



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

June 18, 2021

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on Washington County, Iowa.

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$25,774,210 for the year ended June 30, 2020, a less than 1.0% increase over the prior year. Expenses for County operations for the year ended June 30, 2020 totaled \$22,795,607, a 10.8% increase over the prior year. The significant increase in the expenses is due primarily to a construction of a communication center and related equipment.

AUDIT FINDINGS:

Sand reported eleven findings related to the receipt and expenditure of taxpayer funds. They are found on pages 84 through 91 of this report. The findings address issues such as lack of segregation of duties, lack of independent review to ensure the accurate reporting of capital assets and lack of policies and procedures over computer systems. Sand provided the County with recommendations to address each of these findings.

Eight of the eleven findings discussed above are repeated from the prior year. The County Board of Supervisors and other County officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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WASHINGTON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2020

Washington County



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Telephone (515) 281-5834 Facsimile (515) 281-6518

June 3, 2021

Officials of Washington County
Washington, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Washington County for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Washington County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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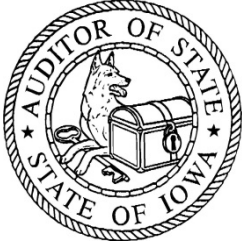
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Washington County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Seward, Jr.	Board of Supervisors	Jan 2021
Stan Stoops	Board of Supervisors	Jan 2021
Bob Yoder	Board of Supervisors	Jan 2021
Abe Miller	Board of Supervisors	Jan 2023
Richard Young	Board of Supervisors	Jan 2023
Dan Widmer	County Auditor	Jan 2021
Jeffrey A. Garrett	County Treasurer	Jan 2023
Jo Greiner	County Recorder	Jan 2023
Jared Schneider	County Sheriff	Jan 2021
John Gish	County Attorney	Jan 2023
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, 2020, 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, 2020, 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 Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 56 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.

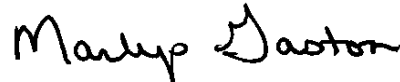
Supplementary Information

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, 2019 (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 June 3, 2021 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

June 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Washington County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased less than 1.0%, or approximately \$20,000, from fiscal year 2019 to fiscal year 2020. Property and other county tax increased approximately \$1,137,000, charges for service decreased approximately \$260,000, operating grants, contributions, and restricted interest increased approximately \$587,000 and capital grants, contributions and restricted interest decreased approximately \$2,523,000.
- Program expenses of the County's governmental activities were 10.8%, or approximately \$2,221,000, more in fiscal year 2020 than in fiscal year 2019. Public safety and legal services, interest on long-term debt and roads and transportation expenses increased approximately \$1,974,000, \$255,000 and \$150,000, respectively.
- The County's net position increased 4.0%, or approximately \$2,979,000, over the June 30, 2019 balance.

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 Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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, 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 from approximately \$73.6 million to approximately \$76.6 million. 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,	
	2020	2019
Current and other assets	\$ 41,123	38,295
Capital assets	77,250	71,241
Total assets	118,373	109,536
Deferred outflows of resources	1,731	1,863
Long-term liabilities	28,353	24,090
Other liabilities	1,747	858
Total liabilities	30,100	24,948
Deferred inflows of resources	13,382	12,808
Net position:		
Net investment in capital assets	69,273	66,572
Restricted	6,413	5,666
Unrestricted	936	1,405
Total net position	\$ 76,622	73,643

