



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

January 25, 2018

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$13,005,714 for the year ended June 30, 2017, a 28% decrease from the prior year. The receipts included \$3,486,129 of property tax, \$199,133 of tax increment financing, \$4,840,927 of charges for service, \$1,912,146 of operating grants, contributions and restricted interest, \$732,695 of capital grants, contributions and restricted interest, \$852,133 of local option sales tax, \$113,197 of commercial/industrial tax replacement, \$427,329 of grants and contributions not restricted to specific purposes, \$58,070 of unrestricted interest on investments, \$119,029 of note proceeds and \$264,926 of other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$15,221,708, a 7% decrease from the prior year, and included \$2,625,901 for capital projects, \$1,910,847 for public safety and \$1,263,462 for debt service. The City also made \$1,730,000 of payments on refunded general obligation notes during the year. Disbursements for business type activities totaled \$4,614,122.

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

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1720-0887-B00F>.

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**CITY OF WASHINGTON**

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

**JUNE 30, 2017**

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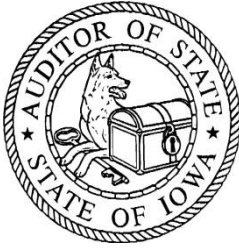
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**City of Washington**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sandra Johnson	Mayor	Jan 2018
Russ Zieglowsky	Mayor Pro tem	(Resigned Aug 2016)
Kathryn Salazar	Mayor Pro tem	Jan 2018
Jaron Rosien	Council Member	Jan 2018
Steve Gault (Elected)	Council Member	Jan 2018
Kerry Janecek	Council Member	Jan 2020
Brendan DeLong	Council Member	Jan 2020
Millie Youngquist	Council Member	Jan 2020
Brent Hinson	City Administrator	Indefinite
Illa Earnest	City Clerk	Indefinite
Kelsey Brown	Finance Director	Indefinite
Kevin Olson	Attorney	Indefinite

**City of Washington**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington as of June 30, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Washington's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial Statements for the eight years ended June 30, 2015 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 15 and 42 through 48, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2018 on our consideration of the City of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Washington's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

January 16, 2018

**City of Washington**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Washington provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 38.7%, or 5,384,530, from fiscal year 2016 to fiscal year 2017. Bond and note proceeds decreased \$6,192,213.
- Disbursements of the City's governmental activities increased 1.8%, or \$186,761, in fiscal year 2017 from fiscal year 2016.
- The City's total cash basis net position decreased 23.9%, or \$2,215,994, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities decreased \$2,220,629 and the cash basis net position of the business type activities increased \$4,635.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

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

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

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

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

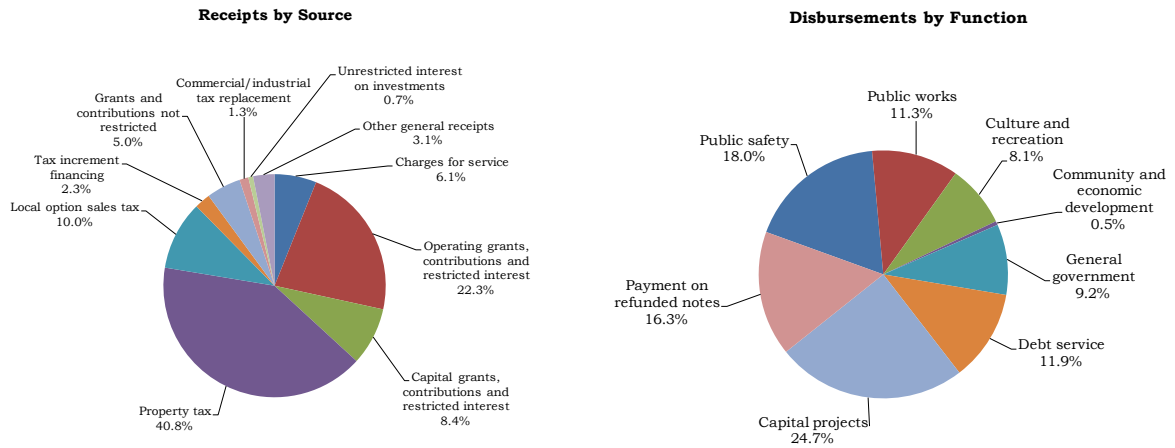
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from approximately \$7.049 million to approximately \$4.828 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 520,618	609,753
Operating grants, contributions and restricted interest	1,904,889	1,488,980
Capital grants, contributions and restricted interest	715,885	450,798
General receipts:		
Property tax	3,486,129	3,300,727
Local option sales tax	852,133	805,866
Tax increment financing	199,133	219,550
Grants and contributions not restricted to specific purposes	427,329	424,306
Commercial/industrial tax replacement	113,197	110,532
Unrestricted interest on investments	57,531	33,082
Other general receipts	264,926	290,493
Bond and note proceeds	-	6,192,213
Total receipts	<u>8,541,770</u>	<u>13,926,300</u>
Disbursements:		
Public safety	1,910,847	1,762,948
Public works	1,195,790	1,270,390
Culture and recreation	855,998	865,558
Community and economic development	51,610	17,166
General government	973,978	912,621
Debt service	1,263,462	2,217,055
Capital projects	2,625,901	2,770,192
Payment on refunded notes	1,730,000	-
Payment to refunding escrow agent	-	604,895
Total disbursements	<u>10,607,586</u>	<u>10,420,825</u>
Change in cash basis net position before transfers	(2,065,816)	3,505,475
Transfers, net	<u>(154,813)</u>	<u>(1,414,015)</u>
Change in cash basis net position	(2,220,629)	2,091,460
Cash basis net position beginning of year	<u>7,048,656</u>	<u>4,957,196</u>
Cash basis net position end of year	<u>\$ 4,828,027</u>	<u>7,048,656</u>



The City's total receipts for governmental activities decreased 38.7%, or approximately \$5,385,000, from the prior year. The total cost of all programs and services increased approximately \$187,000, or 1.8%, with no new programs added this year. The significant decrease in receipts was primarily the result of proceeds received from the issuance of general obligation capital loan notes and refunding bonds in the prior year.

