



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 27, 2017

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

The County had local tax revenue of \$36,891,249 for the year ended June 30, 2016, which includes \$2,958,170 in tax credits from the state. The County forwarded \$27,393,553 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,497,696 of the local tax revenue to finance County operations, a 5.1% decrease from the prior year. Other revenues included charges for service of \$2,145,707, operating grants, contributions and restricted interest of \$4,681,881, capital grants, contributions and restricted interest of \$1,439,767, local option sales and services tax of \$1,189,149, gaming wager tax of \$426,038, gain on disposition of capital assets of \$123,457, unrestricted investment earnings of \$36,835 and other general revenues of \$172,880.

Expenses for County operations for the year ended June 30, 2016 totaled \$17,848,325, an 8.4% increase over the prior year. Expenses included \$6,444,269 for roads and transportation, \$4,285,624 for public safety and legal services and \$2,142,879 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1610-0092-B00F>.

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WASHINGTON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016

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Washington County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Seward, Jr.	Board of Supervisors	Jan 2017
Stan Stoops	Board of Supervisors	Jan 2017
Bob Yoder	Board of Supervisors	Jan 2017
Abe Miller	Board of Supervisors	Jan 2019
Richard Young	Board of Supervisors	Jan 2019
Dan Widmer	County Auditor	Jan 2017
Jeffrey A. Garrett	County Treasurer	Jan 2019
Jo Greiner	County Recorder	Jan 2019
Jerry A. Dunbar	County Sheriff	Jan 2017
Shawn Showers	County Attorney	Jan 2019
Christy Tinnes	County Assessor	Jan 2022



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Independent Auditor's Report

To the Officials of Washington County:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Washington County as of June 30, 2016, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 57 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2017 on our consideration of Washington County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Washington County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

March 6, 2017

Washington County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Washington County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 3.7%, or approximately \$761,000, from fiscal year 2015 to fiscal year 2016. Property and other county tax increased approximately \$232,000, state tax credits increased approximately \$164,000, charges for service increased approximately \$74,000 and capital grants, contributions and restricted interest decreased approximately \$314,000.
- Program expenses increased 8.4%, or approximately \$1,385,000, in fiscal year 2016 from fiscal year 2015.
- The County's net position increased 3%, or approximately \$1,865,000, from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

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

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

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Proprietary funds account for the County's Internal Service, Employee Group Health and Flexible Benefits Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the Public Safety Commission, E-911 Services, Emergency Management Services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Washington County's combined net position increased approximately \$1,865,000 from a year ago, increasing from approximately \$62,005,000 to approximately \$63,870,000. The analysis that follows focuses on the change in the net position of governmental activities.

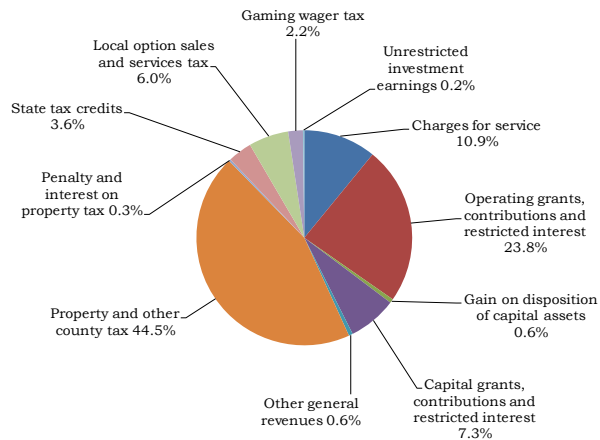
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2016	2015
Current and other assets	\$ 35,633	20,916
Capital assets	64,340	63,504
Total assets	99,973	84,420
Deferred outflows of resources	786	758
Long-term liabilities	739	933
Other liabilities	26,207	11,523
Total liabilities	26,946	12,456
Deferred inflows of resources	9,943	10,717
Net position:		
Net investment in capital assets	57,056	55,154
Restricted	6,005	6,532
Unrestricted	809	319
Total net position	\$ 63,870	62,005

Net position of Washington County's governmental activities increased 3% (approximately \$63.8 million compared to approximately \$62 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net position invested in capital assets increased approximately \$1,902,000. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position decreased approximately \$527,000, or 8.1%, from June 30, 2015 to June 30, 2016. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from approximately \$319,000 at June 30, 2015 to approximately \$809,000 at the end of this year, an increase of 153.6%.

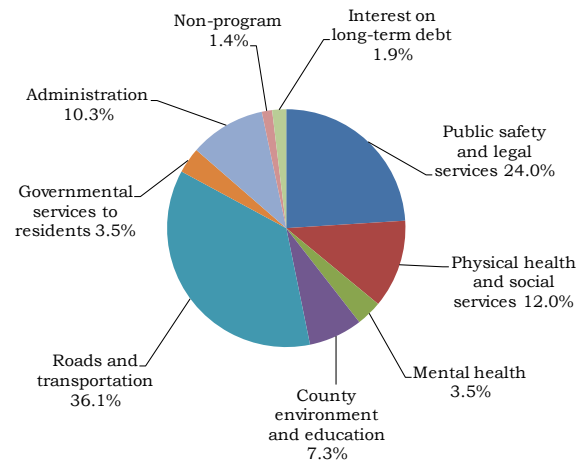
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2016	2015
Program revenues:		
Charges for service	\$ 2,146	2,072
Operating grants, contributions and restricted interest	4,682	4,712
Capital grants, contributions and restricted interest	1,440	1,754
General revenues:		
Property and other county tax	8,790	8,558
Tax increment financing	-	910
Penalty and interest on property tax	53	54
State tax credits	708	544
Local option sales and services tax	1,189	1,129
Gaming wager tax	426	434
Unrestricted investment earnings	37	52
Gain on disposition of capital assets	123	156
Other general revenues	119	99
Total revenues	19,713	20,474
Public safety and legal services	4,286	4,108
Physical health and social services	2,143	2,103
Mental health	625	304
County environment and education	1,308	993
Roads and transportation	6,444	6,085
Governmental services to residents	623	592
Administration	1,840	1,720
Non-program	244	201
Interest on long-term debt	335	357
Total expenses	17,848	16,463
Change in net position	1,865	4,011
Net position beginning of year	62,005	57,994
Net position end of year	\$ 63,870	62,005

Revenues by Source



Expenses by Program



Revenues for governmental activities decreased approximately \$761,000 from the prior year. State tax credits increased approximately \$164,000, or 30.1%, from the prior year. Capital grants, contributions and restricted interest decreased approximately \$314,000, or 17.9%, from the prior year, primarily due to the County receiving less contributed infrastructure from the Iowa Department of Transportation this year than during the prior year.

For fiscal year 2016, taxable property valuation increased approximately \$39,646,000 and the tax levy rate decreased \$0.0272 per \$1,000 of taxable valuation. Therefore, property tax revenue increased approximately \$232,000. The total Washington County assessed taxable property valuation for property tax payable in fiscal year 2017 increased approximately \$81,618,000. The tax levy rate is set to decrease \$0.42322 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$365,000 next year.

The cost of all governmental activities this year was approximately \$17.8 million compared to approximately \$16.5 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities this year was approximately \$9.6 million because some of the cost was paid by those directly benefiting from the programs (approximately \$2.1 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$6.1 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2016 from approximately \$8,538,000 to approximately \$8,268,000, principally due to receiving less contributed infrastructure from the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Washington County completed the year, its governmental funds reported a combined fund balance of approximately \$23.9 million, an increase of approximately \$14.4 million over last year's total fund balance of approximately \$9.5 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance increased approximately \$64,000 from the prior year to approximately \$4,076,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$630,000, an increase of approximately \$320,000 from the prior year. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$232,000 from the prior year to approximately \$928,000.
- The Special Revenue, Rural Services Fund revenue and expenditures remained consistent when compared to the prior year. The ending fund balance increased approximately \$127,000 over the prior year to approximately \$928,000.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$203,000 while expenditures increased approximately \$771,000 over the prior year. Expenditures increased as a result of equipment purchases made for motorgraders and dump trucks. The Secondary Roads Fund ending fund balance decreased approximately \$474,000, or 16%, from the prior year to approximately \$2,446,000.
- During the year, the County issued a total of \$14,900,000 of general obligation hospital bonds for an expansion project and to refinance the Washington County Hospital Revenue Bonds Series 2006. The County loaned the bond proceeds to Washington County Hospital. Pursuant to the loan agreement, Washington County Hospital will make payments to the County. As a result, a loan receivable has been recorded in the Debt Service Fund. The Debt Service Fund ended the year with a fund balance of approximately \$14,915,000 compared to the prior year fund balance of approximately \$64,000. The fund balance is large because the related debt for the Washington County Hospital of \$14,900,000 is not recorded as fund liability under the modified accrual basis of accounting.