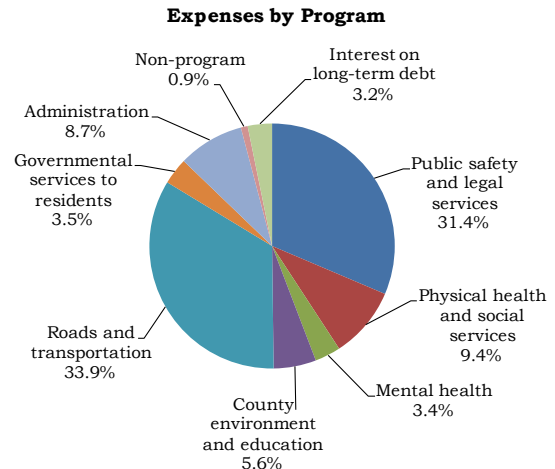
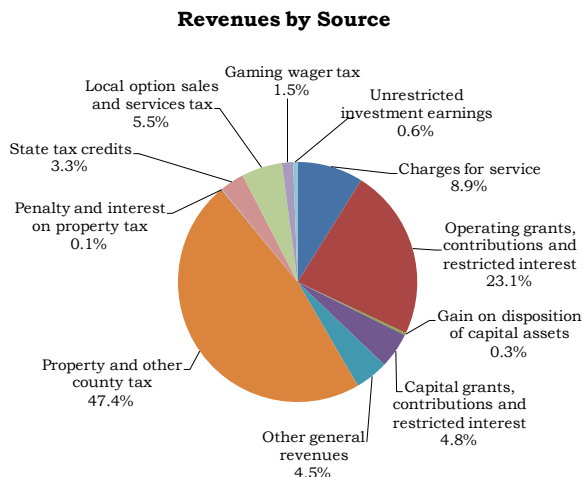
Net position of Washington County's governmental activities increased 4.0% (approximately \$76.6 million compared to approximately \$73.6 million).

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 \$2,701,000, or 4.1%, over the prior year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased approximately \$747,000, or 13.2%, from June 30, 2019 to June 30, 2020, primarily due to increased amounts available for restriction in the Special Revenue, Secondary Roads Fund and the Capital Projects Fund.

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, decreased from approximately \$1,405,000 at June 30, 2019 to approximately \$936,000 at the end of this year, a decrease of 33.4%, primarily due to the transfer from the General Fund to the Capital Projects Fund to fund construction projects of \$604,000.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2020	2019
Program revenues:		
Charges for service	\$ 2,306	2,566
Operating grants, contributions and restricted interest	5,956	5,369
Capital grants, contributions and restricted interest	1,215	3,738
General revenues:		
Property and other county tax	12,226	11,089
Penalty and interest on property tax	36	57
State tax credits	854	831
Local option sales and services tax	1,409	1,260
Gaming wager tax	384	450
Unrestricted investment earnings	142	181
Gain on disposition of capital assets	85	35
Other general revenues	1,162	179
Total revenues	25,775	25,755
Public safety and legal services	7,153	5,179
Physical health and social services	2,133	2,096
Mental health	767	825
County environment and education	1,276	1,351
Roads and transportation	7,724	7,574
Governmental services to residents	809	727
Administration	1,990	2,149
Non-program	215	200
Interest on long-term debt	729	474
Total expenses	22,796	20,575
Change in net position	2,979	5,180
Net position beginning of year	73,643	68,463
Net position end of year	\$ 76,622	73,643



Revenues for governmental activities increased approximately \$20,000 over the prior year. Property tax revenues increased approximately \$1,137,000 over the prior year primarily due to an increase in the general supplemental tax rates. Capital grants, contributions and restricted interest decreased approximately \$2,523,000 from the prior year primarily due to a decrease in infrastructure assets contributed by the Iowa Department of Transportation.

For fiscal year 2020, taxable property valuation increased approximately \$63,019,000 and the tax levy rate increased \$0.21079 per \$1,000 of taxable valuation. Therefore, property and other County tax revenue increased approximately \$1,122,000. The total Washington County assessed taxable property valuation for property tax payable in fiscal year 2021 increased approximately \$24,413,000. The tax levy rate is set to decrease \$0.22840 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$90,000 next year.

The cost of all governmental activities this year was approximately \$22.8 million compared to approximately \$20.6 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities this year was approximately \$13.3 million because some of the cost was paid by those directly benefiting from the programs (approximately \$2.3 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$7.2 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2020 from approximately \$11,673,000 to approximately \$9,477,000, principally due to an increase in property taxes and premiums on bond sales.