The cost of all governmental activities this year was approximately \$10.608 million compared to approximately \$10.421 million last year. However, as shown in the Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$5.736 million because some of the cost was paid by those directly benefited from the programs (approximately \$521,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,621,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2017 from approximately \$2,550,000 to approximately \$3,142,000, principally due to receiving grant proceeds in fiscal year 2017 for airport improvements.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,746,473	1,718,821
Sewer	2,121,541	2,058,494
Sanitation	452,295	410,918
Operating grants, contributions and restricted interest	7,257	-
Capital grants, contributions and restricted interest	16,810	-
General receipts:		
Unrestricted interest on investments	539	10
Note proceeds	119,029	-
Total receipts	<u>4,463,944</u>	<u>4,188,243</u>
Disbursements:		
Water	2,218,856	2,805,254
Sewer	1,959,817	2,738,210
Sanitation	435,449	402,710
Total disbursements	<u>4,614,122</u>	<u>5,946,174</u>
Change in cash basis net position before transfers	(150,178)	(1,757,931)
Transfers, net	<u>154,813</u>	<u>1,414,015</u>
Change in cash basis net position	4,635	(343,916)
Cash basis net position beginning of year	<u>2,223,291</u>	<u>2,567,207</u>
Cash basis net position end of year	<u>\$ 2,227,926</u>	<u>2,223,291</u>

Total business type activities receipts for the fiscal year were approximately \$4.464 million compared to approximately \$4.188 million last year. This increase was due primarily to an increase in water and sewer billing rates as well as note proceeds from a planning and design debt agreement. The cash balance increased approximately \$4,600 over the prior year. Total disbursements for the fiscal year decreased 22.4% to approximately \$4.614 million, primarily due to a decrease in work on the sewer pump station.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Washington completed the year, its governmental funds reported a combined fund balance of \$4,692,393, a decrease of more than \$2 million from last year's total of \$6,919,329. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$19,682, or 1.6%, from the prior year to \$1,216,984.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$63,069, or 7.8%, from the prior year to \$747,499. This decrease is attributable to an increase in transfers to the Capital Projects Fund to cover the cost of street related projects.
- The Special Revenue, Local Option Sales Tax cash balance stayed at zero for the fiscal year. This is attributable to monthly transfers to the General Fund and the Capital Projects Fund as designated by the local option sales tax ballot.

- The Debt Service Fund cash balance decreased \$1,757,581 to \$3,569. This is primarily attributable to the issuance of \$1,770,000 of general obligation refunding bonds in fiscal year 2016, the proceeds of which were used to redeem \$1,730,000 of general obligation notes in June 2017.
- The Capital Projects Fund cash balance decreased \$437,219, or 18.9%, to \$1,877,366. This is primarily attributable to continued spending on various capital projects.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$139,908 to \$1,023,188, due primarily to a decrease in net transfers in to fund capital projects.
- The Enterprise, Sewer Fund cash balance increased \$127,671 to \$1,015,509, due primarily to a decrease in disbursements for capital projects.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on December 20, 2016 and resulted in an increase in disbursements related to capital projects and public works. The second amendment was approved on May 16, 2017 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City’s receipts were \$978,452 less than budgeted. This was primarily due to the City receiving less water charges for service and project grant receipts than anticipated, even after the amendments. Grant receipts were less than expected due to delays in the projects.

With the budget amendments, total disbursements were \$8,398,737 less than the amended budget. This was primarily due to the City delaying disbursements related to capital projects.

During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the capital projects function prior to the December 20, 2016 amendment and in the public safety and general government functions at the end of the fiscal year.

**DEBT ADMINISTRATION**

At June 30, 2017, the City had \$21,088,308 of bonds, notes and other long-term debt outstanding, compared to \$23,903,145 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2017	2016
General obligation capital loan notes and bonds	\$ 5,448,498	8,178,390
Revenue capital loan notes	15,576,029	15,623,000
Urban renewal revenue note	49,000	72,500
Bank loan	14,781	29,255
Total	<u>\$ 21,088,308</u>	<u>23,903,145</u>

Debt decreased as a result of calling refunded general obligation bonds originally issued June 2009.



The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment financing (TIF) debt of \$5,512,279 is significantly below its constitutional debt limit of approximately \$18 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Washington's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various City activities. Those factors include the economy, employment rates, operating expenses, capital projects and increases in service and state mandates.

For fiscal year 2018, the City of Washington has projected and budgeted the following major projects: water plant upgrades and designs \$5,156,300, fire station \$2,083,000, Wellness Park \$1,200,000 and sewer lining/separation \$1,300,000. Other projects include South 15<sup>th</sup> Street Subdivision, West Washington water main replacement, and Kewash Trail improvements.

The City Council passed an ordinance to increase water, sewer and sanitation rates by 5% effective the first day of July 2017.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**City of Washington**

## **Basic Financial Statements**

City of Washington

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 1,910,847	14,610	99,692	22,615
Public works	1,195,790	254,371	948,367	-
Culture and recreation	855,998	136,547	57,948	696
Community and economic development	51,610	-	16,382	-
General government	973,978	57,257	199,905	-
Debt service	1,263,462	-	117	-
Capital projects	2,625,901	57,833	582,478	692,574
Total governmental activities	8,877,586	520,618	1,904,889	715,885
Business type activities:				
Water	2,218,856	1,746,473	6,737	16,383
Sewer	1,959,817	2,121,541	494	427
Sanitation	435,449	452,295	26	-
Total business type activities	4,614,122	4,320,309	7,257	16,810
Total	\$ 13,491,708	4,840,927	1,912,146	732,695
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
Payment on refunded notes				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Customer deposits				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				
See notes to financial statements.				