- Capital Projects Fund revenues increased approximately \$144,000 over prior year. Expenditures increased approximately \$127,000 over prior year. The ending fund balance increased approximately \$43,000 over the prior year to approximately \$462,000.

Budgetary Highlights

Over the course of the year, Washington County amended its budget one time. The amendment in April 2016 resulted in an increase in budget receipts and disbursements related to the issuance of general obligation hospital bonds. The amendment also increased disbursements in the roads and transportation function for surfacing projects and equipment purchases.

The County's receipts were \$390,327 more than budgeted, a variance of 2%. The most significant variance resulted from the County receiving more intergovernmental receipts than anticipated.

Total disbursements were \$17,836,040 less than the amended budget. Actual disbursements for non-program, capital projects and roads and transportation were \$14,906,849, \$852,161, and \$581,336, respectively, less than budgeted. This was primarily due to budgeting the refunding of hospital bonds as non-program instead of other financing sources, timing delays on projects and a light winter resulted in decreased roads operations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Washington County had approximately \$64.3 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges, computers and audio-visual equipment, transportation equipment and administrative offices. This is a net increase of approximately \$837,000 over June 30, 2015.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2016	2015
Land	\$ 726	821
Intangibles, road network	3,061	3,061
Construction in progress	323	586
Buildings	7,059	7,282
Improvements other than buildings	110	117
Equipment and vehicles	3,942	3,278
Intangibles	73	79
Infrastructure	49,046	48,280
Total	\$ 64,340	63,504

The County's fiscal year 2016 budget included \$1,409,073 for capital projects, principally for Secondary Roads construction projects, of which \$852,161 was unspent. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Washington County had depreciation/amortization expense of \$2,212,893 in fiscal year 2016 and total accumulated depreciation/amortization of \$26,589,554 at June 30, 2016.

Long-Term Debt

At June 30, 2016, Washington County had \$22,170,000 of general obligation bonds outstanding compared to \$8,350,000 of long-term debt outstanding at the end of fiscal year 2015.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2016	2015
General obligation bonds	\$ 17,785	3,145
General obligation county road improvement bonds	4,385	5,205
Total	\$ 22,170	8,350

Debt increased as a result of issuing general obligation bonds for an expansion project and to refinance the Washington County Hospital Revenue Bonds Series 2006.

The County carries a general obligation bond rating of Aa3 assigned by national rating agencies. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Washington County's outstanding general obligation debt is significantly below its constitutional debt limit of \$92,130,780. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Washington County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Washington County's unemployment rate has not changed this past year. Unemployment in the County stands at 3.1%, compared with the State's unemployment rate of 4.0% and the national rate of 4.9% for the same period ended June 30, 2016.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget are approximately \$19,104,000, a 5.6% increase from the final fiscal year 2016 budget. Budgeted disbursements decreased approximately \$13,981,000 from the final fiscal year 2016 budget, primarily in the non-program function. The County has added no major new programs or initiatives to the fiscal year 2017 budget. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,796,000 by the close of fiscal year 2017.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Washington County

Basic Financial Statements

Washington County
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 10,163,908
Receivables:	
Property tax:	
Delinquent	1,262
Succeeding year	9,361,000
Interest and penalty on property tax	253
Accounts	143,638
Accrued interest	1,778
Loan to Washington County Hospital	14,900,000
Due from other governments	703,726
Inventories	258,919
Prepaid expense	98,098
Capital assets, net of accumulated depreciation/amortization	64,340,454
Total assets	99,973,036
Deferred Outflows of Resources	
Pension related deferred outflows	786,334
Liabilities	
Accounts payable	452,157
Accrued interest payable	39,127
Salaries and benefits payable	159,338
Due to other governments	88,600
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	2,060,000
Compensated absences	275,710
Portion due or payable after one year:	
General obligation bonds	20,110,000
Compensated absences	96,900
Net pension liability	3,475,665
Net OPEB liability	188,200
Total liabilities	26,945,697
Deferred Inflows of Resources	
Unavailable property tax revenue	9,361,000
Pension related deferred inflows	582,187
Total deferred inflows of resources	9,943,187
Net Position	
Net investment in capital assets	57,056,132
Restricted for:	
Supplemental levy purposes	1,171,620
Mental health purposes	920,343
Rural services purposes	794,154
Secondary roads purposes	2,375,373
Capital projects	461,579
Other purposes	281,833
Unrestricted	809,452
Total net position	\$ 63,870,486

See notes to financial statements.

Washington County

Statement of Activities

Year ended June 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,285,624	494,853	86,541	-	(3,704,230)
Physical health and social services	2,142,879	337,710	972,988	-	(832,181)
Mental health	624,929	821	16,855	-	(607,253)
County environment and education	1,308,536	185,174	20,817	24,573	(1,077,972)
Roads and transportation	6,444,269	173,070	3,402,766	1,415,194	(1,453,239)
Governmental services to residents	622,663	425,220	15,498	-	(181,945)
Administration	1,839,792	288,740	25,000	-	(1,526,052)
Non-program	244,649	240,119	18,738	-	14,208
Interest on long-term debt	334,984	-	122,678	-	(212,306)
Total	<u>\$ 17,848,325</u>	<u>2,145,707</u>	<u>4,681,881</u>	<u>1,439,767</u>	<u>(9,580,970)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					8,084,664
Debt service					705,338
Penalty and interest on property tax					53,397
State tax credits					707,694
Local option sales and services tax					1,189,149
Gaming wager tax					426,038
Unrestricted investment earnings					36,835
Gain on disposition of capital assets					123,457
Miscellaneous					119,483
Total general revenues					<u>11,446,055</u>
Change in net position					1,865,085
Net position beginning of year					<u>62,005,401</u>
Net position end of year					<u>\$63,870,486</u>

See notes to financial statements.

Washington County

Balance Sheet
Governmental Funds

June 30, 2016

	General	Special	
		Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 3,977,081	959,805	619,733
Receivables:			
Property tax:			
Delinquent	940	57	152
Succeeding year	6,389,000	167,000	2,030,000
Interest and penalty on property tax	253	-	-
Accounts	130,662	-	-
Accrued interest	1,553	-	-
Loan	-	-	-
Due from other funds	-	-	-
Due from other governments	158,600	4,818	196,347
Inventories	-	-	-
Prepaid expenditures	98,098	-	-
Total assets	\$ 10,756,187	1,131,680	2,846,232
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 85,002	33,793	18,626
Salaries and benefits payable	116,935	2,094	3,452
Due to other funds	3,595	13	-
Due to other governments	85,041	1,031	-
Total liabilities	290,573	36,931	22,078
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	6,389,000	167,000	2,030,000
Other	764	53	141
Total deferred inflows of resources	6,389,764	167,053	2,030,141
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	98,098	-	-
Loan receivable	-	-	-
Restricted for:			
Supplemental levy purposes	1,204,929	-	-
Mental health purposes	-	927,696	-
Rural services purposes	-	-	794,013
Secondary roads purposes	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Resource enhancement and protection	-	-	-
Other purposes	-	-	-
Assigned for future projects	367,500	-	-
Unassigned	2,405,323	-	-
Total fund balances	4,075,850	927,696	794,013
Total liabilities, deferred inflows of resources and fund balances	\$ 10,756,187	1,131,680	2,846,232

See notes to financial statements.