INDIVIDUAL MAJOR FUND ANALYSIS

As Washington County completed the year, its governmental funds reported a combined fund balance of approximately \$25.5 million, an increase of approximately \$2.0 million over last year's total fund balance of approximately \$23.5 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund revenues increased 12.6% when compared to the prior year due principally to an increase in property tax revenues. Expenditures increased 16.9% over the prior year primarily due to contributions to the Emergency Management Association which increased \$914,305. The ending fund balance increased approximately \$163,000 over the prior year to approximately \$5,152,000.
- The Special Revenue, Mental Health Fund balance at year end decreased approximately \$162,000 from the prior year to approximately \$39,000, due primarily to decrease in property tax levy during the year. For the year, expenditures totaled approximately \$759,000, a decrease of approximately \$66,000 from the prior year.
- The Special Revenue, Rural Services Fund revenues and expenditures decreased 2.0% and 33.2%, respectively, when compared to the prior year. The decrease in expenditures was a change in the funding of the law enforcement communications from Rural Service Fund to the General Fund. The ending fund balance increased approximately \$158,000 over the prior year to approximately \$724,000.
- Special Revenue, Secondary Roads Fund expenditures increased approximately \$1,460,000 over the prior year, due principally to an increase in roadway construction projects. The Secondary Roads Fund ending fund balance increased approximately \$331,000, or 10.8%, over the prior year to approximately \$3,399,000.

- The Debt Service Fund ended the year with a fund balance of approximately \$11,226,000 compared to the prior year fund balance of approximately \$12,109,000. The fund balance is large because the County has recorded a \$11,010,000 loan receivable for debt issued for the Washington County Hospital, however, the debt is not recorded as a fund liability under the modified accrual basis of accounting.
- Capital Projects Fund revenues decreased approximately \$287,000 from the prior year due to state reimbursements for a trail paving project received in the prior year. Expenditures increased approximately \$4,288,000 over the prior year, due primarily to a 911 communication building construction and related equipment project during the year. The ending fund balance increased approximately \$2,357,000 over the prior year to approximately \$4,693,000 due to unspent bond proceeds.

Budgetary Highlights

Over the course of the year, Washington County amended its budget three times. The first amendment was approved in February 2020 resulted in an increase in budgeted receipts and disbursements related to conservation center displays, installation of County security systems, sheriff vehicles and secondary road construction projects. The second amendment was approved in March 2020 was related to refinancing of County bonds and purchase of ambulance department. The third amendment in May 2020 resulted in an increase in budgeted receipts and disbursements related to road construction.

The County's receipts were \$410,288 more than budgeted, a variance of 1.7%.

Total disbursements were \$5,769,800 less than the amended budget. Actual disbursements for capital projects, roads and transportation, and public safety and legal services were \$3,006,038, \$786,472 and \$777,920, respectively, less than budgeted. This was primarily due to timing delays in projects, decreased roads operations and less jail administration disbursements than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, Washington County had approximately \$77.5 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 (including additions and deletions) of approximately \$6,009,000, or 8.4% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2020	2019
Land	\$ 776	776
Intangibles, road network	3,061	3,061
Construction in progress	9,838	3,469
Buildings	6,242	6,467
Improvements other than buildings	85	91
Equipment and vehicles	4,586	4,093
Intangibles	49	54
Infrastructure	52,613	53,230
Total	<u>\$ 77,250</u>	<u>71,241</u>

The County's fiscal year 2020 budget included \$9,917,045 for capital projects, principally for a communication building construction project, of which \$4,288,876 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 \$2,611,806 in fiscal year 2020 and total accumulated depreciation/amortization of \$34,302,401 at June 30, 2020.

Long-Term Debt

At June 30, 2020, Washington County had \$23,075,000 of general obligation bonds outstanding compared to \$18,710,000 of long-term debt outstanding at the end of fiscal year 2019. Debt increased due to the issuance of \$6,990,000 of general obligation bonds to fund communication equipment purchases and the construction of a facility to house the County emergency communications and operations center. The County also issued \$1,665,000 of general obligation refunding bonds to refund the County's 2012 general obligation bonds.

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 \$112,700,000. 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 2021 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County stands at 5.2%, compared with the State's unemployment rate of 8.0% and the national rate of 11.1% for the same period ended June 30, 2020.