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

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Governmental Activities	Business Type Activities	Total
(1,773,930)	-	(1,773,930)
6,948	-	6,948
(660,807)	-	(660,807)
(35,228)	-	(35,228)
(716,816)	-	(716,816)
(1,263,345)	-	(1,263,345)
(1,293,016)	-	(1,293,016)
(5,736,194)	-	(5,736,194)
-	(449,263)	(449,263)
-	162,645	162,645
-	16,872	16,872
-	(269,746)	(269,746)
(5,736,194)	(269,746)	(6,005,940)
2,600,738	-	2,600,738
885,391	-	885,391
199,133	-	199,133
852,133	-	852,133
427,329	-	427,329
113,197	-	113,197
57,531	539	58,070
-	119,029	119,029
(1,730,000)	-	(1,730,000)
171,056	-	171,056
93,870	-	93,870
(154,813)	154,813	-
3,515,565	274,381	3,789,946
(2,220,629)	4,635	(2,215,994)
7,048,656	2,223,291	9,271,947
\$ 4,828,027	2,227,926	7,055,953
\$ 747,499	-	747,499
109,542	-	109,542
3,569	-	3,569
1,877,366	-	1,877,366
-	23,665	23,665
737,433	-	737,433
1,352,618	2,204,261	3,556,879
\$ 4,828,027	2,227,926	7,055,953

City of Washington

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

As of and for the year ended June 30, 2017

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 1,938,048	-	-
Tax increment financing	-	-	-
Other city tax	-	-	852,133
Licenses and permits	107,068	-	-
Use of money and property	111,667	203	-
Intergovernmental	71,827	902,028	-
Charges for service	111,048	600	-
Special assessments	-	-	-
Miscellaneous	569,823	2,617	-
Total receipts	2,909,481	905,448	852,133
Disbursements:			
Operating:			
Public safety	1,892,157	-	-
Public works	365,079	830,712	-
Culture and recreation	835,087	-	-
Community and economic development	-	-	-
General government	878,988	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	3,971,311	830,712	-
Excess (deficiency) of receipts over (under) disbursements	(1,061,830)	74,736	852,133
Other financing sources (uses):			
Payment on refunded notes	-	-	-
Sale of capital assets	-	-	-
Transfers in	1,220,511	79,301	-
Transfers out	(178,363)	(217,106)	(852,133)
Total other financing sources (uses)	1,042,148	(137,805)	(852,133)
Change in cash balances	(19,682)	(63,069)	-
Cash balances beginning of year	1,236,666	810,568	-
Cash balances end of year	\$ 1,216,984	747,499	-
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	-	747,499	-
Urban renewal purposes	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Committed for safety programming and initiatives	400	-	-
Committed for airport operations	204,275	-	-
Unassigned	1,012,309	-	-
Total cash basis fund balances	\$ 1,216,984	747,499	-

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
885,391	-	662,690	3,486,129
-	-	199,133	199,133
-	-	-	852,133
-	-	-	107,068
13,986	46,222	26,258	198,336
28,224	1,216,303	21,680	2,240,062
-	115	448	112,211
-	57,833	-	57,833
-	499,065	115,315	1,186,820
927,601	1,819,538	1,025,524	8,439,725
-	-	18,990	1,911,147
-	-	-	1,195,791
-	-	20,911	855,998
-	-	51,610	51,610
-	-	93,120	972,108
1,236,845	-	26,617	1,263,462
-	2,621,471	4,131	2,625,602
1,236,845	2,621,471	215,379	8,875,718
(309,244)	(801,933)	810,145	(435,993)
(1,730,000)	-	-	(1,730,000)
-	93,870	-	93,870
281,663	685,612	12,399	2,279,486
-	(414,768)	(771,929)	(2,434,299)
(1,448,337)	364,714	(759,530)	(1,790,943)
(1,757,581)	(437,219)	50,615	(2,226,936)
1,761,150	2,314,585	796,360	6,919,329
3,569	1,877,366	846,975	4,692,393
-	-	-	747,499
-	-	109,542	109,542
3,569	-	-	3,569
-	1,877,366	-	1,877,366
-	-	737,433	737,433
-	-	-	400
-	-	-	204,275
-	-	-	1,012,309
3,569	1,877,366	846,975	4,692,393

## City of Washington

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

As of and for the year ended June 30, 2017

**Total governmental funds cash balances (page 21)** \$ 4,692,393

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

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

135,634

**Cash basis net position of governmental activities (page 19)** \$ 4,828,027

**Change in cash balances (page 21)** \$ (2,226,936)

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

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

6,307

**Change in cash basis net position of governmental activities (page 19)** \$ (2,220,629)

See notes to financial statements.



## City of Washington

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

As of and for the year ended June 30, 2017

	Enterprise				Internal Service
	Water	Sewer	Sanitation Nonmajor	Total	Employee Health
Operating receipts:					
Charges for service	\$ 1,600,235	2,119,831	451,439	4,171,505	82,142
Miscellaneous	169,358	2,631	882	172,871	8,176
Total operating receipts	1,769,593	2,122,462	452,321	4,344,376	90,318
Operating disbursements:					
Governmental activities:					
General government	-	-	-	-	84,011
Business type activities	1,200,581	1,058,860	435,449	2,694,890	-
Total operating disbursements	1,200,581	1,058,860	435,449	2,694,890	84,011
Excess of operating receipts over operating disbursements	569,012	1,063,602	16,872	1,649,486	6,307
Non-operating receipts (disbursements):					
Interest on investments	290	249	-	539	-
Revenue capital loan note proceeds	119,029	-	-	119,029	-
Debt service	-	(673,748)	-	(673,748)	-
Capital projects	(1,018,275)	(227,209)	-	(1,245,484)	-
Total non-operating disbursements	(898,956)	(900,708)	-	(1,799,664)	-
Excess (deficiency) of receipts over (under) disbursements	(329,944)	162,894	16,872	(150,178)	6,307
Transfers in	364,678	24,777	-	389,455	-
Transfers out	(174,642)	(60,000)	-	(234,642)	-
Total transfers in (out):	190,036	(35,223)	-	154,813	-
Change in cash balances	(139,908)	127,671	16,872	4,635	6,307
Cash balances beginning of year	1,163,096	887,838	126,557	2,177,491	175,127
Cash balances end of year	\$ 1,023,188	1,015,509	143,429	2,182,126	181,434
<b>Cash Basis Fund Balances</b>					
Restricted for customer deposits	\$ 23,665	-	-	23,665	-
Unrestricted	999,523	1,015,509	143,429	2,158,461	181,434
Total cash basis fund balances	\$ 1,023,188	1,015,509	143,429	2,182,126	181,434