<u>Revenue</u>				
<u>Secondary</u>	<u>Debt</u>	<u>Capital</u>		
<u>Roads</u>	<u>Service</u>	<u>Projects</u>	<u>Nonmajor</u>	<u>Total</u>
2,071,736	14,929	465,414	279,547	8,388,245
-	113	-	-	1,262
-	775,000	-	-	9,361,000
-	-	-	-	253
9,696	-	-	1,026	141,384
-	-	-	-	1,553
-	14,900,000	-	-	14,900,000
3,608	-	-	-	3,608
342,701	-	-	1,260	703,726
258,919	-	-	-	258,919
-	-	-	-	98,098
<u>2,686,660</u>	<u>15,690,042</u>	<u>465,414</u>	<u>281,833</u>	<u>33,858,048</u>
143,824	-	3,835	-	285,080
36,857	-	-	-	159,338
-	-	-	-	3,608
2,528	-	-	-	88,600
<u>183,209</u>	<u>-</u>	<u>3,835</u>	<u>-</u>	<u>536,626</u>
-	775,000	-	-	9,361,000
57,142	92	-	-	58,192
<u>57,142</u>	<u>775,092</u>	<u>-</u>	<u>-</u>	<u>9,419,192</u>
258,919	-	-	-	258,919
-	-	-	-	98,098
-	-	-	-	1,204,929
-	-	-	-	927,696
-	-	-	-	794,013
2,187,390	-	-	-	2,187,390
-	14,914,950	-	-	14,914,950
-	-	461,579	-	461,579
-	-	-	147,801	147,801
-	-	-	134,032	134,032
-	-	-	-	367,500
-	-	-	-	2,405,323
<u>2,446,309</u>	<u>14,914,950</u>	<u>461,579</u>	<u>281,833</u>	<u>23,902,230</u>
<u>2,686,660</u>	<u>15,690,042</u>	<u>465,414</u>	<u>281,833</u>	<u>33,858,048</u>

Washington County

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

June 30, 2016

Total governmental fund balances (page 21) \$ 23,902,230

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$90,930,008 and the accumulated depreciation/amortization is \$26,589,554. 64,340,454

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 58,192

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and flexible benefits plan to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position. 1,611,065

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 786,334	
Deferred inflows of resources	<u>(582,187)</u>	204,147

Long-term liabilities, including general obligation bonds payable, compensated absences payable, net pension liability, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (26,245,602)

Net position of governmental activities (page 18) \$ 63,870,486

See notes to financial statements.

Washington County

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

Year ended June 30, 2016

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 6,169,163	349,797	1,990,219	-
Local option sales and services tax	-	-	1,189,149	-
Interest and penalty on property tax	53,397	-	-	-
Intergovernmental	2,180,277	47,483	112,706	3,389,108
Licenses and permits	60,597	-	-	23,056
Charges for service	765,627	821	570	6,802
Use of money and property	36,835	-	-	-
Miscellaneous	131,335	-	-	148,978
Total revenues	9,397,231	398,101	3,292,644	3,567,944
Expenditures:				
Operating:				
Public safety and legal services	3,970,171	-	306,515	-
Physical health and social services	2,179,693	-	-	-
Mental health	-	630,463	-	-
County environment and education	578,696	-	474,547	-
Roads and transportation	-	-	215,014	5,764,534
Governmental services to residents	632,979	-	2,342	-
Administration	1,757,456	-	-	-
Non-program	46,374	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	250,845
Total expenditures	9,165,369	630,463	998,418	6,015,379
Excess (deficiency) of revenues over (under) expenditures	231,862	(232,362)	2,294,226	(2,447,435)
Other financing sources (uses):				
Sale of capital assets	-	-	82,207	-
Transfers in	9,455	-	-	1,973,750
Transfers out	(177,207)	-	(2,249,543)	-
General obligation hospital bonds issued	-	-	-	-
Total other financing sources (uses)	(167,752)	-	(2,167,336)	1,973,750
Change in fund balances	64,110	(232,362)	126,890	(473,685)
Fund balances beginning of year	4,011,740	1,160,058	667,123	2,919,994
Fund balances end of year	\$ 4,075,850	927,696	794,013	2,446,309

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
705,246	-	-	9,214,425
-	-	-	1,189,149
-	-	-	53,397
61,543	-	32,435	5,823,552
-	-	-	83,653
-	64,244	4,720	842,784
1,065	120,127	543	158,570
121,613	142,593	13,390	557,909
889,467	326,964	51,088	17,923,439
-	-	3,695	4,280,381
-	-	-	2,179,693
-	-	-	630,463
-	-	-	1,053,243
-	-	-	5,979,548
-	-	1,721	637,042
-	-	-	1,757,456
-	-	-	46,374
1,391,979	-	-	1,391,979
-	283,806	-	534,651
1,391,979	283,806	5,416	18,490,830
(502,512)	43,158	45,672	(567,391)
-	-	-	82,207
453,000	-	-	2,436,205
-	-	(9,455)	(2,436,205)
14,900,000	-	-	14,900,000
15,353,000	-	(9,455)	14,982,207
14,850,488	43,158	36,217	14,414,816
64,462	418,421	245,616	9,487,414
14,914,950	461,579	281,833	23,902,230

Washington County

Washington County
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances –
 Governmental Funds to the Statement
 of Activities

Year ended June 30, 2016

Change in fund balances - Total governmental funds (page 25) \$ 14,414,816

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

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

Expenditures for capital assets	\$ 1,636,596	
Capital assets contributed by the Iowa Department of Transportation	1,371,710	
Depreciation/amortization expense	<u>(2,212,893)</u>	795,413

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 41,250

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds. 57,157

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(14,900,000)	
Repaid	<u>1,080,000</u>	(13,820,000)

The current year County IPERS contributions are reported as expenditures in the governmental funds, but is reported as deferred outflows of resources in the Statement of Net Position. 636,250

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

Compensated absences	(28,375)	
Other postemployment benefits	(26,661)	
Pension expense	(283,010)	
Interest on long-term debt	<u>(23,005)</u>	(361,051)

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and flexible benefits plan to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities. 101,250

Change in net position of governmental activities (page 19) \$ 1,865,085

See notes to financial statements.

Washington County
Statement of Net Position
Proprietary Funds
June 30, 2016

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 1,775,663
Receivables:	
Accounts	2,254
Accrued interest	<u>225</u>
Total assets	1,778,142
Liabilities	
Accounts payable	<u>167,077</u>
Net Position	
Unrestricted	<u><u>\$ 1,611,065</u></u>

See notes to financial statements.

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

Year ended June 30, 2016

		Internal Service
Operating revenues:		
Reimbursements from operating funds		\$ 1,144,747
Reimbursements from employees and others		16,278
Reimbursements from Agency Funds		126,491
Stop loss reimbursements		24,540
Contributions for flexible benefits		36,145
Total operating revenues		1,348,201
Operating expenses:		
Medical claims	\$ 887,471	
Administrative fees	330,986	
Flexible benefits claims	33,753	1,252,210
Operating income		95,991
Non-operating revenues:		
Interest income		5,259
Net income		101,250
Net position beginning of year		1,509,815
Net position end of year		\$ 1,611,065

See notes to financial statements.

Exhibit I

Washington County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2016

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,142,493
Cash received from employees and others	76,963
Cash received from Agency Funds	126,491
Cash paid to suppliers for services	<u>(1,235,403)</u>
Net cash provided by operating activities	110,544
Cash flows from investing activities:	
Interest on investments	<u>5,034</u>
Increase in cash and cash equivalents	115,578
Cash and cash equivalents beginning of year	<u>1,660,085</u>
Cash and cash equivalents end of year	<u><u>\$ 1,775,663</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 95,991
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(2,254)
Increase in accounts payable	<u>16,807</u>
Net cash provided by operating activities	<u><u>\$ 110,544</u></u>

See notes to financial statements.

