

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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE

March 28, 2018

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$38,217,412 for the year ended June 30, 2017, which includes \$3,285,421 in tax credits from the state. The County forwarded \$28,328,530 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,888,882 of the local tax revenue to finance County operations, a 4.1% increase over the prior year. Other revenues included charges for service of \$1,842,381, operating grants, contributions and restricted interest of \$5,345,755, capital grants, contributions and restricted interest of \$1,458,345, local option sales and services tax of \$1,125,920, gaming wager tax of \$426,772, gain on disposition of capital assets of \$63,308, unrestricted investment earnings of \$46,452 and other general revenues of \$170,208.

Expenses for County operations for the year ended June 30, 2017 totaled \$18,710,221, a 4.8% increase over the prior year. Expenses included \$6,811,360 for roads and transportation, \$4,785,879 for public safety and legal services and \$2,195,465 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1710-0092-B00F>.

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**WASHINGTON COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2017**

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**Washington County**

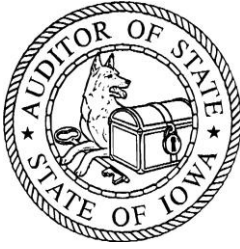
**Officials**

**(Before January 2017)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Seward, Jr.	Board of Supervisors	Jan 2017
Stan Stoops	Board of Supervisors	Jan 2017
Bob Yoder	Board of Supervisors	Jan 2017
Abe Miller	Board of Supervisors	Jan 2019
Richard Young	Board of Supervisors	Jan 2019
Dan Widmer	County Auditor	Jan 2017
Jeffrey A. Garrett	County Treasurer	Jan 2019
Jo Greiner	County Recorder	Jan 2019
Jerry A. Dunbar	County Sheriff	Jan 2017
Shawn Showers	County Attorney	(Resigned Dec 2016)
Christy Tinnes	County Assessor	Jan 2022

**(After January 2017)**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Abe Miller	Board of Supervisors	Jan 2019
Richard Young	Board of Supervisors	Jan 2019
Jack Seward, Jr.	Board of Supervisors	Jan 2021
Stan Stoops	Board of Supervisors	Jan 2021
Bob Yoder	Board of Supervisors	Jan 2021
Dan Widmer	County Auditor	Jan 2021
Jeffrey A. Garrett	County Treasurer	Jan 2019
Jo Greiner	County Recorder	Jan 2019
Jared Schneider	County Sheriff	Jan 2021
John Gish (Appointed Jan 2017)	County Attorney	Nov 2018
Christy Tinnes	County Assessor	Jan 2022



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Independent Auditor's Report

To the Officials of Washington County:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Washington County as of June 30, 2017, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2018 on our consideration of Washington County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 County'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 Washington County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

March 20, 2018

**Washington County**

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

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

### **2017 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 3.3%, or approximately \$655,000, from fiscal year 2016 to fiscal year 2017. Property and other county tax increased approximately \$346,000, charges for service decreased approximately \$304,000 and operating grants, contributions, and restricted interest increased approximately \$664,000.
- Program expenses increased 4.8%, or approximately \$862,000, in fiscal year 2017 from fiscal year 2016.
- The County's net position increased 2.6%, or approximately \$1,658,000, from June 30, 2016 to June 30, 2017.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

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

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

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Washington County's combined net position increased approximately \$1,658,000 from a year ago, increasing from approximately \$63,870,000 to approximately \$65,528,000. The analysis that follows focuses on the change in the net position of governmental activities.

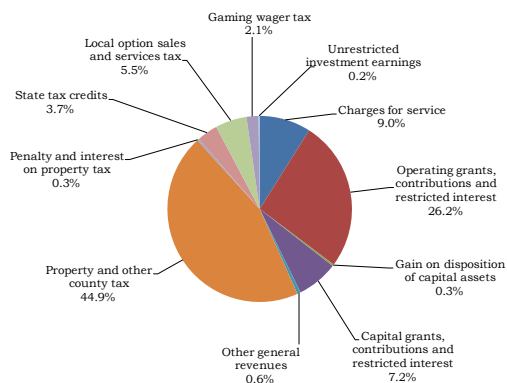
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2017	2016
Current and other assets	\$ 35,240	35,633
Capital assets	65,101	64,340
Total assets	100,341	99,973
Deferred outflows of resources	1,773	786
Long-term liabilities	928	739
Other liabilities	25,525	26,207
Total liabilities	26,453	26,946
Deferred inflows of resources	10,134	9,943
Net position:		
Net investment in capital assets	58,941	57,056
Restricted	5,677	6,005
Unrestricted	910	809
Total net position	<u>\$ 65,528</u>	<u>63,870</u>

Net position of Washington County's governmental activities increased 2.6% (approximately \$65.5 million compared to approximately \$63.8 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net position invested in capital assets increased approximately \$1,885,000. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position decreased approximately \$328,000, or 5.5%, from June 30, 2016 to June 30, 2017. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from approximately \$809,000 at June 30, 2016 to approximately \$910,000 at the end of this year, an increase of 12.5%.

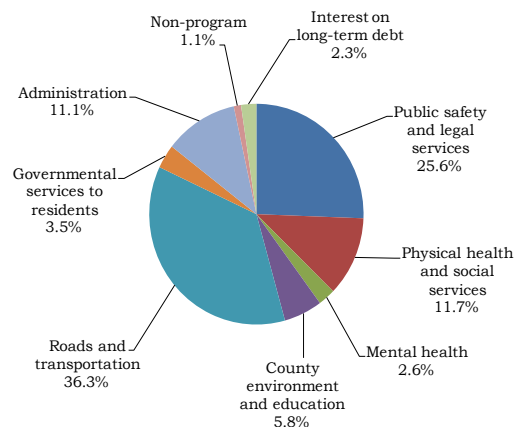
**Changes in Net Position of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2017	2016
Program revenues:		
Charges for service	\$ 1,842	2,146
Operating grants, contributions and restricted interest	5,346	4,682
Capital grants, contributions and restricted interest	1,458	1,440
General revenues:		
Property and other county tax	9,136	8,790
Penalty and interest on property tax	53	53
State tax credits	753	708
Local option sales and services tax	1,126	1,189
Gaming wager tax	427	426
Unrestricted investment earnings	47	37
Gain on disposition of capital assets	63	123
Other general revenues	117	119
<b>Total revenues</b>	<b>20,368</b>	<b>19,713</b>
Public safety and legal services	4,786	4,286
Physical health and social services	2,195	2,143
Mental health	490	625
County environment and education	1,089	1,308
Roads and transportation	6,811	6,444
Governmental services to residents	647	623
Administration	2,070	1,840
Non-program	200	244
Interest on long-term debt	422	335
<b>Total expenses</b>	<b>18,710</b>	<b>17,848</b>
Change in net position	1,658	1,865
Net position beginning of year	63,870	62,005
Net position end of year	<b>\$ 65,528</b>	<b>63,870</b>

**Revenues by Source**



**Expenses by Program**



Revenues for governmental activities increased approximately \$655,000 over the prior year. State tax credits increased approximately \$45,000, or 6.4%, over the prior year. Operating grants, contributions and restricted interest increased approximately \$664,000, or 14.2%, over the prior year, primarily due to the County receiving more road use tax this year than during the prior year.

For fiscal year 2017, taxable property valuation increased approximately \$81,618,000 and the tax levy rate decreased \$0.42322 per \$1,000 of taxable valuation. Therefore, property tax revenue increased approximately \$346,000. The total Washington County assessed taxable property valuation for property tax payable in fiscal year 2018 increased approximately \$25,137,000. The tax levy rate is set to decrease \$0.37232 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$575,000 next year.