These indicators were taken into account when adopting the budget for fiscal year 2021. Amounts available for appropriation in the operating budget are approximately \$34,896,000, a less than 1.0% decrease from the final fiscal year 2020 budget. Budgeted disbursements decreased approximately \$6,460,000 from the final fiscal year 2020 budget, primarily in the capital projects function. The County has added construction of a new communication building during fiscal year 2020. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$5,602,000 by the close of fiscal year 2021 primarily due to no long term debt planned to be issued.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Washington County
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 16,444,179
Receivables:	
Property tax:	
Delinquent	226,845
Succeeding year	12,185,000
Interest and penalty on property tax	15,949
Accounts	149,725
Accrued interest	8,013
Loan to Washington County Hospital	11,010,000
Due from other governments	667,454
Inventories	299,044
Prepaid expense	116,258
Capital assets not being depreciated	13,675,166
Capital assets, net of accumulated depreciation/amortization	63,575,194
Total assets	118,372,827
Deferred Outflows of Resources	
Pension related deferred outflows	1,528,416
OPEB related deferred outflows	202,569
Total deferred outflows of resources	1,730,985
Liabilities	
Accounts payable	1,391,483
Accrued interest payable	63,952
Salaries and benefits payable	279,238
Due to other governments	12,736
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	2,445,000
Installment purchase agreement	158,600
Compensated absences	295,103
Total OPEB liability	18,589
Portion due or payable after one year:	
General obligation bonds	20,630,000
Compensated absences	188,832
Net pension liability	4,013,006
Total OPEB liability	603,459
Total liabilities	30,099,998
Deferred Inflows of Resources	
Unavailable property tax revenue	12,185,000
Pension related deferred inflows	1,120,077
OPEB related deferred inflows	76,858
Total deferred inflows of resources	13,381,935
Net Position	
Net investment in capital assets	69,272,975
Restricted for:	
Supplemental levy purposes	1,514,251
Mental health purposes	31,915
Rural services purposes	734,894
Secondary roads purposes	3,262,621
Capital projects	404,533
Debt service	202,898
Other purposes	262,033
Unrestricted	935,759
Total net position	\$ 76,621,879

See notes to financial statements.

Washington County
Statement of Activities
Year ended June 30, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 7,152,637	1,198,434	92,538	2,000	(5,859,665)
Physical health and social services	2,132,937	340,352	658,845	-	(1,133,740)
Mental health	766,691	36,740	-	-	(729,951)
County environment and education	1,275,612	64,425	16,464	135,875	(1,058,848)
Roads and transportation	7,724,116	206,364	4,273,506	1,040,286	(2,203,960)
Governmental services to residents	808,859	480,310	544	-	(328,005)
Administration	1,989,721	65,938	27,650	-	(1,896,133)
Non-program	215,489	297,635	165,471	-	247,617
Interest on long-term debt	729,545	-	373,109	-	(356,436)
Total	\$ 22,795,607	2,690,198	5,608,127	1,178,161	(13,319,121)
General Revenues:					
Property and other county tax levied for:					
General purposes					10,846,663
Debt service					1,379,374
Penalty and interest on property tax					35,962
State tax credits					853,740
Local option sales tax					1,409,151
Gaming wager tax					383,528
Unrestricted investment earnings					142,097
Gain on disposition of capital assets					85,465
Miscellaneous					1,161,744
Total general revenues					16,297,724
Change in net position					2,978,603
Net position beginning of year					73,643,276
Net position end of year					\$ 76,621,879

See notes to financial statements.