Washington County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 2,033,716
Other County officials	107,762
Receivables:	
Property tax:	
Delinquent	4,155
Succeeding year	26,004,000
Accounts	22,101
Special assessments	41,493
Due from other governments	84,446
Total assets	28,297,673
Liabilities	
Liabilities:	
Accounts payable	8,339
Salaries and benefits payable	20,059
Due to other governments	28,193,231
Trust payable	41,397
Compensated absences	34,647
Total liabilities	28,297,673
Net position	\$ -

See notes to financial statements.

Washington County

Washington County

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

Washington County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Washington County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: East Central Iowa Council of Governments, Washington County Recycling Center and Washington County Mini Bus.

Related Organization – Although the County periodically provides significant financial assistance, primarily through the purchase of ambulances, the County does not appoint a voting majority of Washington County Ambulance, Inc. Board members. Therefore, the financial activity of Washington County Ambulance, Inc. is not included in the reporting entity.

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Proprietary Funds – Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

Property Tax Receivable, Including Tax Increment Financing – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include land, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County’s reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measureable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Assigned – Amounts of Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 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 County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:	Special Revenue:	
Secondary roads	Mental Health	\$ 13
	General	3,595
		<u>3,608</u>
Total		<u>\$ 3,608</u>

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

(4) Interfund Transfers

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Delinquent Fines	\$ 9,455
Special Revenue:	General	177,207
Secondary Roads	Special Revenue:	
	Rural Services	1,796,543
Debt Service	Special Revenue:	
	Rural Services	453,000
		<u>\$ 2,436,205</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/ amortized:				
Land	\$ 821,024	-	(95,000)	726,024
Intangibles, road network	3,060,717	-	-	3,060,717
Construction in progress	585,741	1,656,809	(1,919,381)	323,169
Total capital assets not being depreciated/amortized	4,467,482	1,656,809	(2,014,381)	4,109,910
Capital assets being depreciated/amortized:				
Buildings	11,799,960	-	-	11,799,960
Improvements other than buildings	147,008	-	-	147,008
Equipment and vehicles	9,276,478	1,410,349	(398,339)	10,288,488
Intangibles	90,620	-	-	90,620
Infrastructure	62,485,193	2,008,829	-	64,494,022
Total capital assets being depreciated/amortized	83,799,259	3,419,178	(398,339)	86,820,098
Less accumulated depreciation/amortization for:				
Buildings	4,517,883	222,761	-	4,740,644
Improvements other than buildings	30,344	6,368	-	36,712
Equipment and vehicles	5,997,914	734,473	(386,289)	6,346,098
Intangibles	12,082	6,042	-	18,124
Infrastructure	14,204,727	1,243,249	-	15,447,976
Total accumulated depreciation/amortization	24,762,950	2,212,893	(386,289)	26,589,554
Total capital assets being depreciated/amortized, net	59,036,309	1,206,285	(12,050)	60,230,544
Governmental activities capital assets, net	\$ 63,503,791	2,863,094	(2,026,431)	64,340,454

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 279,610
Physical health and social services	14,490
County environment and education	60,526
Roads and transportation	1,735,025
Governmental services to residents	8,711
Administration	114,531
Total depreciation/amortization expense - governmental activities	<u>\$ 2,212,893</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

Fund	Description	Amount
General	Services	\$ 85,041
Special Revenue:		
Mental Health	Services	1,031
Secondary Roads	Services	2,528
		<u>3,559</u>
Total for governmental funds		<u>\$ 88,600</u>
Agency:		
County Offices	Collections	\$ 66,558
Agricultural Extension Education		228,108
County Assessor		847,947
Schools		16,400,727
Community Colleges		1,195,355
Corporations		6,361,190
Townships		412,714
Public Safety Commission		125,158
Auto License and Use Tax		545,728
All other		2,009,746
Total for agency funds		<u>\$ 28,193,231</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	General Obligation Bonds	General Obligation County Road Improvement Bonds	Compen- sated Absences	Net Pension Liability	Other Post- employment Benefits	Total
Balance beginning of year	\$ 3,145,000	5,205,000	344,235	2,667,419	161,539	11,523,193
Increases	14,900,000	-	435,335	808,246	37,200	16,180,781
Decreases	260,000	820,000	406,960	-	10,539	1,497,499
Balance end of year	<u>\$ 17,785,000</u>	<u>4,385,000</u>	<u>372,610</u>	<u>3,475,665</u>	<u>188,200</u>	<u>26,206,475</u>
Due within one year	<u>\$ 1,225,000</u>	<u>835,000</u>	<u>275,710</u>	<u>-</u>	<u>-</u>	<u>2,335,710</u>

General Obligation Bonds

A summary of the County's June 30, 2016 general obligation bonded indebtedness is as follows:

Series 2012A Refunding Bonds				Series 2015 Hospital			
Year Ending June 30,	Issued February 15, 2012			Year Ending June 30,	Issued December 1, 2015		
	Interest Rates	Principal	Interest		Interest Rates	Principal	Interest
2017	2.00%	\$ 265,000	62,328	2017	0.00%	\$ -	239,390
2018	2.00	270,000	57,028	2018	0.00	-	239,390
2019	2.00	275,000	51,628	2019	0.00	-	239,390
2020	2.00	280,000	46,128	2020	0.00	-	239,390
2021	2.00	285,000	40,528	2021	0.00	-	239,390
2022-2026	2.00-2.60	1,510,000	110,514	2022-2026	1.75-2.45	5,270,000	996,190
		<u>\$ 2,885,000</u>	<u>368,154</u>	2027-2030	2.55-2.85	4,705,000	328,120
						<u>\$ 9,975,000</u>	<u>2,521,260</u>

Series 2016 Hospital				General Obligation Bonds			
Year Ending June 30,	Issued January 20, 2016			Year Ending June 30,	Total		
	Interest Rates	Principal	Interest		Principal	Interest	Total
2017	0.75%	\$ 960,000	58,265	2017	\$ 1,225,000	\$ 359,983	1,584,983
2018	1.00	965,000	51,065	2018	1,235,000	347,483	1,582,483
2019	1.20	975,000	41,415	2019	1,250,000	332,433	1,582,433
2020	1.375	990,000	29,715	2020	1,270,000	315,233	1,585,233
2021	1.55	1,005,000	16,102	2021	1,290,000	296,020	1,586,020
2022	1.75	30,000	525	2022-2026	6,810,000	1,107,229	7,917,229
		<u>\$ 4,925,000</u>	<u>197,087</u>	2027-2030	4,705,000	328,120	5,033,120
					<u>\$ 17,785,000</u>	<u>3,086,501</u>	<u>20,871,501</u>

During the year ended June 30, 2016, the County retired \$260,000 of general obligation bonds.

General Obligation Hospital Bonds

On December 1, 2015, the County issued \$9,975,000 of general obligation hospital bonds for an expansion project at Washington County Hospital and to refinance a portion of the Hospital's Series 2006 Revenue Bonds. The bonds bear interest payable semi-annually on the first of June and December each year at rates ranging from 1.75% to 2.85% per annum.

On January 20, 2016, the County issued \$4,925,000 of general obligation hospital bonds for an expansion project at Washington County Hospital and to refinance a portion of the Hospital's Series 2006 Revenue Bonds. The bonds bear interest payable semi-annually on the first of June and December each year at rates ranging from 0.75% to 1.75% per annum.

The County loaned the \$14,900,000 of proceeds to Washington County Hospital. Under the loan agreement, Washington County Hospital is to make payments to the County equal to the payments the County is required to make on the general obligation bonds. The payments received from Washington County Hospital are credited to the Debt Service Fund.

General Obligation County Road Improvement Bonds

A summary of the County's June 30, 2016 general obligation county road improvement bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	2.125%	\$ 835,000	105,388	940,388
2018	2.375	855,000	87,531	942,531
2019	2.625	875,000	67,372	942,372
2020	2.750	895,000	44,816	939,816
2021	3.000	925,000	20,275	945,275
Total		\$ 4,385,000	325,382	4,710,382

During the year ended June 30, 2016, the County retired \$820,000 of general obligation county road improvement bonds.