The cost of all governmental activities this year was approximately \$18.7 million compared to approximately \$17.8 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities this year was approximately \$10.1 million because some of the cost was paid by those directly benefiting from the programs (approximately \$1.8 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$6.8 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2017 from approximately \$8,268,000 to approximately \$8,646,000, principally due to the County receiving more road use tax.

#### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Washington County completed the year, its governmental funds reported a combined fund balance of approximately \$22.7 million, a decrease of approximately \$1.2 million from last year's total fund balance of approximately \$23.9 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance increased approximately \$40,000 over the prior year to approximately \$4,116,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$489,000, a decrease of approximately \$142,000 from the prior year. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$275,000 from the prior year to approximately \$652,000.
- The Special Revenue, Rural Services Fund revenue and expenditures remained consistent when compared to the prior year. The ending fund balance decreased approximately \$146,000 over the prior year to approximately \$648,000.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$643,000 while expenditures remained consistent when compared to the prior year. Revenues increased as a result of increased road use tax. The Secondary Roads Fund ending fund balance increased approximately \$249,000, or 10%, over the prior year to approximately \$2,695,000.
- During the year, the County issued of \$3,525,000 of general obligation bonds to refinance the Washington County Road Improvement Bonds. The Debt Service Fund ended the year with a fund balance of approximately \$13,984,000 compared to the prior year fund balance of approximately \$14,915,000. The fund balance is large because the related debt for the Washington County Hospital of \$13,940,000 is not recorded as a fund liability under the modified accrual basis of accounting.
- Capital Projects Fund revenues decreased approximately \$100,000 from the prior year. Expenditures increased approximately \$135,000 over prior year. The ending fund balance decreased approximately \$131,000 from the prior year to approximately \$330,000.

## Budgetary Highlights

Over the course of the year, Washington County amended its budget two times. The amendment in November 2016 resulted in an increase in budget receipts and disbursements related to pipeline reimbursements. The amendment in May 2017 resulted in an increase budget receipts and disbursements related to the issuance of refunding bonds.

The County's receipts were \$491,019 more than budgeted, a variance of 2.6%. The most significant variance resulted from the County receiving more intergovernmental receipts and other county tax than anticipated.

Total disbursements were \$3,488,626 less than the amended budget. Actual disbursements for capital projects, roads and transportation, and public safety were \$897,359, \$838,576, and \$586,130, respectively, less than budgeted. This was primarily due to timing delays on projects, a light winter resulted in decreased roads operations and less disbursements than anticipated for the jail and sheriff operations.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2017, Washington County had approximately \$65.1 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges, computers and audio-visual equipment, transportation equipment and administrative offices. This is a net increase of approximately \$761,000 over June 30, 2016.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2017	2016
Land	\$ 726	726
Intangibles, road network	3,061	3,061
Construction in progress	592	323
Buildings	6,915	7,059
Improvements other than buildings	104	110
Equipment and vehicles	4,136	3,942
Intangibles	67	73
Infrastructure	49,500	49,046
Total	\$ 65,101	64,340

The County's fiscal year 2017 budget included \$1,963,890 for capital projects, principally for Secondary Roads construction projects, of which \$897,359 was unspent. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Washington County had depreciation/amortization expense of \$2,292,637 in fiscal year 2017 and total accumulated depreciation/amortization of \$28,216,378 at June 30, 2017.



## Long-Term Debt

At June 30, 2017, Washington County had \$20,085,000 of general obligation bonds outstanding compared to \$22,170,000 of long-term debt outstanding at the end of fiscal year 2016.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2017	2016
General obligation bonds	\$ 20,085	17,785
General obligation county road improvement bonds	-	4,385
Total	\$ 20,085	22,170

Debt decreased as a result of making scheduled principal payments.

The County carries a general obligation bond rating of Aa3 assigned by national rating agencies. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Washington County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$102,000,000. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

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

Washington County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Washington County's unemployment rate has not changed this past year. Unemployment in the County stands at 2.9%, compared with the State's unemployment rate of 3.2% and the national rate of 4.5% for the same period ended June 30, 2017.

These indicators were taken into account when adopting the budget for fiscal year 2018. Amounts available for appropriation in the operating budget are approximately \$20,017,000, a 3.9% increase over the final fiscal year 2017 budget. Budgeted disbursements decreased approximately \$4,015,000 from the final fiscal year 2017 budget, primarily in the debt service function. The County has added no major new programs or initiatives to the fiscal year 2018 budget. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,245,000 by the close of fiscal year 2018.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

**Washington County**

## **Basic Financial Statements**

Washington County  
Statement of Net Position  
June 30, 2017

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 10,266,296
Receivables:	
Property tax:	
Delinquent	15,942
Succeeding year	9,924,000
Interest and penalty on property tax	500
Accounts	134,576
Accrued interest	3,619
Loan to Washington County Hospital	13,940,000
Due from other governments	625,123
Inventories	233,565
Prepaid expense	97,007
Capital assets, net of accumulated depreciation/amortization	65,100,721
<b>Total assets</b>	<b>100,341,349</b>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	1,773,320
<b>Liabilities</b>	
Accounts payable	661,172
Accrued interest payable	38,686
Salaries and benefits payable	203,006
Due to other governments	24,704
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	2,075,000
Compensated absences	304,872
Portion due or payable after one year:	
General obligation bonds	18,010,000
Compensated absences	81,717
Net pension liability	4,842,456
Net OPEB liability	211,000
<b>Total liabilities</b>	<b>26,452,613</b>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	9,924,000
Pension related deferred inflows	209,768
<b>Total deferred inflows of resources</b>	<b>10,133,768</b>
<b>Net Position</b>	
Net investment in capital assets	58,941,240
Restricted for:	
Supplemental levy purposes	1,234,138
Mental health purposes	644,454
Rural services purposes	648,942
Secondary roads purposes	2,556,358
Capital projects	330,160
Debt service	21,004
Other purposes	242,046
Unrestricted	909,946
<b>Total net position</b>	<b>\$ 65,528,288</b>

See notes to financial statements.

Washington County  
Statement of Activities  
Year ended June 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 4,785,879	579,405	111,476	-	(4,094,998)
Physical health and social services	2,195,465	282,065	911,243	-	(1,002,157)
Mental health	489,683	452	36,465	-	(452,766)
County environment and education	1,088,653	68,979	26,473	39,095	(954,106)
Roads and transportation	6,811,360	161,868	3,895,594	1,419,250	(1,334,648)
Governmental services to residents	647,569	429,582	3,835	-	(214,152)
Administration	2,070,006	76,230	40,000	-	(1,953,776)
Non-program	199,808	243,800	17,786	-	61,778
Interest on long-term debt	421,798	-	302,883	-	(118,915)
<b>Total</b>	<b>\$ 18,710,221</b>	<b>1,842,381</b>	<b>5,345,755</b>	<b>1,458,345</b>	<b>(10,063,740)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					8,385,078
Debt service					750,443
Penalty and interest on property tax					52,786
State tax credits					753,361
Local option sales and services tax					1,125,920
Gaming wager tax					426,772
Unrestricted investment earnings					46,452
Gain on disposition of capital assets					63,308
Miscellaneous					117,422
<b>Total general revenues</b>					<b>11,721,542</b>
Change in net position					1,657,802
Net position beginning of year					63,870,486
Net position end of year					<b>\$ 65,528,288</b>
See notes to financial statements.					