See notes to financial statements.

## City of Washington

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

As of and for the year ended June 30, 2017

**Total enterprise funds cash balances (page 23)** \$ 2,182,126

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

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

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45,800

**Cash basis net position of business type activities (page 19)**

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\$ 2,227,926

**Change in cash balances (page 23)**

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\$ 4,635

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

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

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**Change in cash basis net position of business type activities (page 19)**

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\$ 4,635

See notes to financial statements.

City of Washington

Notes to Financial Statements

June 30, 2017

**(1) Summary of Significant Accounting Policies**

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

A. Reporting Entity

For financial reporting purposes, the City of Washington has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

Blended Component Units

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

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

### Jointly Governed Organizations

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

### B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary funds:

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

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

The City also reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

#### D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the capital projects function prior to the December 20, 2016 amendment and in the public safety and general government functions at the end of the fiscal year.

### (2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$2,188,537 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the investments. The City's investment in the IPAIT is unrated.

At June 30, 2017, the Library Foundation had the following investments:

Investment	Carrying Amount	Fair Value
Washington Free Public Library Foundation:		
Stock	\$ 9,364	9,364
Mutual funds	176,157	176,157
	\$ 185,521	185,521

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Library's investment in a single issue or issuer. Except for Treasury, no more than 5% of the City's portfolio can be invested in securities of a single issuer. No more than 10% of the Library Foundation's portfolio, excluding mutual funds, can be invested in securities of a single issuer.

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

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

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

The following table reflects fair value measurements of investment assets at June 30, 2017 as categorized by level of the fair value hierarchy or NAV:

	Quoted Market Prices for Identical Assets (Level 1)	Net Asset Value	Total
Stock	\$ 9,364	-	9,364
Mutual funds	9,602	166,555	176,157
	<u>\$ 18,966</u>	<u>166,555</u>	<u>185,521</u>

The following table summarizes the Library Foundation's investments at June 30, 2017 for which net asset value was used as a practical expedient to estimate fair value:

Asset Class	Fair Value Determined Using NAV	Unfunded Commitments at June 30, 2017	Redemption Frequency	Redemption Notice Period
Mutual funds	\$ 166,555	-	Daily	N/A

### (3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Capital Loan Note		Revenue Capital Loan Notes		Bank Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 973,606	121,132	24,000	2,107	437,000	463,710	14,781	310	1,449,387	587,259
2019	514,892	108,118	25,000	1,075	451,000	450,600	-	-	990,892	559,793
2020	475,000	99,045	-	-	466,000	437,070	-	-	941,000	536,115
2021	385,000	89,883	-	-	481,000	423,090	-	-	866,000	512,973
2022	290,000	82,308	-	-	496,000	408,660	-	-	786,000	490,968
2023-2027	1,550,000	307,438	-	-	2,735,000	1,810,050	-	-	4,285,000	2,117,488
2028-2032	1,005,000	122,395	-	-	3,209,000	1,372,200	-	-	4,214,000	1,494,595
2033-2037	255,000	14,438	-	-	3,765,000	858,630	-	-	4,020,000	873,068
2038-2042	-	-	-	-	3,417,000	262,170	-	-	3,417,000	262,170
Total	<u>\$ 5,448,498</u>	<u>944,757</u>	<u>49,000</u>	<u>3,182</u>	<u>15,457,000</u>	<u>6,486,180</u>	<u>14,781</u>	<u>310</u>	<u>20,969,279</u>	<u>7,434,429</u>

#### Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay two revenue capital loan notes. The notes were issued in September 2011 and April 2012. Proceeds from the notes provided financing for the construction of sewer system projects and construction of a new waste water treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2042. Annual principal and interest payments on the notes are expected to require 63% of net receipts. The total principal and interest remaining to be paid on the notes is \$21,943,180. For the current year, principal and interest paid and total customer net receipts were \$673,748 and \$1,063,602, respectively.



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

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

#### Water Revenue Capital Loan Anticipation Project Note

In November 2016, the City entered into an interest free water revenue capital loan anticipation note from the Iowa Drinking Water State Revolving Fund Program (DWSRF Program) for up to \$507,000 to pay the costs of engineering and planning for the acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping of the municipal water utility. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of water revenue bonds in an amount sufficient to repay the note. At June 30, 2017, the City had drawn \$119,029 against the anticipation project note. A final repayment schedule has not yet been adopted.

#### Urban Renewal Tax Increment Financing Revenue Notes

In September 2006, the City issued \$280,000 of urban renewal tax increment financing (TIF) revenue notes for the purpose of defraying a portion of the costs of construction and refurbishing projects within the urban renewal area. The notes are payable solely from the TIF receipts generated by increased property values in the City's urban renewal area and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the notes. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the notes is \$52,182, payable through June 2019. For the current year, principal and interest paid and total TIF receipts were \$26,618 and \$199,133, respectively.