(8) Washington County Hospital Loan Receivable

As detailed in Note 7 of the Notes to Financial Statements, the County loaned bond proceeds to Washington County Hospital. Under the loan agreement, Washington County Hospital is to make payments to the County equal to the payments the County is required to make on the general obligation hospital bonds.

(9) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County 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.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's or 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 years of service greater than 22 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 County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 totaled \$636,250.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of \$3,475,665 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 County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers.

At June 30, 2015, the County's proportion was 0.070351%, which was an increase of 0.003092% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$283,010. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,050	48,279
Changes of assumptions	94,850	35,314
Net difference between projected and actual earnings on IPERS' investments	-	413,960
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	3,184	84,634
County contributions subsequent to the measurement date	636,250	-
Total	\$ 786,334	582,187

\$636,250 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2017	\$ (204,663)
2018	(204,663)
2019	(204,663)
2020	184,004
2021	(2,118)
Total	\$ (432,103)

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:

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 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 arithmetic 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 County 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 to 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 the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 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%)
County's proportionate share of the net pension liability	\$ 7,193,286	3,475,665	341,638

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.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 133 active and 3 retired members in the plan. Retired participants must be age 55 or age 50 with twenty-two years of service at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 36,900
Interest on net OPEB obligation	6,500
Adjustment to annual required contributions	<u>(6,200)</u>
Annual OPEB cost	37,200
Contribution made	<u>(10,539)</u>
Increase in net OPEB obligation	26,661
Net OPEB obligation beginning of year	<u>161,539</u>
Net OPEB obligation end of year	<u><u>\$ 188,200</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the County contributed \$10,539 to the medical plan. Plan members eligible for benefits contributed \$16,300, or 60.7% of the premium costs.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 33,206	24.3%	\$ 134,189
2015	36,957	26.0	161,539
2016	37,200	28.3	188,200

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately \$284,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$284,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,990,000 and the ratio of UAAL to covered payroll was 4.1%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Combined Mortality Table projected to 2010 using Scale AA, applied on a gender-specific basis.

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 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 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 County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2016 were \$171,427.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(12) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County

assumes liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2016 was \$1,144,747.

Amounts payable from the Employee Group Health Fund at June 30, 2016 total \$167,077, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$1,595,894 at June 30, 2016 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 150,270
Incurred claims (including claims incurred but not reported at June 30, 2016)	1,218,467
Payments	<u>(1,201,660)</u>
Unpaid claims end of year	<u>\$ 167,077</u>

(13) Jointly Governed Organization

Washington County participates in the Washington County Public Safety Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization.

The following financial data is for the year ended June 30, 2016:

Additions:			
Contributions from governmental units:			
Washington County	\$	306,088	
City of Washington		231,701	
Other cities		180,220	\$ 718,009
Reimbursement from Joint E-911 Service Board			25,000
Miscellaneous			6,956
Total additions			749,965
Deductions:			
Salaries		481,395	
Benefits		155,810	
Office supplies and postage		3,105	
Uniforms		2,151	
Travel		8,482	
Telephone and fax services		12,468	
Training		1,238	
Tort liability insurance		4,662	
Professional services		11,364	
Equipment maintenance		14,161	
Radio equipment maintenance		3,700	
Utilities		14,988	
Miscellaneous		2,562	716,086
Net			33,879
Balance beginning of year			129,878
Balance end of year			\$ 163,757

(14) Washington County Financial Information Included in the Southeast Iowa Link Mental Health Region

Southwest Iowa Link Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Henry County, Jefferson County, Keokuk County, Lee County, Louisa County, Van Buren County and Washington County. The financial activity of Washington County's Special Revenue, Mental Health Fund is included in the Washington County Mental Health region for the year ended June 30, 2016, as follows:

Revenues:		
Property and other county tax		\$ 349,797
Intergovernmental:		
State tax credits	\$ 30,628	
Other	16,855	47,483
Charges for service		821
Total revenues		<u>398,101</u>
Expenditures:		
Services to persons with:		
Mental illness	518,802	
Intellectual disabilities	3,798	522,600
General administration:		
Direct administration		107,863
Total expenditures		<u>630,463</u>
Excess of expenditures over revenues		(232,362)
Fund balance beginning of year		<u>1,160,058</u>
Fund balance end of year		<u>\$ 927,696</u>

(15) Subsequent Event

On January 17, 2017 the Board of Supervisors authorized \$3,595,000 of general obligation refunding bonds, Series 2017A to refund the general obligation county road improvement bonds issued in 2011.

(16) Related Party

The County had related party transactions totaling \$179,261 with officials of Washington County Ambulance, Inc.

(17) New Accounting Pronouncement

The County 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.

Washington County

Required Supplementary Information

Washington County

Washington County

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

Required Supplementary Information

Year ended June 30, 2016

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
Receipts:				
Property and other county tax	\$ 10,397,527	10,294,874	10,294,874	102,653
Interest and penalty on property tax	53,397	67,000	67,000	(13,603)
Intergovernmental	6,376,958	5,498,175	6,147,287	229,671
Licenses and permits	83,142	54,750	54,750	28,392
Charges for service	858,511	713,425	713,425	145,086
Use of money and property	158,332	152,997	152,997	5,335
Miscellaneous	546,742	377,450	653,949	(107,207)
Total receipts	18,474,609	17,158,671	18,084,282	390,327
Disbursements:				
Public safety and legal services	4,327,329	4,812,559	4,825,940	498,611
Physical health and social services	2,257,742	2,355,736	2,375,736	117,994
Mental health	640,728	1,040,869	1,040,869	400,141
County environment and education	1,057,473	1,061,278	1,075,178	17,705
Roads and transportation	6,055,545	5,846,207	6,636,881	581,336
Governmental services to residents	655,377	722,038	722,038	66,661
Administration	1,768,724	2,160,069	2,160,069	391,345
Non-program	48,151	55,000	14,955,000	14,906,849
Debt service	1,391,978	1,273,600	1,395,215	3,237
Capital projects	556,912	1,354,500	1,409,073	852,161
Total disbursements	18,759,959	20,681,856	36,595,999	17,836,040
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(285,350)	(3,523,185)	(18,511,717)	18,226,367
Other financing sources, net	82,207	9,889	14,992,096	(14,909,889)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(203,143)	(3,513,296)	(3,519,621)	3,316,478
Balance beginning of year	8,591,388	6,939,399	8,590,510	878
Balance end of year	\$ 8,388,245	3,426,103	5,070,889	3,317,356

See accompanying independent auditor's report.

Washington County

Washington County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 18,474,609	(551,170)	17,923,439
Expenditures	18,759,959	(269,129)	18,490,830
Net	(285,350)	(282,041)	(567,391)
Other financing sources (uses), net	82,207	14,900,000	14,982,207
Beginning fund balances	8,591,388	896,026	9,487,414
Ending fund balances	\$ 8,388,245	15,513,985	23,902,230

See accompanying independent auditor's report.

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$15,914,143. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted.

Washington County

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

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

Required Supplementary Information

	2016	2015
County's proportion of the net pension liability	0.070351%	0.067259%
County's proportionate share of the net pension liability	\$ 3,476	2,667
County's covered-employee payroll	\$ 6,511	6,363
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.39%	41.91%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB 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.

Washington County

Schedule of County Contributions

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

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 636	600	585	561
Contributions in relation to the statutorily required contribution	(636)	(600)	(585)	(561)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 6,924	6,511	6,363	6,218
Contributions as a percentage of covered-employee payroll	9.19%	9.22%	9.20%	9.02%

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
525	465	429	379	337	304
(525)	(465)	(429)	(379)	(337)	(304)
-	-	-	-	-	-
6,151	6,165	6,068	5,605	5,300	4,888
8.54%	7.54%	7.07%	6.76%	6.36%	6.22%

Washington County

Notes to Required Supplementary 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 the future years. It also included in 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.