Washington County

Balance Sheet  
Governmental Funds

June 30, 2017

	General	Special	
		Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 4,107,504	706,010	556,962
Receivables:			
Property tax:			
Delinquent	13,495	355	478
Succeeding year	6,638,000	272,000	2,241,000
Interest and penalty on property tax	500	-	-
Accounts	86,394	-	-
Accrued interest	3,322	-	-
Loan	-	-	-
Due from other funds	-	-	-
Due from other governments	144,182	6,906	97,913
Inventories	-	-	-
Prepaid expenditures	97,007	-	-
<b>Total assets</b>	<b>\$ 11,090,404</b>	<b>985,271</b>	<b>2,896,353</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 152,438	51,090	3,019
Salaries and benefits payable	151,056	2,443	3,392
Due to other funds	4,425	-	-
Due to other governments	15,478	7,120	-
Total liabilities	<u>323,397</u>	<u>60,653</u>	<u>6,411</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	6,638,000	272,000	2,241,000
Other	13,235	350	478
Total deferred inflows of resources	<u>6,651,235</u>	<u>272,350</u>	<u>2,241,478</u>
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	97,007	-	-
Restricted for:			
Supplemental levy purposes	1,267,812	-	-
Mental health purposes	-	652,268	-
Rural services purposes	-	-	645,779
Secondary roads purposes	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Resource enhancement and protection	-	-	-
Other purposes	-	-	-
Assigned for future projects	430,000	-	2,685
Unassigned	2,320,953	-	-
Total fund balances	<u>4,115,772</u>	<u>652,268</u>	<u>648,464</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,090,404</b>	<b>985,271</b>	<b>2,896,353</b>

See notes to financial statements.

<u>Revenue</u>				
<u>Secondary</u>	<u>Debt</u>	<u>Capital</u>		
<u>Roads</u>	<u>Service</u>	<u>Projects</u>	<u>Nonmajor</u>	<u>Total</u>
2,342,638	43,595	298,713	238,825	8,294,247
-	1,614	-	-	15,942
-	773,000	-	-	9,924,000
-	-	-	-	500
9,819	-	36,978	91	133,282
-	-	-	-	3,322
-	13,940,000	-	-	13,940,000
4,425	-	-	-	4,425
372,992	-	-	3,130	625,123
233,565	-	-	-	233,565
-	-	-	-	97,007
<u>2,963,439</u>	<u>14,758,209</u>	<u>335,691</u>	<u>242,046</u>	<u>33,271,413</u>
220,205	-	5,531	-	432,283
46,115	-	-	-	203,006
-	-	-	-	4,425
2,106	-	-	-	24,704
<u>268,426</u>	<u>-</u>	<u>5,531</u>	<u>-</u>	<u>664,418</u>
-	773,000	-	-	9,924,000
-	1,581	-	-	15,644
-	<u>774,581</u>	-	-	<u>9,939,644</u>
233,565	-	-	-	233,565
-	-	-	-	97,007
-	-	-	-	1,267,812
-	-	-	-	652,268
-	-	-	-	645,779
2,461,448	-	-	-	2,461,448
-	13,983,628	-	-	13,983,628
-	-	330,160	-	330,160
-	-	-	119,784	119,784
-	-	-	122,262	122,262
-	-	-	-	432,685
-	-	-	-	2,320,953
<u>2,695,013</u>	<u>13,983,628</u>	<u>330,160</u>	<u>242,046</u>	<u>22,667,351</u>
<u>2,963,439</u>	<u>14,758,209</u>	<u>335,691</u>	<u>242,046</u>	<u>33,271,413</u>

**Washington County**



Washington County

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

June 30, 2017

**Total governmental fund balances (page 21)** \$ 22,667,351

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$93,317,099 and the accumulated depreciation/amortization is \$28,216,378. 65,100,721

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 15,644

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and flexible benefits plan to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position. 1,744,751

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

Deferred outflows of resources	\$ 1,773,320	
Deferred inflows of resources	<u>(209,768)</u>	1,563,552

Long-term liabilities, including general obligation bonds payable, compensated absences payable, net pension liability, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (25,563,731)

**Net position of governmental activities (page 18)** \$ 65,528,288

See notes to financial statements.

Washington County

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

Year ended June 30, 2017

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 6,605,260	161,642	2,031,843	-
Local option sales and services tax	-	-	1,125,920	-
Interest and penalty on property tax	52,786	-	-	-
Intergovernmental	2,009,728	51,065	112,976	4,046,079
Licenses and permits	66,421	-	-	24,086
Charges for service	721,472	452	1,830	1,023
Use of money and property	46,452	-	-	-
Miscellaneous	199,278	-	-	139,990
<b>Total revenues</b>	<b>9,701,397</b>	<b>213,159</b>	<b>3,272,569</b>	<b>4,211,178</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	4,258,533	-	301,986	-
Physical health and social services	2,190,791	-	-	-
Mental health	-	488,587	-	-
County environment and education	558,237	-	427,373	-
Roads and transportation	-	-	278,313	5,389,727
Governmental services to residents	630,531	-	3,016	-
Administration	1,745,629	-	-	-
Non-program	114,670	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	700,157
<b>Total expenditures</b>	<b>9,498,391</b>	<b>488,587</b>	<b>1,010,688</b>	<b>6,089,884</b>
Excess (deficiency) of revenues over (under) expenditures	203,006	(275,428)	2,261,881	(1,878,706)
<b>Other financing sources (uses):</b>				
Transfers in	28,296	-	-	2,127,410
Transfers out	(191,380)	-	(2,407,430)	-
General obligation refunding bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(163,084)</b>	<b>-</b>	<b>(2,407,430)</b>	<b>2,127,410</b>
Change in fund balances	39,922	(275,428)	(145,549)	248,704
Fund balances beginning of year	4,075,850	927,696	794,013	2,446,309
Fund balances end of year	\$ 4,115,772	652,268	648,464	2,695,013

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
748,954	-	-	9,547,699
-	-	-	1,125,920
-	-	-	52,786
67,760	39,096	18,685	6,345,389
-	-	-	90,507
-	58,823	4,856	788,456
5,228	117,950	768	170,398
297,655	10,705	12,004	659,632
1,119,597	226,574	36,313	18,780,787
-	-	-	4,560,519
-	-	-	2,190,791
-	-	-	488,587
-	-	-	985,610
-	-	-	5,668,040
-	-	2,480	636,027
-	-	-	1,745,629
-	-	-	114,670
6,077,520	-	-	6,077,520
-	418,397	-	1,118,554
6,077,520	418,397	2,480	23,585,947
(4,957,923)	(191,823)	33,833	(4,805,160)
471,400	45,324	-	2,672,430
-	-	(73,620)	(2,672,430)
3,509,920	15,080	-	3,525,000
45,281	-	-	45,281
4,026,601	60,404	(73,620)	3,570,281
(931,322)	(131,419)	(39,787)	(1,234,879)
14,914,950	461,579	281,833	23,902,230
13,983,628	330,160	242,046	22,667,351

**Washington County**

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

Year ended June 30, 2017

**Change in fund balances - Total governmental funds (page 25)** \$ (1,234,879)

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

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

Expenditures for capital assets	\$ 1,666,920	
Capital assets contributed by the Iowa Department of Transportation	1,322,676	
Depreciation/amortization expense	<u>(2,292,637)</u>	696,959

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 63,308

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds. (42,548)

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

Issued	(3,525,000)	
Repaid	<u>5,610,000</u>	2,085,000

The current year County IPERS contributions are reported as expenditures in the governmental funds, but is reported as deferred outflows of resources in the Statement of Net Position. 643,634

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

Compensated absences	(13,979)	
Other postemployment benefits	(22,800)	
Pension expense	(651,020)	
Interest on long-term debt	<u>441</u>	(687,358)

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and flexible benefits plan to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities. 133,686

**Change in net position of governmental activities (page 19)** \$ 1,657,802

See notes to financial statements.