#### Bank Loan

The City obtained a bank loan in October 2013 totaling \$57,628 for the purchase of records management software for the Police Department. The loan is through Washington State Bank and has an interest rate of 2.10% per annum. Payments of \$15,091 are due annually through July 2017.

#### **(4) Pension Plan**

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

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

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

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

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

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

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

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

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

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$273,589.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$1,697,194 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was 0.026968%, which was an increase of 0.004190% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$270,851, \$708,282 and \$344,328, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of 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%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 3,193,167	1,697,194	435,149

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](http://www.ipers.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical, prescription drug, dental and vision benefits for employees, retirees and their spouses. There are 46 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$479 for single coverage and \$1,469 for family coverage. For the year ended June 30, 2017, the City contributed \$355,656 and plan members eligible for benefits contributed \$79,759 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation and compensatory time payable to employees at June 30, 2017, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 214,000
Compensatory time	<u>17,000</u>
Total	<u>\$ 231,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 650,533
	Employee Benefits	522,926
	Urban Renewal Tax Increment	12,052
	Capital Projects	35,000
		<u>1,220,511</u>
Special Revenue:		
Road Use Tax	Special Revenue:	
	Employee Benefits	<u>79,301</u>
Housing Rehabilitation	Urban Renewal Tax Increment	<u>12,347</u>
Library Trust	General	<u>52</u>
Debt Service	General	29,000
	Special Revenue:	
	Urban Renewal Tax Increment	2,931
	Capital projects	15,090
	Enterprise:	
	Water	174,642
	Sewer	60,000
		<u>281,663</u>
Capital Projects	General	149,311
	Special Revenue:	
	Road Use Tax	217,106
	Local Option Sales Tax	201,600
	Urban Renewal Tax Increment	87,185
	Cemetery Gift	30,410
		<u>685,612</u>
Enterprise:		
Water	Capital Projects	<u>364,678</u>
	Special Revenue:	
Sewer	Urban Renewal Tax Increment	<u>24,777</u>
		<u>\$ 2,668,941</u>
Total		

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

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$2,168,424 during the year ended June 30, 2017.

**(9) Industrial Development Revenue Bonds**

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

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

**(10) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims of expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2017 were \$141,364.

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 \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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

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

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

**(11) Urban Renewal Development Agreements**

The City has entered into four development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developers in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developers. The total to be paid by the City under the agreements is not to exceed \$830,000, subject to annual appropriation by the City Council. During the year ended June 30, 2017, the City rebated \$33,855 of incremental property tax to developers.

The agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation.

**(12) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers and economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$11,777 of property tax under the urban renewal and economic development projects.



**(13) Operating Leases – Lessor**

The City leases farm land around the airport to individuals. The lease terms are on a year-to-year basis. Rental income for the year ended June 30, 2017 totaled \$18,190.

The City leases hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2017 totaled \$25,247.

**(14) Construction Contracts**

The City has entered into a construction contract for \$372,755 for well 6 improvements. As of June 30, 2017, \$177,011 has been paid on the contract. The remaining \$195,744 will be paid as work on the projects progresses.

**(15) Subsequent Events**

In January 2018, the City authorized the issuance of \$4,378,000 in water revenue capital loan notes, series 2018, for the purpose of construction, reconstruction, extending, remodeling, improving, repairing and equipping of the municipal water utility, including those costs associated with refunding the water revenue capital loan anticipation project note, series 2016.

**(16) New Accounting Pronouncement**

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements which impact the City.

**(17) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

**City of Washington**

## **Other Information**

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

Other Information

Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 3,486,129	-	-
Tax increment financing	199,133	-	-
Other city tax	852,133	-	-
Licenses and permits	107,068	-	-
Use of money and property	198,336	539	25,698
Intergovernmental	2,240,062	-	-
Charges for service	112,211	4,253,647	82,142
Special assessments	57,833	-	-
Miscellaneous	1,186,820	181,047	60,323
Total receipts	8,439,725	4,435,233	168,163
Disbursements:			
Public safety	1,911,147	-	18,990
Public works	1,195,791	-	-
Culture and recreation	855,998	-	5,294
Community and economic development	51,610	-	-
General government	972,108	84,011	84,011
Debt service	1,263,462	-	-
Capital projects	2,625,602	-	-
Business type activities	-	4,614,122	-
Total disbursements	8,875,718	4,698,133	108,295
Excess (deficiency) of receipts over (under) disbursements	(435,993)	(262,900)	59,868
Other financing sources, net	(1,790,943)	273,842	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,226,936)	10,942	59,868
Balances beginning of year	6,919,329	2,352,618	411,273
Balances end of year	\$ 4,692,393	2,363,560	471,141

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
3,486,129	3,409,212	3,409,212	76,917
199,133	194,720	194,720	4,413
852,133	794,082	794,082	58,051
107,068	122,775	122,775	(15,707)
173,177	135,754	135,754	37,423
2,240,062	1,478,402	3,599,956	(1,359,894)
4,283,716	4,931,659	4,931,659	(647,943)
57,833	20,000	56,000	1,833
1,307,544	258,686	441,089	866,455
12,706,795	11,345,290	13,685,247	(978,452)
1,892,157	1,841,167	1,854,010	(38,147)
1,195,791	1,384,759	1,557,113	361,322
850,704	845,273	862,273	11,569
51,610	38,639	221,614	170,004
972,108	881,154	732,179	(239,929)
1,263,462	1,292,235	1,917,966	654,504
2,625,602	1,153,639	3,216,301	590,699
4,614,122	6,589,908	11,502,837	6,888,715
13,465,556	14,026,774	21,864,293	8,398,737
(758,761)	(2,681,484)	(8,179,046)	7,420,285
(1,517,101)	1,849,300	5,588,759	(7,105,860)
(2,275,862)	(832,184)	(2,590,287)	314,425
8,860,674	5,600,967	7,279,612	1,581,062
6,584,812	4,768,783	4,689,325	1,895,487

City of Washington

Notes to Other Information – Budgetary Reporting

June 30, 2017

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and the blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$7,837,519. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the capital projects function prior to the December 20, 2016 amendment and in the public safety and general government functions at the end of the fiscal year.