Washington County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 205	205	0.0%	\$ 5,892	3.1%
2010	Jul 1, 2008	-	205	205	0.0	6,172	3.3
2011	Jul 1, 2008	-	205	205	0.0	6,261	3.3
2012	Jul 1, 2011	-	247	247	0.0	6,263	3.3
2013	Jul 1, 2011	-	247	247	0.0	6,295	3.9
2014	Jul 1, 2011	-	247	247	0.0	6,432	3.8
2015	Jul 1, 2014	-	284	284	0.0	6,562	4.3
2016	Jul 1, 2014	-	284	284	0.0	6,990	4.1

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Washington County

Supplementary Information

Washington County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2016

	County Recorder's Records Management	Resource Enhance- ment and Protection	Law Enforcement County Attorney
Assets			
Cash, cash equivalents and pooled investments	\$ 36,153	147,801	2,640
Accounts receivable	-	-	3
Due from other governments	510	-	-
Total assets	\$ 36,663	147,801	2,643
Liabilities and Fund Balances			
Fund balances:			
Restricted for:			
Resource enhancement and protection	-	147,801	-
Other purposes	36,663	-	2,643
Total fund balances	36,663	147,801	2,643
Total liabilities and fund balances	\$ 36,663	147,801	2,643

See accompanying independent auditor's report.

Special Revenue				
Law				
Enforcement	Supplemental	Delinquent		Total
County	Environmental	Fines		
Sheriff	Projects			
39,002	1,563	52,388		279,547
1,023	-	-		1,026
-	-	750		1,260
40,025	1,563	53,138		281,833
-	-	-		147,801
40,025	1,563	53,138		134,032
40,025	1,563	53,138		281,833
40,025	1,563	53,138		281,833

Washington County

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

Year ended June 30, 2016

	County Recorder's Records Management	Resource Enhance- ment and Protection	Law Enforcement County Attorney
Revenues:			
Intergovernmental	\$ -	16,419	-
Charges for service	4,720	-	-
Use of money and property	108	430	-
Miscellaneous	-	-	1,296
Total revenues	4,828	16,849	1,296
Expenditures:			
Operating:			
Public safety and legal services	-	-	3,695
Governmental services to residents	1,721	-	-
Total expenditures	1,721	-	3,695
Excess (deficiency) of revenues over(under) expenditures	3,107	16,849	(2,399)
Other financing (uses):			
Transfers out	-	-	-
Change in fund balances	3,107	16,849	(2,399)
Fund balances beginning of year	33,556	130,952	5,042
Fund balances end of year	\$ 36,663	147,801	2,643

See accompanying independent auditor's report.

Special Revenue				
Law				
Enforcement	Supplemental		Delinquent	
County	Environmental		Fines	Total
Sheriff	Projects			
16,016	-	-	-	32,435
-	-	-	-	4,720
-	5	-	-	543
3,299	-	8,795	-	13,390
19,315	5	8,795	-	51,088
-	-	-	-	3,695
-	-	-	-	1,721
-	-	-	-	5,416
19,315	5	8,795	-	45,672
-	-	(9,455)	-	(9,455)
19,315	5	(660)	-	36,217
20,710	1,558	53,798	-	245,616
40,025	1,563	53,138	-	281,833

Schedule 3

Washington County
Combining Schedule of Net Position
Internal Service Funds

June 30, 2016

	Employee Group Health	Flexible Benefits	Total
Assets			
Cash and cash equivalents	\$ 1,760,492	15,171	1,775,663
Receivables:			
Accounts	2,254	-	2,254
Accrued interest	225	-	225
Total assets	<u>1,762,971</u>	<u>15,171</u>	<u>1,778,142</u>
Liabilities			
Accounts payable	<u>167,077</u>	-	<u>167,077</u>
Net Position			
Unrestricted	<u>\$ 1,595,894</u>	<u>15,171</u>	<u>1,611,065</u>

See accompanying independent auditor's report.

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

Year ended June 30, 2016

	Employee		Total
	Group Health	Flexible Benefits	
Operating revenues:			
Reimbursements from operating funds	\$ 1,144,747	-	1,144,747
Reimbursements from employees and others	16,278	-	16,278
Reimbursements from agency funds	126,491	-	126,491
Stop loss reimbursements	24,540	-	24,540
Contributions for flexible benefits	-	36,145	36,145
Total operating revenues	1,312,056	36,145	1,348,201
Operating expenses:			
Medical claims	887,471	-	887,471
Administrative fees	330,986	-	330,986
Flexible benefits claims	-	33,753	33,753
Total operating expenses	1,218,457	33,753	1,252,210
Operating income	93,599	2,392	95,991
Non-operating revenues:			
Interest income	5,259	-	5,259
Net income	98,858	2,392	101,250
Net position beginning of year	1,497,036	12,779	1,509,815
Net position end of year	\$ 1,595,894	15,171	1,611,065

See accompanying independent auditor's report.

Washington County

Washington County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2016

	Employee Group Health	Flexible Benefits	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 1,142,493	-	1,142,493
Cash received from employees and others	40,818	36,145	76,963
Cash received from agency funds	126,491	-	126,491
Cash paid to suppliers for services	(1,201,650)	(33,753)	(1,235,403)
Net cash provided by operating activities	108,152	2,392	110,544
Cash flows from investing activities:			
Interest on investments	5,034	-	5,034
Net increase in cash and cash equivalents	113,186	2,392	115,578
Cash and cash equivalents beginning of year	1,647,306	12,779	1,660,085
Cash and cash equivalents end of year	<u>\$ 1,760,492</u>	<u>15,171</u>	<u>1,775,663</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income			
Adjustments to reconcile operating income to net cash provided by operating activities:			
Increase in accounts receivable	(2,254)	-	(2,254)
Increase in accounts payable	16,807	-	16,807
Net cash provided by operating activities	<u>\$ 108,152</u>	<u>\$ 2,392</u>	<u>\$ 110,544</u>

See accompanying independent auditor's report.

Washington County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,073	363,409	140,431	10,184
Other County officials	107,762	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	35	77	2,296	171
Succeeding year	-	226,000	498,000	16,258,000	1,185,000
Accounts	193	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 107,955	228,108	861,486	16,400,727	1,195,355
Liabilities					
Liabilities:					
Accounts payable	\$ -	-	11	-	-
Salaries and benefits payable	-	-	6,339	-	-
Due to other governments	66,558	228,108	847,947	16,400,727	1,195,355
Trusts payable	41,397	-	-	-	-
Compensated absences	-	-	7,189	-	-
Total liabilities	\$ 107,955	228,108	861,486	16,400,727	1,195,355

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
53,807	3,682	163,757	545,728	750,645	2,033,716
-	-	-	-	-	107,762
1,383	32	-	-	161	4,155
6,306,000	409,000	-	-	1,122,000	26,004,000
-	-	-	-	21,908	22,101
-	-	-	-	41,493	41,493
-	-	-	-	84,446	84,446
<u>6,361,190</u>	<u>412,714</u>	<u>163,757</u>	<u>545,728</u>	<u>2,020,653</u>	<u>28,297,673</u>
-	-	874	-	7,454	8,339
-	-	10,267	-	3,453	20,059
6,361,190	412,714	125,158	545,728	2,009,746	28,193,231
-	-	-	-	-	41,397
-	-	27,458	-	-	34,647
<u>6,361,190</u>	<u>412,714</u>	<u>163,757</u>	<u>545,728</u>	<u>2,020,653</u>	<u>28,297,673</u>

Washington County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

Assets and Liabilities	County	Agricultural	County		Community
	Offices	Extension Education	Assessor	Schools	Colleges
Balances beginning of year	\$ 102,047	221,407	782,910	15,024,975	1,091,578
Additions:					
Property and other county tax	-	219,650	484,300	15,846,823	1,154,412
E-911 surcharge	-	-	-	-	-
State tax credits	-	18,619	41,265	1,268,534	92,030
Office fees and collections	548,566	-	-	-	-
Auto licenses, use tax, postage and drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	200,192	-	-	-	-
Miscellaneous	16	-	285	-	-
Total additions	748,774	238,269	525,850	17,115,357	1,246,442
Deductions:					
Agency remittances:					
To other funds	309,485	-	-	-	-
To other governments	240,697	231,568	447,274	15,739,605	1,142,665
Trusts paid out	192,684	-	-	-	-
Total deductions	742,866	231,568	447,274	15,739,605	1,142,665
Balances end of year	\$ 107,955	228,108	861,486	16,400,727	1,195,355