Washington County  
Statement of Net Position  
Proprietary Funds  
June 30, 2017

	<u>Internal Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,972,049
Receivables:	
Accounts	1,294
Accrued interest	<u>297</u>
<b>Total assets</b>	1,973,640
<b>Liabilities</b>	
Accounts payable	<u>228,889</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 1,744,751</u>

See notes to financial statements.

Washington County

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

Year ended June 30, 2017

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,238,604
Reimbursements from employees and others		30,345
Reimbursements from Agency Funds		120,487
Stop loss reimbursements		26,174
Contributions for flexible benefits		<u>30,435</u>
Total operating revenues		1,446,045
Operating expenses:		
Medical claims	\$ 961,123	
Administrative fees	329,135	
Flexible benefits claims	<u>31,025</u>	<u>1,321,283</u>
Operating income		124,762
Non-operating revenues:		
Interest income		<u>8,924</u>
Net income		133,686
Net position beginning of year		<u>1,611,065</u>
Net position end of year		<u>\$ 1,744,751</u>

See notes to financial statements.

**Exhibit I**

Washington County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2017

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,240,858
Cash received from employees and others	85,660
Cash received from Agency Funds	120,487
Cash paid to suppliers for services	<u>(1,259,471)</u>
Net cash provided by operating activities	187,534
Cash flows from investing activities:	
Interest on investments	<u>8,852</u>
Increase in cash and cash equivalents	196,386
Cash and cash equivalents beginning of year	<u>1,775,663</u>
Cash and cash equivalents end of year	<u>\$ 1,972,049</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 124,762
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	960
Increase in accounts payable	<u>61,812</u>
Net cash provided by operating activities	<u>\$ 187,534</u>

See notes to financial statements.



Washington County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2017

**Assets**

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 2,332,841
Other County officials	126,734
Receivables:	
Property tax:	
Delinquent	70,668
Succeeding year	26,822,000
Accounts	20,783
Special assessments	203,981
Due from other governments	87,272
<b>Total assets</b>	<b>29,664,279</b>

**Liabilities**

Liabilities:	
Accounts payable	220,062
Salaries and benefits payable	24,519
Due to other governments	29,317,392
Trust payable	62,206
Compensated absences	40,100
<b>Total liabilities</b>	<b>29,664,279</b>

<b>Net position</b>	<b>\$ -</b>
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See notes to financial statements.

**Washington County**

Washington County

Notes to Financial Statements

June 30, 2017

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

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

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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



Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and unrecognized items not yet credited to pension expense.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

**(2) Cash, Cash Equivalents and Pooled Investments**

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

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$2,405,063 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

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

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary roads	General	<u>\$ 4,425</u>

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

**(4) Interfund Transfers**

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Delinquent Fines	<u>\$ 28,296</u>
Special Revenue:		
Secondary Roads	General	190,980
	Special Revenue:	
	Rural Services	<u>1,936,430</u>
		<u>2,127,410</u>
Capital Projects	Special Revenue:	
	Resource Enhancement and Protection	<u>45,324</u>
Debt Service	General	400
	Special Revenue:	
	Rural Services	<u>471,000</u>
		<u>471,400</u>
		<u>\$ 2,672,430</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 726,024	-	-	726,024
Intangibles, road network	3,060,717	-	-	3,060,717
Construction in progress	323,169	2,004,029	(1,735,140)	592,058
Total capital assets not being depreciated/amortized	4,109,910	2,004,029	(1,735,140)	4,378,799
Capital assets being depreciated/amortized:				
Buildings	11,799,960	80,097	-	11,880,057
Improvements other than buildings	147,008	-	-	147,008
Equipment and vehicles	10,288,488	1,033,927	(730,962)	10,591,453
Intangibles	90,620	-	-	90,620
Infrastructure	64,494,022	1,735,140	-	66,229,162
Total capital assets being depreciated/amortized	86,820,098	2,849,164	(730,962)	88,938,300
Less accumulated depreciation/amortization for:				
Buildings	4,740,644	224,363	-	4,965,007
Improvements other than buildings	36,712	6,368	-	43,080
Equipment and vehicles	6,346,098	774,758	(665,813)	6,455,043
Intangibles	18,124	6,042	-	24,166
Infrastructure	15,447,976	1,281,106	-	16,729,082
Total accumulated depreciation/amortization	26,589,554	2,292,637	(665,813)	28,216,378
Total capital assets being depreciated/amortized, net	60,230,544	556,527	(65,149)	60,721,922
Governmental activities capital assets, net	\$ 64,340,454	2,560,556	(1,800,289)	65,100,721

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 278,741
Physical health and social services	9,669
County environment and education	70,054
Roads and transportation	1,817,474
Governmental services to residents	7,168
Administration	109,531
Total depreciation/amortization expense - governmental activities	\$ 2,292,637

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2017 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 15,478
Special Revenue:		
Mental Health	Services	7,120
Secondary Roads	Services	2,106
		<u>9,226</u>
Total for governmental funds		<u>\$ 24,704</u>
Agency:		
County Offices	Collections	\$ 64,528
Agricultural Extension Education		233,661
County Assessor		724,715
Schools		16,611,001
Community Colleges		1,279,894
Corporations		6,961,816
Townships		421,368
Public Safety Commission		195,341
Auto License and Use Tax		593,266
All other		2,231,802
Total for agency funds		<u>\$ 29,317,392</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	<u>General Obligation Bonds</u>	<u>General Obligation County Road Improvement Bonds</u>	<u>Compensated Absences</u>	<u>Net Pension Liability</u>	<u>Other Post- Employment Benefits</u>	<u>Total</u>
Balance beginning of year	\$ 17,785,000	4,385,000	372,610	3,475,665	188,200	26,206,475
Increases	3,525,000	-	442,502	1,366,791	37,300	5,371,593
Decreases	<u>1,225,000</u>	<u>4,385,000</u>	<u>428,523</u>	-	<u>14,500</u>	<u>6,053,023</u>
Balance end of year	<u>\$ 20,085,000</u>	-	<u>386,589</u>	<u>4,842,456</u>	<u>211,000</u>	<u>25,525,045</u>
Due within one year	<u>\$ 2,075,000</u>	-	<u>304,872</u>	-	-	<u>2,379,872</u>

General Obligation Bonds

A summary of the County's June 30, 2017 general obligation bonded indebtedness is as follows:

Series 2012A Refunding Bonds Issued February 15, 2012				Series 2015 Hospital Issued December 1, 2015			
Year Ending June 30,	Interest Rates	Principal	Interest	Year Ending June 30,	Interest Rates	Principal	Interest
2018	2.00%	\$ 270,000	57,028	2018	0.00%	\$ -	239,390
2019	2.00	275,000	51,628	2019	0.00	-	239,390
2020	2.00	280,000	46,128	2020	0.00	-	239,390
2021	2.00	285,000	40,528	2021	0.00	-	239,390
2022	2.00	290,000	34,827	2022	1.75	990,000	239,390
2023-2026	2.15-2.60	1,220,000	75,687	2023-2027	2.00-2.55	5,410,000	883,992
		<u>\$ 2,620,000</u>	<u>305,826</u>	2028-2030	2.65-2.85	<u>3,575,000</u>	<u>200,928</u>
						<u>\$ 9,975,000</u>	<u>2,281,870</u>