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City of Washington

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

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

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.026968%	0.022778%	0.020183%
City's proportionate share of the net pension liability	\$ 1,697	1,125	800
City's covered-employee payroll	\$ 2,771	2,620	2,487
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.24%	42.94%	32.17%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

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City of Washington

Schedule of City Contributions

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

Other Information

	2017	2016	2015
Statutorily required contribution	\$ 274	256	245
Contributions in relation to the statutorily required contribution	(274)	(256)	(245)
Contribution deficiency (excess)	\$ -	-	-
City's covered-employee payroll	\$ 2,963	2,771	2,620
Contributions as a percentage of covered-employee payroll	9.25%	9.24%	9.35%

See accompanying independent auditor's report.

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



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2014	2013
232	224
(232)	(224)
-	-
2,487	2,452
9.33%	9.14%

City of Washington

Notes to Other Information – Pension Liability

Year ended June 30, 2017

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 (unfunded actuarial liability) 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.

## **Supplementary Information**

City of Washington

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

As of and for the year ended June 30, 2017

	Employee Benefits	Urban Renewal Tax Increment	Housing Rehabilitation	Special Dog Park
<b>Receipts:</b>				
Property tax	\$ 662,690	-	-	-
Tax increment financing	-	199,133	-	-
Use of money and property	-	-	-	-
Intergovernmental	21,680	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	655
Total receipts	684,370	199,133	-	655
<b>Disbursements:</b>				
Operating:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	33,855	-	-
General government	82,143	-	10,820	157
Debt service	-	26,617	-	-
Capital projects	-	-	-	-
Total disbursements	82,143	60,472	10,820	157
Excess (deficiency) of receipts over (under) disbursements	602,227	138,661	(10,820)	498
<b>Other financing sources (uses):</b>				
Transfers in	-	-	12,347	-
Transfers out	(602,227)	(139,292)	-	-
Total other financing sources (uses):	(602,227)	(139,292)	12,347	-
Change in cash balances	-	(631)	1,527	498
Cash balances beginning of year	-	631	108,015	4,421
Cash balances end of year	\$ -	-	109,542	4,919
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Urban renewal purposes	\$ -	-	109,542	-
Other purposes	-	-	-	4,919
Total cash basis fund balances	\$ -	-	109,542	4,919

See accompanying independent auditor's report.

Revenue							
Tree	Park	Library Trust	Cemetery Gift	Police Forfeiture	Free Public Library Foundation	Volunteer Fire Department	Total
-	-	-	-	-	-	-	662,690
-	-	-	-	-	-	-	199,133
-	52	508	-	-	25,651	47	26,258
-	-	-	-	-	-	-	21,680
-	-	-	-	448	-	-	448
16,382	8,025	37,274	25	807	10,194	41,953	115,315
16,382	8,077	37,782	25	1,255	35,845	42,000	1,025,524
-	-	-	-	-	-	18,990	18,990
-	-	13,588	2,029	-	5,294	-	20,911
17,755	-	-	-	-	-	-	51,610
-	-	-	-	-	-	-	93,120
-	-	-	-	-	-	-	26,617
-	4,131	-	-	-	-	-	4,131
17,755	4,131	13,588	2,029	-	5,294	18,990	215,379
(1,373)	3,946	24,194	(2,004)	1,255	30,551	23,010	810,145
-	-	52	-	-	-	-	12,399
-	-	-	(30,410)	-	-	-	(771,929)
-	-	52	(30,410)	-	-	-	(759,530)
(1,373)	3,946	24,246	(32,414)	1,255	30,551	23,010	50,615
7,459	150,413	245,216	43,572	487	174,692	61,454	796,360
6,086	154,359	269,462	11,158	1,742	205,243	84,464	846,975
-	-	-	-	-	-	-	109,542
6,086	154,359	269,462	11,158	1,742	205,243	84,464	737,433
6,086	154,359	269,462	11,158	1,742	205,243	84,464	846,975

City of Washington  
Schedule of Indebtedness  
Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Capital loan note	Jun 17, 2009	3.20-4.80%	\$ 3,500,000
Capital loan note	Jul 2, 2012	2.35	250,000
Capital loan note	Jul 1, 2013	0.75	250,000
Capital loan note	Jul 1, 2014	0.55-1.80	250,000
Capital loan note	Jul 21, 2015	1.50-3.75	2,335,000
Refunding bonds	Apr 19, 2016	2.00-2.20	1,770,000
Refunding bonds	Apr 19, 2016	2.00-3.00	630,000
Bonds	Apr 19, 2016	0.80-1.40	1,470,000
Total			
Revenue capital loan notes:			
Sewer	Sep 21, 2011	3.00%	\$ 14,393,405
Sewer	Apr 4, 2012	3.00	2,877,730
Total			
Revenue capital loan anticipation project note:			
Water	Nov 18, 2016	0.00%	\$ 119,029
Urban renewal tax increment financing revenue notes			
	Sep 15, 2006	4.30%	\$ 280,000
Bank loan:			
Police records management system	Oct 4, 2013	2.10%	\$ 57,628

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,830,000	-	1,830,000	-	77,070
50,000	-	50,000	-	733
98,714	-	50,000	48,714	740
149,676	-	49,892	99,784	2,245
2,180,000	-	160,000	2,020,000	59,688
1,770,000	-	-	1,770,000	40,055
630,000	-	35,000	595,000	18,606
1,470,000	-	555,000	915,000	16,125
<u>\$ 8,178,390</u>	<u>-</u>	<u>2,729,892</u>	<u>5,448,498</u>	<u>215,262</u>
12,994,000	-	100,000	12,894,000	422,305
2,629,000	-	66,000	2,563,000	85,443
<u>\$ 15,623,000</u>	<u>-</u>	<u>166,000</u>	<u>15,457,000</u>	<u>507,748</u>
-	119,029	-	119,029	-
72,500	-	23,500	49,000	3,118
29,255	-	14,474	14,781	616