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
6,140,502	382,443	129,878	566,795	1,851,127	26,293,662
5,938,418	406,844	-	-	1,092,630	25,143,077
-	-	-	-	219,474	219,474
720,357	21,286	-	-	88,385	2,250,476
-	-	-	-	207,567	756,133
-	-	-	7,084,814	-	7,084,814
-	-	-	-	98,454	98,454
-	-	-	-	-	200,192
-	-	749,965	-	183,512	933,778
6,658,775	428,130	749,965	7,084,814	1,890,022	36,686,398
-	-	-	244,100	-	553,585
6,438,087	397,859	716,086	6,861,781	1,720,496	33,936,118
-	-	-	-	-	192,684
6,438,087	397,859	716,086	7,105,881	1,720,496	34,682,387
6,361,190	412,714	163,757	545,728	2,020,653	28,297,673

Washington County

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

For the Last Ten Years

	2016	2015	2014	2013
Revenues:				
Property and other county tax	\$ 9,214,425	8,993,354	9,092,267	9,658,584
Tax increment financing	-	910,267	1,746,821	1,807,197
Local option sales tax	1,189,149	1,129,426	1,114,808	969,263
Interest and penalty on property tax	53,397	53,820	70,802	72,171
Intergovernmental	5,823,552	6,101,263	5,935,796	6,094,416
Licenses and permits	83,653	73,462	87,100	71,390
Charges for service	842,784	783,054	737,985	788,891
Use of money and property	158,570	190,767	139,590	148,447
Miscellaneous	557,909	365,425	514,918	856,268
Total	\$ 17,923,439	18,600,838	19,440,087	20,466,627
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,280,381	4,317,598	4,011,223	4,106,744
Physical health and social services	2,179,693	2,222,115	2,242,800	2,517,575
Mental health	630,463	310,473	324,392	435,068
County environment and education	1,053,243	954,300	926,078	1,247,107
Roads and transportation	5,979,548	5,065,801	5,006,326	4,651,989
Governmental services to residents	637,042	609,740	599,112	600,254
Administration	1,757,456	1,679,024	1,661,955	1,695,303
Non-program	46,374	51,812	88,683	59,227
Debt service	1,391,979	5,156,992	3,117,343	3,417,027
Capital projects	534,651	543,450	2,981,114	2,677,266
Total	\$ 18,490,830	20,911,305	20,959,026	21,407,560

See accompanying independent auditor's report.

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
9,197,085	8,129,183	7,795,295	7,474,768	7,227,078	6,906,888
1,785,917	1,790,775	1,795,275	1,712,008	311,699	-
1,084,809	968,286	872,690	907,821	945,907	1,061,073
74,276	76,322	79,213	72,916	68,492	64,707
6,833,101	6,690,934	7,101,605	6,721,217	6,694,683	5,286,299
70,128	61,438	54,308	51,350	48,946	46,203
758,402	714,553	704,331	718,783	688,056	714,464
135,668	151,486	175,085	206,634	424,237	605,055
704,465	623,606	358,210	444,509	382,126	499,479
20,643,851	19,206,583	18,936,012	18,310,006	16,791,224	15,184,168
3,776,403	3,752,408	3,777,719	3,671,315	3,447,365	2,680,060
2,461,339	2,412,125	2,382,538	2,316,409	2,183,902	2,239,164
2,301,318	1,733,162	1,633,941	1,642,744	1,793,564	1,830,624
1,043,520	886,227	796,374	733,200	637,552	624,445
4,242,814	4,729,678	4,660,891	4,141,415	4,521,177	3,927,041
595,946	599,233	594,919	587,746	559,917	513,407
1,581,466	1,576,049	1,572,228	1,523,319	1,354,082	1,221,558
54,498	57,065	46,241	62,187	56,424	4,082,771
2,971,717	2,288,019	2,297,777	2,061,861	905,179	853,834
5,340,817	1,801,336	254,840	2,392,295	2,323,948	3,998,616
24,369,838	19,835,302	18,017,468	19,132,491	17,783,110	21,971,520

Washington County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Washington County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 6, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Washington County's Responses to the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

March 6, 2017

Washington County
 Schedule of Findings
 Year ended June 30, 2016

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 County’s financial statements.

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

	Applicable Offices
(1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Recorder, Engineer, Conservation, Public Safety Commission Ag Extension
(2) Generally, one individual may have control over listing mail receipts, collecting, depositing, posting, maintaining receivable records and daily reconciling of receipts for which no compensating controls exist.	Recorder, Public Health Nurse, Engineer, Conservation, Public Safety Commission Ag Extension
A listing of mail receipts is not prepared.	Recorder, Engineer, Conservation
The initial listing is not compared to receipt records by an independent person.	Sheriff, Public Safety Commission
Only one individual in the Treasurer’s Office is responsible for collecting payments made in the county dropbox located outside the courthouse.	Treasurer
(3) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Recorder, Public Health Nurse

Washington County

Schedule of Findings

Year ended June 30, 2016

- | | |
|--|-----------|
| (4) The person responsible for the detailed record keeping of investments is also the custodian of the investments. Investments are not periodically inspected or reconciled to investment records by an independent person. | Treasurer |
| (5) Daily cash reconciliations prepared in the Recorder's office are not reviewed and approved by an independent person for propriety. | Recorder |
| (6) All individuals in the Treasurer's Office have the ability to void receipts in the Eden system, including individuals who perform daily balancing. No report is maintained or review performed over voided receipts. | Treasurer |
| All individuals in the Recorder's Office have the ability to void receipts, including individuals who perform daily balancing. No report is maintained or review performed over voided receipts. | Recorder |
| (7) Journal entries are not reviewed and approved. | Auditor |

Cause – The County offices noted above 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 County'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

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

County Recorder – There are only three full time individuals working in the Recorder's Office. We will do our best to segregate duties.

County Sheriff – This has been a practice in the past. We will make sure these are completed in the future.

County Treasurer – We will have two people collect payments from the drop box. We will have an independent review of CD's. We will contact Tyler to see what can be obtained for void reports.

Washington County

Schedule of Findings

Year ended June 30, 2016

County Conservation – We will work with staff to obtain the maximum internal control under current circumstances.

Engineer – We will explore options to open/accept mail by others not involved in the depositing, posting and maintaining of records.

Public Health Nurse – We will further research internal procedures to ensure segregation of duties.

Public Safety Commission – There is a limited number of individuals working in the office. We will do our best to segregate duties.

County Auditor – We will begin reviewing and approving journal entries.

Ag Extension – With limited staff, segregation of duties is difficult. Since October of 2016, we have instituted the use of an “Internal Control Log” which documents who opens the mail, makes out receipts, balances the cash box and makes the bank deposit. Staff alternates as to who completes these duties. We will have a staff member open the mail who does not have access to entering data in the accounting system.

Conclusion – Responses accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County’s financial statements.

Condition – Material amounts of receivables were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year-end cut-off transactions to ensure the County’s financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County’s financial statements were necessary.

Recommendation – The County should establish procedures to ensure all receivables are identified and properly reported in the County’s financial statements.

Response – We will work with staff to ensure proper cut-off for year-end accruals.

Conclusion – Response accepted.

Washington County

Schedule of Findings

Year ended June 30, 2016

(C) Capital Assets –

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Capital assets are not tested periodically by an independent person to determine the assets exist and all assets are included in the capital asset listing.

Cause – County policies do not require and procedures have not been established to require independent review of capital assets to ensure assets exist and are included in the capital asset listing.

Effect – Lack of policies and procedures may result in County employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation – The County should establish procedures to ensure capital assets are tested periodically by an independent person to determine assets exist and are included in the capital asset listing.

Response – We will periodically test capital assets to ensure the accuracy of the capital asset listing.