Series 2016 Hospital Issued January 20, 2016				Series 2017A Refunding Issued March 7, 2017			
Year Ending June 30,	Interest Rates	Principal	Interest	Year Ending June 30,	Interest Rates	Principal	Interest
2018	1.000%	\$ 965,000	51,065	2018	2.00%	\$ 840,000	94,073
2019	1.200	975,000	41,415	2019	2.00	875,000	58,450
2020	1.375	990,000	29,715	2020	2.00-3.00	895,000	40,850
2021	1.550	1,005,000	16,102	2021	2.00-3.00	915,000	18,350
2022	1.750	30,000	525	Total		<u>\$ 3,525,000</u>	<u>211,723</u>
		<u>\$ 3,965,000</u>	<u>138,822</u>				

General Obligation Bonds Total			
Year Ending June 30,	Principal	Interest	Total
2018	\$ 2,075,000	441,556	2,516,556
2019	2,125,000	390,883	2,515,883
2020	2,165,000	356,083	2,521,083
2021	2,205,000	314,370	2,519,370
2022	1,310,000	274,742	1,584,742
2023-2027	6,630,000	959,679	7,589,679
2028-2031	3,575,000	200,928	3,775,928
	<u>\$ 20,085,000</u>	<u>2,938,241</u>	<u>23,023,241</u>

During the year ended June 30, 2017, the County retired \$1,225,000 of general obligation bonds and refunded \$4,385,000 of general obligation county road improvement bonds.

General Obligation Hospital Bonds

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

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

The County loaned the proceeds of both general obligation hospital bonds issued during fiscal year 2016 to Washington County Hospital. Under the loan agreement, Washington County Hospital is to make payments to the County equal to the payments the County is required to make on the general obligation bonds. The payments received from Washington County Hospital are credited to the Debt Service Fund.

### General Obligation Refunding Bonds

On March 7, 2017, the County issued \$3,525,000 of general obligation refunding bonds with an interest rate of 2.00 – 3.00% per annum. The bonds were issued as a current refunding to retire the outstanding balance of \$4,385,000 of general obligation county road improvement bonds issued November 1, 2007. The County reduced its total debt service payments over the next four fiscal years by \$37,001 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$32,020.

#### **(8) Washington County Hospital Loan Receivable**

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

#### **(9) Pension Plan**

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

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

The formula used to calculate a sheriff's, deputy's or protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.63% of covered payroll, for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2017 totaled \$643,634.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of \$4,842,456 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 County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the County's proportion was 0.076946%, which was an increase of 0.006595% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$651,020. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,804	114,905
Changes of assumptions	66,987	26,846
Net difference between projected and actual earnings on IPERS' investments	958,322	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	65,573	68,017
County contributions subsequent to the measurement date	643,634	-
Total	<u>\$ 1,773,320</u>	<u>209,768</u>

\$643,634 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2018	\$ 76,710
2019	76,710
2020	479,595
2021	288,142
2022	(1,239)
Total	<u>\$ 919,918</u>

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:

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 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 County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 8,832,829	4,842,456	1,478,608

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).

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2017.

**(10) Other Postemployment Benefits (OPEB)**

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

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

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 36,900
Interest on net OPEB obligation	7,600
Adjustment to annual required contributions	<u>(7,200)</u>
Annual OPEB cost	37,300
Contribution made	<u>(14,500)</u>
Increase in net OPEB obligation	22,800
Net OPEB obligation beginning of year	<u>188,200</u>
Net OPEB obligation end of year	<u>\$ 211,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the County contributed \$14,500 to the medical plan. Plan members eligible for benefits contributed \$18,400, or 55.9% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 36,957	26.0%	\$ 161,539
2016	37,200	28.3	188,200
2017	37,300	38.9	211,000

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was approximately \$284,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$284,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,112,000 and the ratio of UAAL to covered payroll was 4.0%. As of June 30, 2017, there were no trust fund assets.

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

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

As of the July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 8.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

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

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

**(11) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 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 expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2017 were \$177,680.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2017, no liability has been recorded in the County's financial statements. As of June 30, 2017, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

**(12) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2017 was \$1,238,604.

Amounts payable from the Employee Group Health Fund at June 30, 2017 total \$228,889, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$1,730,170 at June 30, 2017 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 167,077
Incurred claims (including claims incurred but not reported at June 30, 2016)	1,290,258
Payments	<u>(1,228,446)</u>
Unpaid claims end of year	<u>\$ 228,889</u>

**(13) 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.

**Tax Abatements of Other Entities**

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

<b>Entity</b>	<b>Tax Abatement Program</b>	<b>Amount of Tax Abated</b>
City of Kalona	Urban renewal and economic development projects	\$ 12,238
City of Washington	Urban renewal and economic development projects	5,932
City of Wellman	Urban renewal and economic development projects	1,189

**(14) Jointly Governed Organization**

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

The following financial data is for the year ended June 30, 2017:

Additions:		
Contributions from governmental units:		
Washington County	\$ 301,221	
City of Washington	248,191	
Other cities	185,097	\$ 734,509
Reimbursement from Joint E-911 Service Board		25,000
Miscellaneous		7,337
Total additions		766,846
Deductions:		
Salaries	435,648	
Benefits	144,742	
Office supplies and postage	2,748	
Uniforms	38	
Travel	9,931	
Telephone and fax services	11,831	
Training	994	
Tort liability insurance	4,672	
Professional services	41,127	
Equipment maintenance	13,843	
Radio equipment maintenance	2,937	
Utilities	16,036	
Miscellaneous	2,009	686,556
Net		80,290
Balance beginning of year		163,757
Balance end of year		<u>\$ 244,047</u>

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

Southwest Iowa Link Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Henry County, Jefferson County, Keokuk County, Lee County, Louisa County, Van Buren County and Washington County. The financial activity of Washington County's Special Revenue, Mental Health Fund is included in the Washington County Mental Health region for the year ended June 30, 2017, as follows:

Revenues:		
Property and other county tax		\$ 161,642
Intergovernmental:		
State tax credits	\$ 14,599	
Other	36,466	51,065
Charges for service		452
Total revenues		<u>213,159</u>
Expenditures:		
Services to persons with:		
Mental illness	367,193	
Intellectual disabilities	140	367,333
General administration:		
Direct administration		121,254
Total expenditures		<u>488,587</u>
Excess of expenditures over revenues		(275,428)
Fund balance beginning of year		<u>927,696</u>
Fund balance end of year		<u>\$ 652,268</u>

**(16) Subsequent Event**

On January 30, 2018 the Board of Supervisors authorized not to exceed \$10,500,000 of general obligation emergency services communication bonds, Series 2018 for the acquisition of emergency services communication equipment.

**(17) Related Party**

The County had related party transactions totaling \$177,802 with officials of Washington County Ambulance, Inc.

**(18) New Accounting Pronouncement**

The County 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 tax abatements of other entities which impact the County.

**(19) 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. In addition, the Statement of Net Position is expected to include a significant liability for the County's other postemployment benefits.