City of Washington  
 Bond and Note Maturities  
 June 30, 2017

Year Ending June 30,	General Obligation							
	Capital Loan Note			Capital Loan Note			Capital Loan Note	
	Streets and Airport			Streets			Public Works	
	Issued July 1, 2013			Issued July 1, 2014			Issued July 21, 2015	
	Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount		
2018	0.75%	\$ 48,714	1.50%	\$ 49,892	2.00%	\$ 160,000		
2019		-	1.80	49,892	2.00	165,000		
2020		-		-	2.25	165,000		
2021		-		-	2.25	100,000		
2022		-		-	2.50	100,000		
2023		-		-	2.50	100,000		
2024		-		-	2.75	100,000		
2025		-		-	2.75	100,000		
2026		-		-	2.75	100,000		
2027		-		-	3.00	105,000		
2028		-		-	3.00	105,000		
2029		-		-	3.25	110,000		
2030		-		-	3.25	115,000		
2031		-		-	3.50	120,000		
2032		-		-	3.50	120,000		
2033		-		-	3.75	125,000		
2034		-		-	3.75	130,000		
Total		<u>\$ 48,714</u>		<u>\$ 99,784</u>		<u>\$ 2,020,000</u>		

See accompanying independent auditor's report.



Bonds and Notes									
General Obligation Bonds			General Obligation Bonds			General Obligation Bonds			
Refunding, Series 2016A			Refunding, Series 2016B			Refunding and Public Works			
Issued April 19, 2016			Issued April 19, 2016			Issued April 19, 2016			
Interest Rates	Amount		Interest Rates	Amount		Interest Rates	Amount		Total
2.00%	\$ 120,000		2.00%	\$ 35,000		1.00%	\$ 560,000		973,606
2.00	130,000		2.00	45,000		1.10	125,000		514,892
2.00	135,000		2.50	45,000		1.25	130,000		475,000
2.00	140,000		2.50	45,000		1.40	100,000		385,000
2.00	140,000		2.50	50,000			-		290,000
2.00	150,000		2.75	50,000			-		300,000
2.00	155,000		2.75	50,000			-		305,000
2.00	155,000		2.75	55,000			-		310,000
2.00	160,000		3.00	50,000			-		310,000
2.00	165,000		3.00	55,000			-		325,000
2.10	170,000		3.00	60,000			-		335,000
2.20	150,000		3.00	55,000			-		315,000
	-			-			-		115,000
	-			-			-		120,000
	-			-			-		120,000
	-			-			-		125,000
	-			-			-		130,000
	<u>\$ 1,770,000</u>			<u>\$ 595,000</u>			<u>\$ 915,000</u>		<u>5,448,498</u>

City of Washington  
 Bond and Note Maturities  
 June 30, 2017

Year Ending June 30,	Revenue Capital Loan Notes						Total
	Sewer			Sewer			
	Issued Sept 21, 2011			Issued April 4, 2012			
Interest Rates	Amount		Interest Rates	Amount			
2018	3.00%	\$	369,000	3.00%	\$	68,000	437,000
2019	3.00		381,000	3.00		70,000	451,000
2020	3.00		393,000	3.00		73,000	466,000
2021	3.00		406,000	3.00		75,000	481,000
2022	3.00		419,000	3.00		77,000	496,000
2023	3.00		433,000	3.00		80,000	513,000
2024	3.00		447,000	3.00		82,000	529,000
2025	3.00		461,000	3.00		85,000	546,000
2026	3.00		476,000	3.00		88,000	564,000
2027	3.00		492,000	3.00		91,000	583,000
2028	3.00		508,000	3.00		94,000	602,000
2029	3.00		524,000	3.00		97,000	621,000
2030	3.00		541,000	3.00		100,000	641,000
2031	3.00		559,000	3.00		103,000	662,000
2032	3.00		577,000	3.00		106,000	683,000
2033	3.00		596,000	3.00		110,000	706,000
2034	3.00		615,000	3.00		113,000	728,000
2035	3.00		635,000	3.00		117,000	752,000
2036	3.00		656,000	3.00		121,000	777,000
2037	3.00		677,000	3.00		125,000	802,000
2038	3.00		699,000	3.00		129,000	828,000
2039	3.00		722,000	3.00		133,000	855,000
2040	3.00		745,000	3.00		137,000	882,000
2041	3.00		563,000	3.00		142,000	705,000
2042			-	3.00		147,000	147,000
<b>Total</b>		<b>\$</b>	<b>12,894,000</b>		<b>\$</b>	<b>2,563,000</b>	<b>15,457,000</b>

See accompanying independent auditor's report.