Conclusion – Response accepted.

(D) Computer Systems

Criteria – Properly designed policies and procedures pertaining to control activities over the County's computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.

Also, the County does not have a written disaster recovery plan.

Cause – Management has not required written policies for the above computer based controls or off site storage for back-up tapes.

Washington County

Schedule of Findings

Year ended June 30, 2016

Effect – Lack of written policies for computer based systems could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a formal disaster recovery plan could result in the County’s inability to function in the event of a disaster or continue County business without interruption.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer systems. A written disaster recovery plan should also be developed.

Response – A written disaster recovery plan and password policies will be developed.

Conclusion – Response accepted.

(E) Credit Cards

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 polices addressing proper asset use and proper supporting documentation.

Condition – The County has credit cards for use by various employees while on County business. The County has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the Board of Supervisors.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – The County should adopt a formal written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – A policy regarding the use of county credit cards will be adopted.

Conclusion – Response accepted.

(F) Timesheets

Criteria – An effective internal control system provides for internal controls related to preparation of timesheets by all employees. Timesheets support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days and provide an accurate record of hours worked. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked.

Washington County

Schedule of Findings

Year ended June 30, 2016

Condition – Timesheets prepared by employees in the Engineer’s office are not reviewed and approved by supervisory personnel.

Cause – Policies have not been established and procedures have not been implemented to require timesheets be reviewed and approved by supervisory personnel.

Effect – The lack of a documented supervisory review process increases the probability staff errors in recording hours or leave will go undetected.

When an employee retires or otherwise leaves employment and claims a payout, the County needs support to provide assurance the claim is proper. Without maintaining detailed records, the County may not have the ability to support the claim. In addition, without detailed records, the County may not have the support necessary to ensure compliance with the Fair Labor Standards Act.

Recommendation –Timesheets should be signed by the employee and supervisor prior to submission. The timesheets should support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days.

Response – Since this has been brought to our attention at the pre audit meeting (with FEMA), we have been initialing timesheets to show I have reviewed them.

Conclusion – Response accepted.

(G) Taxable Wages

Criteria – Internal controls ensuring compliance with Internal Revenue Service (IRS) Guidelines constitute a process, affected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding compliance with IRS Guidelines. Such processes include establishing policies addressing proper use and proper supporting documentation.

Condition – The County purchased \$291 of shirts and hoodies for Conservation employees. This clothing is considered “street wear” under IRS Guidelines, and, accordingly, are taxable wages to the employee. The cost of the clothing is not reflected in the employees’ taxable wages as required.

Cause – Procedures have not been designed and implemented to ensure compliance with IRS Guidelines.

Effect – Lack of procedures to ensure compliance may result taxable wages which were not reported to the employees.

Recommendation – The County should develop procedures to ensure compliance with IRS guidelines for future purchases meeting the requirements for taxable wages.

Washington County

Schedule of Findings

Year ended June 30, 2016

Response – We will develop procedures and work with the County Conservation Department to comply with IRS guidelines on future purchases.

Conclusion – Response accepted.

(H) County Sheriff

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances.

Condition - The Sheriff's Office does not prepare a year-to-date spreadsheet of receipts and disbursements reconciled to the beginning and ending book balances.

Cause – Procedures have not been designed and implemented to ensure appropriate accounting records are maintained or to ensure all accounts are reconciled.

Effect – Inadequate accounting records can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The Sheriff's Office should prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile to the beginning and ending book balances.

Response – We will start doing a year-end report.

Conclusion – Response accepted.

(I) County Recorder

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances.

Condition – The Recorder's Office does not prepare a year-to-date spreadsheet of receipts and disbursements reconciled to the beginning and ending book balances.

Cause – Procedures have not been designed and implemented to ensure appropriate accounting records are maintained or to ensure all accounts are reconciled and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – Inadequate accounting records can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The Recorder's Office should prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile to the beginning and ending book balances.

Washington County

Schedule of Findings

Year ended June 30, 2016

Response – We will work to prepare a year-to-date summary of receipts and disbursements.

Conclusion – Response accepted.

(J) Restrictive Endorsements

Criteria – An effective internal control system provides for internal controls related to ensuring safety of county assets.

Condition – Restrictive endorsements were not placed on checks immediately upon receipt in the Engineer’s Office and Conservation Department.

Cause – Procedures have not been designed and implemented to ensure safety of county assets.

Effect – Lack of restrictive endorsement can result in an opportunity for misappropriation.

Recommendation – Restrictive endorsements should be placed on all checks immediately upon receipt.

Responses –

Engineer’s Office – We are working with the Treasurer to have a means of placing a restrictive endorsement on checks immediately upon receipt.

Conservation Department – We will work with the Treasurer to get a restrictive endorsement stamp.

Conclusion – Responses accepted.

(K) Recorder Change Fund

Criteria – Change fund should be maintained on an imprest basis.

Condition – The Recorder does not maintain a change fund. Change, when needed for cash payments, is made from daily receipts.

Cause – Procedures have not been designed and implemented to establish a change fund.

Effect – Lack of an established change fund can cause the ability to misappropriate funds.

Recommendation – The Recorder should establish a change fund through a request to the Board of Supervisors. Change should be made from the change fund and all receipts should be deposited intact.

Washington County

Schedule of Findings

Year ended June 30, 2016

Response – Each authorized individual has a separate cash bag. In the event we are unable to reconcile, this allows us to review each separate cash bag and locate the error, if any. We want to limit cash on hand and having another cash drawer on hand.

Conclusion – Response acknowledged. A change fund should be established to make change, as needed. All receipts should be deposited intact.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Washington County

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 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No disbursements 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 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Richard Young, Board of Supervisors president of Washington County Ambulance, Inc.	Ambulance	\$179,261

The transactions with Washington County Ambulance, Inc. may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

Recommendation - The County should consult legal counsel to determine the disposition of this matter.

Response – We consulted with the assistant Washington County Attorney who advised this was not a concern as Mr. Young excuses himself from all county matters related to Washington County Ambulance, Inc.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Washington County

Schedule of Findings

Year ended June 30, 2016

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

Disbursements during the year ended June 30, 2016 for the County Extension Office did not exceed the amount budgeted.

- (10) Tax Increment Financing – The County Auditor did not prepare a reconciliation of tax increment financing revenue (TIF) remitted with the amount of debt certified.

Recommendation – The County should prepare a reconciliation for each TIF district to reconcile the cumulative TIF tax remitted with the amount of debt certified for each district.

Response – The County will prepare a reconciliation for each TIF district to reconcile the cumulative TIF tax remitted with the amount of debt certified for each applicable district.

Conclusion – Response accepted.

- (11) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the backs of each cancelled check was not obtained by the County Recorder, County Sheriff or County Extension Office.

Recommendation – The County should obtain and retain an image of both the front and back of each cancelled check as required.

Responses –

County Sheriff – We will check with the banks to see if checks are available online.

County Recorder – We will obtain on-line and will print off.

County Extension Office – We will ask the bank to include the backs of checks on the bank statements.

Conclusion – Responses accepted.

Washington County

Schedule of Findings

Year ended June 30, 2016

- (12) Washington County Public Safety Commission – The Washington County Public Safety Commission is operated under the authority of Chapter 28E of the Code of Iowa. Chapter 28E(6)(3)(a) of the Code of Iowa requires the Washington County Public Safety Commission to publish a summary of the proceedings of each regular, adjourned, or special meeting. Minutes of the Public Safety Commission were not published in the papers as required by Chapter 28E.6(3). In addition, minutes were not signed.

Recommendation – The Commission should ensure minutes are published and signed as required.

Response – We will have the minutes signed and published to meet statutory requirements.


Conclusion – Response accepted.

Washington County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Selina V. Johnson CPA, Senior II
Michael Holowinski, Staff Auditor
Lucas P. Mullen, Staff Auditor
Sidot K. Shipley, Staff Auditor
Sarah J. Swisher, Staff Auditor
Kristin R. Finke, Assistant Auditor
Libby C. Lamfers, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State