**Required Supplementary Information**

**Washington County**

Washington County

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

Required Supplementary Information

Year ended June 30, 2017

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
<b>Receipts:</b>				
Property and other county tax	\$ 10,770,876	10,514,694	10,514,694	256,182
Interest and penalty on property tax	52,786	50,280	50,280	2,506
Intergovernmental	6,275,015	6,007,487	6,048,002	227,013
Licenses and permits	88,242	54,050	54,050	34,192
Charges for service	796,884	730,065	730,065	66,819
Use of money and property	158,842	157,137	157,137	1,705
Miscellaneous	1,598,407	1,590,505	1,695,805	(97,398)
<b>Total receipts</b>	<b>19,741,052</b>	<b>19,104,218</b>	<b>19,250,033</b>	<b>491,019</b>
<b>Disbursements:</b>				
Public safety and legal services	4,409,571	4,975,701	4,995,701	586,130
Physical health and social services	2,207,036	2,362,902	2,364,967	157,931
Mental health	464,864	772,450	772,450	307,586
County environment and education	1,094,159	1,101,794	1,129,848	35,689
Roads and transportation	5,673,535	6,337,111	6,512,111	838,576
Governmental services to residents	631,665	782,899	782,899	151,234
Administration	1,744,753	2,234,785	2,249,785	505,032
Non-program	127,481	20,000	135,035	7,554
Debt service	6,077,520	2,528,655	6,079,055	1,535
Capital projects	1,066,531	1,498,790	1,963,890	897,359
<b>Total disbursements</b>	<b>23,497,115</b>	<b>22,615,087</b>	<b>26,985,741</b>	<b>3,488,626</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,756,063)	(3,510,869)	(7,735,708)	3,979,645
Other financing sources, net	3,662,065	10,412	3,580,693	81,372
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(93,998)	(3,500,457)	(4,155,015)	4,061,017
Balance beginning of year	8,388,245	6,775,650	8,387,328	917
Balance end of year	\$ 8,294,247	3,275,193	4,232,313	4,061,934

See accompanying independent auditor's report.

**Washington County**

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Washington County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2017

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
			<u>Basis</u>
Revenues	\$ 19,741,052	(960,265)	18,780,787
Expenditures	23,497,115	88,832	23,585,947
Net	(3,756,063)	(1,049,097)	(4,805,160)
Other financing sources (uses), net	3,662,065	(91,784)	3,570,281
Beginning fund balances	8,388,245	15,513,985	23,902,230
Ending fund balances	<u>\$ 8,294,247</u>	<u>14,373,104</u>	<u>22,667,351</u>

See accompanying independent auditor's report.

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2017

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$4,370,654. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2017, disbursements did not exceed the amounts budgeted.

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Washington County

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

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

Required Supplementary Information

	2017	2016	2015
County's proportion of the net pension liability	0.076946%	0.070351%	0.067259%
County's proportionate share of the net pension liability	\$ 4,842	3,476	2,667
County's covered-employee payroll	\$ 6,924	6,511	6,363
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.93%	53.39%	41.91%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

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Washington County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 644	636	600	585
Contributions in relation to the statutorily required contribution	<u>(644)</u>	<u>(636)</u>	<u>(600)</u>	<u>(585)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 7,038	6,924	6,511	6,363
Contributions as a percentage of covered-employee payroll	9.15%	9.19%	9.22%	9.20%

See accompanying independent auditor's report.



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2013	2012	2011	2010	2009	2008
561	525	465	429	379	337
(561)	(525)	(465)	(429)	(379)	(337)
-	-	-	-	-	-
6,218	6,151	6,165	6,068	5,605	5,300
9.02%	8.54%	7.54%	7.07%	6.76%	6.36%

Washington County

Notes to Required Supplementary 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.

Washington County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 205	205	0.0%	\$ 5,892	3.1%
2010	Jul 1, 2008	-	205	205	0.0	6,172	3.3
2011	Jul 1, 2008	-	205	205	0.0	6,261	3.3
2012	Jul 1, 2011	-	247	247	0.0	6,263	3.3
2013	Jul 1, 2011	-	247	247	0.0	6,295	3.9
2014	Jul 1, 2011	-	247	247	0.0	6,432	3.8
2015	Jul 1, 2014	-	284	284	0.0	6,562	4.3
2016	Jul 1, 2014	-	284	284	0.0	6,990	4.1
2017	Jul 1, 2014	-	284	284	0.0	7,112	4.0

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

See accompanying independent auditor's report.

**Washington County**

## **Supplementary Information**

Washington County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2017

				Special
	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement County Attorney	
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 38,730	119,784		2,699
Accounts receivable	-	-		91
Due from other governments	462	-		90
<b>Total assets</b>	<b>\$ 39,192</b>	<b>119,784</b>		<b>2,880</b>
<b>Liabilities and Fund Balances</b>				
Fund balances:				
Restricted for:				
Resource enhancement and protection	-	119,784		-
Other purposes	39,192	-		2,880
Total fund balances	39,192	119,784		2,880
<b>Total liabilities and fund balances</b>	<b>\$ 39,192</b>	<b>119,784</b>		<b>2,880</b>

See accompanying independent auditor's report.

Revenue				
Law Enforcement County Sheriff	Supplemental Environmental Projects	Delinquent Fines		Total
44,516	1,569	31,527		238,825
-	-	-		91
1,710	-	868		3,130
<u>46,226</u>	<u>1,569</u>	<u>32,395</u>		<u>242,046</u>
-	-	-		119,784
<u>46,226</u>	<u>1,569</u>	<u>32,395</u>		<u>122,262</u>
<u>46,226</u>	<u>1,569</u>	<u>32,395</u>		<u>242,046</u>
<u>46,226</u>	<u>1,569</u>	<u>32,395</u>		<u>242,046</u>

Washington County

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

Year ended June 30, 2017

	County Recorder's Records Management	Resource Enhancement and Protection	Special Law Enforcement County Attorney
Revenues:			
Intergovernmental	\$ -	16,698	-
Charges for service	4,856	-	-
Use of money and property	153	609	-
Miscellaneous	-	-	237
Total revenues	5,009	17,307	237
Expenditures:			
Operating:			
Governmental services to residents	2,480	-	-
Total expenditures	2,480	-	-
Excess (deficiency) of revenues over(under) expenditures	2,529	17,307	237
Other financing (uses):			
Transfers out	-	(45,324)	-
Change in fund balances	2,529	(28,017)	237
Fund balances beginning of year	36,663	147,801	2,643
Fund balances end of year	\$ 39,192	119,784	2,880

See accompanying independent auditor's report.



Revenue				
Law Enforcement County Sheriff	Supplemental Environmental Projects	Delinquent Fines		Total
1,987	-	-		18,685
-	-	-		4,856
-	6	-		768
4,214	-	7,553		12,004
6,201	6	7,553		36,313
-	-	-		2,480
-	-	-		2,480
6,201	6	7,553		33,833
-	-	(28,296)		(73,620)
6,201	6	(20,743)		(39,787)
40,025	1,563	53,138		281,833
46,226	1,569	32,395		242,046

**Schedule 3**

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Washington County  
Combining Schedule of Net Position  
Internal Service Funds

June 30, 2017

	Employee Group Health	Flexible Benefits	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,958,762	13,287	1,972,049
Receivables:			
Accounts	-	1,294	1,294
Accrued interest	297	-	297
<b>Total assets</b>	<u>1,959,059</u>	<u>14,581</u>	<u>1,973,640</u>
<b>Liabilities</b>			
Accounts payable	<u>228,889</u>	-	<u>228,889</u>
<b>Net Position</b>			
Unrestricted	<u>\$ 1,730,170</u>	<u>14,581</u>	<u>1,744,751</u>

See accompanying independent auditor's report.