Year Ending June 30,	Urban Renewal Tax Increment Financing Revenue Notes Issued September 15, 2006		Bank Loan Police Records Management System Issued October 4, 2013	
	Interest Rates	Amount	Interest Rates	Amount
	2018	4.30%	\$ 24,000	2.10%
2019	4.30	25,000		-
Total		<u>\$ 49,000</u>		<u>\$ 14,781</u>

City of Washington

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

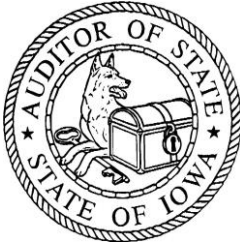
For the Last Ten Years

	2017	2016	2015	2014
<b>Receipts:</b>				
Property tax	\$ 3,486,129	3,300,727	3,267,526	3,209,016
Tax increment financing	199,133	219,550	215,206	149,557
Other city tax	852,133	805,866	825,689	816,399
Licenses and permits	107,068	148,217	58,908	10,696
Use of money and property	198,336	200,909	23,141	33,601
Intergovernmental	2,240,062	1,466,326	2,377,451	903,850
Charges for service	112,211	117,681	131,127	143,559
Special assessments	57,833	27,309	26,758	39,159
Miscellaneous	1,186,820	1,420,750	1,591,193	1,630,055
<b>Total</b>	<b>\$ 8,439,725</b>	<b>7,707,335</b>	<b>8,516,999</b>	<b>6,935,892</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,911,147	1,763,129	1,752,423	1,696,702
Public works	1,195,791	1,270,449	1,517,128	1,285,350
Culture and recreation	855,998	866,038	1,036,518	954,821
Community and economic development	51,610	31,945	15,342	62,752
General government	972,108	935,292	776,462	819,975
Debt service	1,263,462	2,202,276	950,438	888,347
Capital projects	2,625,602	2,770,192	2,535,258	1,572,030
<b>Total</b>	<b>\$ 8,875,718</b>	<b>9,839,321</b>	<b>8,583,569</b>	<b>7,279,977</b>

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
3,071,074	2,855,973	2,629,923	2,533,258	2,405,145	2,350,999
128,147	412,169	311,511	336,447	209,724	104,729
774,672	1,191,364	1,096,587	670,139	612,723	709,116
1,761	102,917	107,011	82,522	130,196	109,264
62,061	133,522	120,811	89,186	140,156	134,280
1,186,036	2,353,434	1,287,291	1,460,773	1,181,813	1,220,791
181,176	196,083	201,540	153,610	616,050	518,170
26,834	14,926	13,580	12,221	7,009	12,559
1,515,118	1,011,369	927,024	1,825,514	2,822,372	704,243
6,946,879	8,271,757	6,695,278	7,163,670	8,125,188	5,864,151
1,660,239	1,635,509	1,644,493	1,604,339	1,822,455	1,503,628
1,073,896	1,418,092	1,191,871	1,076,942	1,009,014	1,544,143
855,510	833,069	932,355	824,578	936,866	913,776
264,215	66,250	66,082	55,364	63,371	98,868
764,518	978,299	946,185	977,718	1,001,763	878,786
1,589,854	1,021,522	1,166,467	1,040,256	949,377	909,786
1,350,909	1,651,932	1,546,539	3,415,095	6,275,982	644,339
7,559,141	7,604,673	7,493,992	8,994,292	12,058,828	6,493,326

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



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

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Auditor of State

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 16, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### The City of Washington's Responses to the Findings

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

### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

January 16, 2018



**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

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

For the City:

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

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

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

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

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

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

Effect – Inadequate segregation of duties could adversely affect the City’s, Foundation’s and Fire Department’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions. The lack of a complete bank to book reconciliation for the Foundation and Fire Department can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

City of Washington

Schedule of Findings

Year ended June 30, 2017

Recommendation – The City, Foundation and Fire Department should review their control activities to obtain the maximum internal control possible under the circumstances. They should utilize current personnel, including elected officials and board members, to provide additional control through review of financial transactions, reconciliations and reports. The Foundation and the Fire Department should prepare monthly bank reconciliations and variances between book and bank balances should be investigated and resolved in a timely manner to improve financial accountability and control. In addition, the reconciliations should be reviewed by an independent person and should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – We will continue to look for opportunities to improve our segregation of duties within the constraint of available resources. City staff will assist the Foundation and Fire Department with implementing bank reconciliation procedures.

Conclusion – Response accepted.

(B) Disaster Recovery Plan

Criteria – A disaster recovery plan should include the following:

- (a) Identification of critical applications.
- (b) Identification of staff responsibilities.
- (c) Identification of steps for recovery of operating systems for City operations.
- (d) Identification of computer equipment needed for temporary processing.
- (e) Identification of business location(s) which could be used to process critical applications in the event of an emergency, including any applicable written agreements for the use of the locations.
- (f) Requirement to keep a copy of the disaster recovery plan off site.
- (g) Requirement to keep system backups current and off site.
- (h) An inventory of all hardware and components (e.g.: make, model numbers, serial numbers, etc.).
- (i) An inventory of all software applications (e.g.: operating system and software applications, release versions and vendor names).
- (j) A requirement to keep copies of all user documentation and policy and procedures manuals off site.
- (k) A requirement to keep extra stocks of paper supplies, such as checks, warrants, purchase orders, etc. off site.
- (l) Requirement outlining the frequency and guidelines for testing the disaster recovery plan to identify issues and document the results of testing.

City of Washington

Schedule of Findings

Year ended June 30, 2017

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

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

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

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

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

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Washington

Schedule of Findings

Year ended June 30, 2017

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the capital projects function prior to the budget amendment. Also, disbursements at June 30, 2017 exceeded the amounts budgeted in the public safety and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – We amended the budget, however we didn’t amend in time. We will continue to monitor this area.

Conclusion – Response accepted.

- (2) Questionable Disbursement – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Thomas Wide, Fire Chief, Owner of Sign Design	Safety shirts and decals for vehicles, business signs	\$ 2,345
Brendan DeLong, City Council Member, employee and son of owner of DeLong Construction	Construction services	2,166,079

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

Recommendation – The City should consult legal counsel to determine the disposition of the transactions with the Fire Chief.

Response – We will continue to monitor transactions involving related parties.

Conclusion – Response accepted.

City of Washington

Schedule of Findings

Year ended June 30, 2017


- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

City of Washington

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager  
Gwen D. Fangman, CPA, Senior Auditor II  
Sidot K. Shipley, Staff Auditor  
Rachel E. Sigmon, Assistant Auditor  
Sarah M. Schwind, Auditor Intern



Andrew E. Nielsen, CPA  
Deputy Auditor of State