113,794
1,191,364	1,096,587	670,139	612,723	709,116	671,072
102,917	107,011	82,522	130,196	109,264	119,148
133,522	120,811	89,186	140,156	134,280	195,990
2,353,434	1,287,291	1,460,773	1,181,813	1,220,791	1,165,904
196,083	201,540	153,610	616,050	518,170	399,797
14,926	13,580	12,221	7,009	12,559	14,963
1,011,369	927,024	1,825,514	2,822,372	704,243	705,606
<u>8,271,757</u>	<u>6,695,278</u>	<u>7,163,670</u>	<u>8,125,188</u>	<u>5,864,151</u>	<u>5,751,908</u>
1,635,509	1,644,493	1,604,339	1,822,455	1,503,628	1,355,269
1,418,092	1,191,871	1,076,942	1,009,014	1,544,143	1,405,445
833,069	932,355	824,578	936,866	913,776	819,720
66,250	66,082	55,364	63,371	98,868	342,321
978,299	946,185	977,718	1,001,763	878,786	919,301
1,021,522	1,166,467	1,040,256	949,377	909,786	941,246
1,651,932	1,546,539	3,415,095	6,275,982	644,339	248,737
<u>7,604,673</u>	<u>7,493,992</u>	<u>8,994,292</u>	<u>12,058,828</u>	<u>6,493,326</u>	<u>6,032,039</u>

**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**



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 Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Washington's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Washington'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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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.


The City of Washington's Responses to the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

December 20, 2016

City of Washington

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

For the City:

- (1) Receipts – collecting, depositing, posting, reconciling and preparing the bank reconciliation.
- (2) Disbursements – preparing, posting and printing checks.
- (3) Utilities – billing, collecting and posting.

In addition, the review of journal entries and monthly financial reports by an independent person is not documented.

For the Washington Free Public Library Foundation (Foundation) and the Washington Volunteer Fire Department (Fire Department):

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.

In addition, no formal bank reconciliations are prepared and reviewed by an independent person.

Cause – The City, Foundation and Fire Department have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City’s, Foundation’s and Fire Department’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

City of Washington

Schedule of Findings

Year ended June 30, 2016

Recommendation – The City, Foundation and Fire Department should review their control activities to obtain the maximum internal control possible under the circumstances. They should utilize current personnel, including elected officials and board members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – We will continue to look for opportunities to improve our segregation of duties within the constraint of available resources.

Conclusion – Response accepted.

(B) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria - An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled for the first eleven months of the fiscal year and delinquent listings were not prepared and maintained. In addition, there is no independent review of the reconciliations and delinquent accounts.

Cause - Policies have not been established and procedures have not been implemented to maintain delinquent account listings and to reconcile utility billings, collections and delinquent accounts.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to ensure utility reconciliations are prepared each billing period. Review and approval of the reconciliations and delinquent accounts should be performed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – We have started performing a utility reconciliation following the end of the month and review of the document has been performed and documented.

Conclusion – Response accepted.

City of Washington

Schedule of Findings

Year ended June 30, 2016

(C) Disbursements

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The following were noted:

- (1) Four employees attended training and incurred hotel and meal charges. The hotel bills did not document the names of the individuals staying in the rooms and the meal receipts consisted of credit card receipts, rather than vendor receipts, which did not itemize the charges or how many persons were included on the bill.
- (2) Supporting documentation for credit card charges did not include vendor invoices itemizing the purchases.

Cause – The City has not implemented procedures to ensure proper supporting documentation is obtained for all disbursements.

Effect – Lack of supporting documentation could result in unauthorized or improper transactions and the opportunity for misappropriation.

Recommendation – All disbursements should be supported by invoices or other supporting documentation. Documentation for travel expenses should include the names of individuals and the number of individuals included on the meal bill. All credit card charges should be supported by vendor invoices.

Response – We will continue to work on gathering all of the proper supporting documentation for our disbursements.

Conclusion – Response accepted.

(D) Disaster Recovery Plan

Criteria – A disaster recovery plan should include the following:

- (a) Identification of critical applications.
- (b) Identification of staff responsibilities.
- (c) Identification of steps for recovery of operating systems for City operations.
- (d) Identification of computer equipment needed for temporary processing.
- (e) Identification of business location(s) which could be used to process critical applications in the event of an emergency, including any applicable written agreements for the use of the locations.

City of Washington

Schedule of Findings

Year ended June 30, 2016

- (f) Requirement to keep a copy of the disaster recovery plan off site.
- (g) Requirement to keep system backups current and off site.
- (h) An inventory of all hardware and components (e.g.: make, model numbers, serial numbers, etc.).
- (i) An inventory of all software applications (e.g.: operating system and software applications, release versions and vendor names).
- (j) A requirement to keep copies of all user documentation and policy and procedures manuals off site.
- (k) A requirement to keep extra stocks of paper supplies, such as checks, warrants, purchase orders, etc. off site.
- (l) Requirement outlining the frequency and guidelines for testing the disaster recovery plan to identify issues and document the results of testing.

Condition - The City does not have a written disaster recovery plan which addresses the above items.

Cause - Management has not required a written disaster recovery policy.

Effect - Lack of a formal disaster recovery plan could result in the City's inability to function in the event of a disaster or continue City business without interruption.

Recommendation - The City should develop a written disaster recovery plan, including a requirement for periodic testing.

Response - The City will develop a written disaster recovery plan and will test it periodically.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Washington

Schedule of Findings

Year ended June 30, 2016

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the debt service function prior to the budget amendment. Also, disbursements at June 30, 2016, exceeded the amounts budgeted in the community and economic development and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We amended the budget, however we were just a week short of when the first loan payments needed to be paid for the new 2016 issue. We will continue to watch this area.

Conclusion – Response accepted.

- (2) Questionable Disbursement – A disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
HyVee	Employee appreciation dinner	\$ 604

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

Recommendation – The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – We will establish a written policy in regards to the employee appreciation dinner.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Washington

Schedule of Findings

Year ended June 30, 2016

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Thomas Wide, Fire Chief Owner of Sign Design	Safety shirts and decals for vehicles	\$ 1,014
Brendan DeLong, City Council Member, employee and son of owner of DeLong Construction	Construction services	596,284

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Fire Chief do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the transactions with the City Council member do not appear to represent a conflict of interest since they were entered into through competitive bidding.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (9) Notice to Bidders - The City did not publish a notice to bidders for the Sitler Drive Widening project as required by Chapter 26.3 of the Code of Iowa.

Recommendation – When the estimated cost of a public improvement exceeds the bid threshold, the City Council should advertise for sealed bids and publish notice to bidders not less than 4 days and not more than 45 days before the date for filing bids, as required.

Response – We will continue to make sure we are taking all the necessary steps required by Chapter 26.3 in regards to publishing notice to bidders on all future projects.

Conclusion – Response accepted.

- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

City of Washington

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Gwen D. Fangman, CPA, Senior Auditor II
Sidot K. Shipley, Assistant Auditor
Nicholas A. Kruse, Auditor Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State