## Washington County

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

Year ended June 30, 2017

	Employee Group Health	Flexible Benefits	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,238,604	-	1,238,604
Reimbursements from employees and others	30,345	-	30,345
Reimbursements from agency funds	120,487	-	120,487
Stop loss reimbursements	26,174	-	26,174
Contributions for flexible benefits	-	30,435	30,435
Total operating revenues	1,415,610	30,435	1,446,045
Operating expenses:			
Medical claims	961,123	-	961,123
Administrative fees	329,135	-	329,135
Flexible benefits claims	-	31,025	31,025
Total operating expenses	1,290,258	31,025	1,321,283
Operating income (loss)	125,352	(590)	124,762
Non-operating revenues:			
Interest income	8,924	-	8,924
Net income (loss)	134,276	(590)	133,686
Net position beginning of year	1,595,894	15,171	1,611,065
Net position end of year	\$ 1,730,170	14,581	1,744,751

See accompanying independent auditor's report.

**Washington County**

Washington County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2017

	Employee Group Health	Flexible Benefits	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 1,240,858	-	1,240,858
Cash received from employees and others	56,519	29,141	85,660
Cash received from agency funds	120,487	-	120,487
Cash paid to suppliers for services	<u>(1,228,446)</u>	<u>(31,025)</u>	<u>(1,259,471)</u>
Net cash provided (used) by operating activities	189,418	(1,884)	187,534
Cash flows from investing activities:			
Interest on investments	8,852	-	8,852
Net increase in cash and cash equivalents	198,270	(1,884)	196,386
Cash and cash equivalents beginning of year	1,760,492	15,171	1,775,663
Cash and cash equivalents end of year	<u>\$ 1,958,762</u>	<u>13,287</u>	<u>1,972,049</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)			
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Increase) decrease in accounts receivable	2,254	(1,294)	960
Increase in accounts payable	<u>61,812</u>	<u>-</u>	<u>61,812</u>
Net cash provided (used) by operating activities	<u>\$ 189,418</u>	<u>(1,884)</u>	<u>187,534</u>

See accompanying independent auditor's report.

Washington County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,184	458,235	158,821	11,394
Other County officials	126,734	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	477	1,051	35,180	2,500
Succeeding year	-	231,000	463,000	16,417,000	1,266,000
Accounts	-	-	86	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 126,734</b>	<b>233,661</b>	<b>922,372</b>	<b>16,611,001</b>	<b>1,279,894</b>
<b>Liabilities</b>					
Liabilities:					
Accounts payable	\$ -	-	182,753	-	-
Salaries and benefits payable	-	-	7,586	-	-
Due to other governments	64,528	233,661	724,715	16,611,001	1,279,894
Trusts payable	62,206	-	-	-	-
Compensated absences	-	-	7,318	-	-
<b>Total liabilities</b>	<b>\$ 126,734</b>	<b>233,661</b>	<b>922,372</b>	<b>16,611,001</b>	<b>1,279,894</b>

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
51,784	4,263	244,047	593,266	808,847	2,332,841
-	-	-	-	-	126,734
29,032	105	-	-	2,323	70,668
6,881,000	417,000	-	-	1,147,000	26,822,000
-	-	-	-	20,697	20,783
-	-	-	-	203,981	203,981
-	-	-	-	87,272	87,272
<u>6,961,816</u>	<u>421,368</u>	<u>244,047</u>	<u>593,266</u>	<u>2,270,120</u>	<u>29,664,279</u>
-	-	4,299	-	33,010	220,062
-	-	11,625	-	5,308	24,519
6,961,816	421,368	195,341	593,266	2,231,802	29,317,392
-	-	-	-	-	62,206
-	-	32,782	-	-	40,100
<u>6,961,816</u>	<u>421,368</u>	<u>244,047</u>	<u>593,266</u>	<u>2,270,120</u>	<u>29,664,279</u>

Washington County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 107,955	228,108	861,486	16,400,727	1,195,355
Additions:					
Property and other county tax	-	223,665	447,276	15,905,496	1,228,162
E-911 surcharge	-	-	-	-	-
State tax credits	-	19,709	43,470	1,434,680	103,691
Office fees and collections	580,598	-	-	-	-
Auto licenses, use tax, postage and drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	180,249	-	-	-	-
Miscellaneous	17	-	325	-	-
Total additions	760,864	243,374	491,071	17,340,176	1,331,853
Deductions:					
Agency remittances:					
To other funds	319,755	-	-	-	-
To other governments	263,546	237,821	430,185	17,129,902	1,247,314
Trusts paid out	158,784	-	-	-	-
Total deductions	742,085	237,821	430,185	17,129,902	1,247,314
Balances end of year	\$ 126,734	233,661	922,372	16,611,001	1,279,894

See accompanying independent auditor's report.



Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
6,361,190	412,714	163,757	545,728	2,020,653	28,297,673
6,465,734	413,763	-	-	1,112,374	25,796,470
-	-	-	-	246,126	246,126
810,161	22,376	-	-	97,973	2,532,060
-	-	-	-	289,975	870,573
-	-	-	7,202,568	-	7,202,568
-	-	-	-	207,537	207,537
-	-	-	-	-	180,249
-	-	766,846	-	143,202	910,390
7,275,895	436,139	766,846	7,202,568	2,097,187	37,945,973
-	-	-	241,594	-	561,349
6,675,269	427,485	686,556	6,913,436	1,847,720	35,859,234
-	-	-	-	-	158,784
6,675,269	427,485	686,556	7,155,030	1,847,720	36,579,367
6,961,816	421,368	244,047	593,266	2,270,120	29,664,279

Washington County

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

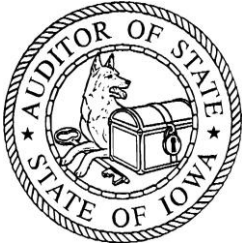
For the Last Ten Years

				Modified
	2017	2016	2015	2014
<b>Revenues:</b>				
Property and other county tax	\$ 9,547,699	9,214,425	8,993,354	9,092,267
Tax increment financing	-	-	910,267	1,746,821
Local option sales tax	1,125,920	1,189,149	1,129,426	1,114,808
Interest and penalty on property tax	52,786	53,397	53,820	70,802
Intergovernmental	6,345,389	5,823,552	6,101,263	5,935,796
Licenses and permits	90,507	83,653	73,462	87,100
Charges for service	788,456	842,784	783,054	737,985
Use of money and property	170,398	158,570	190,767	139,590
Miscellaneous	659,632	557,909	365,425	514,918
Total	<u>\$ 18,780,787</u>	<u>17,923,439</u>	<u>18,600,838</u>	<u>19,440,087</u>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 4,560,519	4,280,381	4,317,598	4,011,223
Physical health and social services	2,190,791	2,179,693	2,222,115	2,242,800
Mental health	488,587	630,463	310,473	324,392
County environment and education	985,610	1,053,243	954,300	926,078
Roads and transportation	5,668,040	5,979,548	5,065,801	5,006,326
Governmental services to residents	636,027	637,042	609,740	599,112
Administration	1,745,629	1,757,456	1,679,024	1,661,955
Non-program	114,670	46,374	51,812	88,683
Debt service	6,077,520	1,391,979	5,156,992	3,117,343
Capital projects	1,118,554	534,651	543,450	2,981,114
Total	<u>\$ 23,585,947</u>	<u>18,490,830</u>	<u>20,911,305</u>	<u>20,959,026</u>

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
9,658,584	9,197,085	8,129,183	7,795,295	7,474,768	7,227,078
1,807,197	1,785,917	1,790,775	1,795,275	1,712,008	311,699
969,263	1,084,809	968,286	872,690	907,821	945,907
72,171	74,276	76,322	79,213	72,916	68,492
6,094,416	6,833,101	6,690,934	7,101,605	6,721,217	6,694,683
71,390	70,128	61,438	54,308	51,350	48,946
788,891	758,402	714,553	704,331	718,783	688,056
148,447	135,668	151,486	175,085	206,634	424,237
856,268	704,465	623,606	358,210	444,509	382,126
20,466,627	20,643,851	19,206,583	18,936,012	18,310,006	16,791,224
4,106,744	3,776,403	3,752,408	3,777,719	3,671,315	3,447,365
2,517,575	2,461,339	2,412,125	2,382,538	2,316,409	2,183,902
435,068	2,301,318	1,733,162	1,633,941	1,642,744	1,793,564
1,247,107	1,043,520	886,227	796,374	733,200	637,552
4,651,989	4,242,814	4,729,678	4,660,891	4,141,415	4,521,177
600,254	595,946	599,233	594,919	587,746	559,917
1,695,303	1,581,466	1,576,049	1,572,228	1,523,319	1,354,082
59,227	54,498	57,065	46,241	62,187	56,424
3,417,027	2,971,717	2,288,019	2,297,777	2,061,861	905,179
2,677,266	5,340,817	1,801,336	254,840	2,392,295	2,323,948
21,407,560	24,369,838	19,835,302	18,017,468	19,132,491	17,783,110

**Washington County**



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Officials of Washington County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 20, 2018.

Internal Control Over Financial Reporting

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

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters 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 County'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 County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### Washington County's Responses to the Findings

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

### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

March 20, 2018

Washington County  
 Schedule of Findings  
 Year ended June 30, 2017

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

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

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

Washington County

Schedule of Findings

Year ended June 30, 2017

- |  |              |
|--|--------------|
| (4) Daily cash reconciliations prepared in the Recorder's office are not reviewed and approved by an independent person for propriety.   | Recorder     |
| (5) All individuals in the Treasurer's Office have the ability to void receipts in the Eden system, including individuals who perform daily balancing. No report is maintained or review performed over voided receipts. | Treasurer    |
| All individuals in the Recorder's Office have the ability to void receipts, including individuals who perform daily balancing. No report is maintained or review performed over voided receipts.                         | Recorder     |
| (6) Journal entries are not reviewed and approved.   | Auditor      |
| (7) All Ag Extension council members are authorized to sign checks.  | Ag Extension |

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

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

Responses –

County Recorder – Duties are segregated as much as limited employees allow. Cross checking provides control over errors.

County Treasurer – We will have two people collect payments from the drop box. We will contact Tyler to see what can be obtained for void reports.

County Conservation – The Conservation office has limited staff in the office at various times. We will continue to do our best to maximize controls of these items.

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



Washington County

Schedule of Findings

Year ended June 30, 2017

Public Health Nurse – The agency has a limited amount of staff with knowledge or experience related to financial functions. A process for an independent review of monthly reconciliations was implemented March 2017.

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

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

Ag Extension – Incoming mail will be opened by someone other than person who makes accounting entries. As evidenced by the Extension’s “Internal Control Log”, duties are shared. The Internal Control Log was developed by Iowa State University Extension and Outreach as an internal control to document segregation of duties to be used during audit. A review of the receipt book will be required of Extension Council as a cross check with verification noted. Council members will be informed of suggestions and decisions made based on the needs of the Extension Office.

Conclusion – Responses accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County’s financial statements.

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

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

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

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

Response

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

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

Conclusion – Responses accepted.

Washington County

Schedule of Findings

Year ended June 30, 2017

(C) Capital Assets

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

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

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

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

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

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

Conclusion – Response accepted.

(D) Computer Systems

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

Condition – The County does not have written policies for:

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

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

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

Washington County

Schedule of Findings

Year ended June 30, 2017

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

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

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

Conclusion – Response accepted.

(E) Credit Cards

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

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

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

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

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

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

Conclusion – Response accepted.

(F) Restrictive Endorsements

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

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

Washington County

Schedule of Findings

Year ended June 30, 2017

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

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

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

Responses –

Engineer's Office – We now have an endorsement stamp which we have been using and placing on all incoming checks upon receipt.

Conservation Department – We now have an endorsement stamp that we have been using and placing on all incoming checks upon receipt.

Conclusion – Responses accepted.

(G) Recorder Change Fund

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

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

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

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

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

Response – Will investigate where this change fund should/could come from.

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

(H) Public Safety Commission Meal Allowance

Criteria – An effective internal control system provides for internal controls related to ensuring disbursements are properly and adequately supported and reviewed. The Commission has a policy providing employees a \$6 meal allowance while working a shift due to not being able to leave the radios and take a meal break. Employees are allowed to charge meals at various approved restaurants or grocery stores, and receipts must be retained. The Commission verifies the accuracy and adequacy of the documentation and approves the disbursement.

Washington County

Schedule of Findings

Year ended June 30, 2017

Condition – Although itemized store receipts were provided, supporting documentation is not available with the receipt to determine compliance with their policy. In addition, some receipts tested exceeded the \$6 allowance.

Cause – Procedures have not been established to ensure meal disbursements were incurred during dates the employees worked and did not exceed \$6.

Effect – Lack of procedures resulted in employees not detecting errors in the normal course of performing their assigned functions.

Recommendation – The Commission should ensure supporting documentation is provided with the receipt to determine compliance with the Commission’s policy.

Response – We will include sufficient information with supporting documentation to ensure compliance with our policy.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Washington County  
 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 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

Paid to	Purpose	Amount
Walmart	Staff Christmas party	\$ 40
Walmart	Staff Christmas lunch	27
Walmart	Staff retreat	59
Dollar General	Staff meeting	31

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response – In the future, the County will document the public purpose before authorizing any further payments.

Conclusion – Response accepted.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Richard Young, Board of Supervisors president of Washington County Ambulance, Inc.	Ambulance	\$177,802

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

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

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

Conclusion – Response acknowledged. The County should obtain legal advice in writing.

Washington County

Schedule of Findings

Year ended June 30, 2017

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2017 for the County Extension Office did not exceed the amount budgeted.

- (10) Tax Increment Financing – The County Auditor prepared a reconciliation of tax increment financing revenue (TIF) remitted with the amount of debt certified for the year ended June 30, 2017. However, reconciliations for each TIF district have not been prepared since December 2016.

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

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

Conclusion – Response accepted.

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

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

Responses –

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

Washington County

Schedule of Findings

Year ended June 30, 2017

County Recorder – We have images of both front and back since February 2017.

County Extension Office – Based on recommendations from the FY16 audit, Washington County Extension requested bank statements include image of front and back of checks. Statements from February 2017 and forward include both sides.

Public Health Nurse – As of the date of this report, the bank has confirmed parameters are set to provide an image of the front and back of each cancelled check with the bank statement.

Conclusion – Responses accepted.

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

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

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

Conclusion – Response accepted.

- (13) Taxable Fringe Benefits – Certain County expenditures for clothing considered adaptable to general usage as ordinary clothing were not included in wages of employees in accordance with Internal Revenue Service (IRS) Guidelines.

Recommendation – The County should properly include taxable fringe benefits in reported employee wages in accordance with IRS guidelines.

Response – We will develop procedures for including clothing expenditures in wages of employees.

Conclusion – Response accepted.



Washington County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Selina V. Johnson CPA, Senior Auditor II  
Robert Quinn Barrett, Staff Auditor  
Sidot K. Shipley, Staff Auditor  
Kristin R. Finke, Assistant Auditor  
Erin K. Howland, Assistant Auditor  
Nicholas A. Kruse, Assistant Auditor  
Edward J. Schroder, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State