Washington County

Balance Sheet
Governmental Funds

June 30, 2020

	Special		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 5,004,003	32,900	594,662
Receivables:			
Property tax:			
Delinquent	153,882	9,795	37,668
Succeeding year	8,145,000	828,000	1,928,000
Interest and penalty on property tax	15,949	-	-
Accounts	135,374	25	20
Accrued interest	6,809	-	-
Loan	-	-	-
Due from other funds	-	-	-
Due from other governments	68,479	-	112,608
Inventories	-	-	-
Prepaid expenditures	116,258	-	-
Total assets	\$ 13,645,754	870,720	2,672,958
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 72,874	-	3,819
Salaries and benefits payable	202,778	3,240	6,245
Due to other funds	3,157	-	-
Due to other governments	12,203	-	-
Total liabilities	291,012	3,240	10,064
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	8,145,000	828,000	1,928,000
Other	57,549	-	11,369
Total deferred inflows of resources	8,202,549	828,000	1,939,369
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	116,258	-	-
Restricted for:			
Supplemental levy purposes	1,539,275	-	-
Mental health purposes	-	39,480	-
Rural services purposes	-	-	723,525
Secondary roads purposes	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Resource enhancement and protection	-	-	-
Other purposes	-	-	-
Assigned for future projects	317,000	-	-
Unassigned	3,179,660	-	-
Total fund balances	5,152,193	39,480	723,525
Total liabilities, deferred inflows of resources and fund balances	\$ 13,645,754	870,720	2,672,958

See notes to financial statements.

<u>Revenue</u>				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
2,973,784	198,168	5,337,833	260,872	14,402,222
-	25,500	-	-	226,845
-	1,284,000	-	-	12,185,000
-	-	-	-	15,949
1,195	-	13,111	-	149,725
-	821	-	-	7,630
-	11,010,000	-	-	11,010,000
3,157	-	-	-	3,157
485,206	-	-	1,161	667,454
299,044	-	-	-	299,044
-	-	-	-	116,258
3,762,386	12,518,489	5,350,944	262,033	39,083,284
296,118	300	657,535	-	1,030,646
66,975	-	-	-	279,238
-	-	-	-	3,157
533	-	-	-	12,736
363,626	300	657,535	-	1,325,777
-	1,284,000	-	-	12,185,000
-	8,525	-	-	77,443
-	1,292,525	-	-	12,262,443
299,044	-	-	-	299,044
-	-	-	-	116,258
-	-	-	-	1,539,275
-	-	-	-	39,480
-	-	-	-	723,525
3,099,716	-	-	-	3,099,716
-	11,225,664	-	-	11,225,664
-	-	4,693,409	-	4,693,409
-	-	-	129,866	129,866
-	-	-	132,167	132,167
-	-	-	-	317,000
-	-	-	-	3,179,660
3,398,760	11,225,664	4,693,409	262,033	25,495,064
3,762,386	12,518,489	5,350,944	262,033	39,083,284

Washington County

Washington County

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

June 30, 2020

Total governmental fund balances (page 19) \$ 25,495,064

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 \$111,552,761 and the accumulated depreciation/amortization is \$34,302,401. 77,250,360

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. 77,443

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. 1,681,503

Pension and OPEB 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	\$ 1,730,985	
Deferred inflows of resources	<u>(1,196,935)</u>	534,050

Long-term liabilities, including general obligation bonds payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (28,416,541)

Net position of governmental activities (page 16) \$ 76,621,879

See notes to financial statements.

Washington County

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

Year ended June 30, 2020

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 8,517,340	520,635	2,144,592	-
Local option sales tax	-	-	1,409,151	-
Interest and penalty on property tax	33,285	-	-	-
Intergovernmental	2,489,251	75,476	97,648	4,723,203
Licenses and permits	82,939	-	-	27,434
Charges for service	741,411	325	750	21,865
Use of money and property	195,239	-	-	-
Miscellaneous	129,843	-	-	140,935
Total revenues	12,189,308	596,436	3,652,141	4,913,437
Expenditures:				
Operating:				
Public safety and legal services	6,103,761	-	844	-
Physical health and social services	2,035,947	-	200	-
Mental health	-	758,917	-	-
County environment and education	690,201	-	445,773	-
Roads and transportation	-	-	297,767	6,075,448
Governmental services to residents	757,903	-	2,140	-
Administration	1,811,995	-	-	-
Non-program	12,419	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	1,003,439
Total expenditures	11,412,226	758,917	746,724	7,078,887
Excess (deficiency) of revenues over (under) expenditures	777,082	(162,481)	2,905,417	(2,165,450)
Other financing sources (uses):				
Transfers in	10,146	-	-	2,496,757
Transfers out	(822,868)	-	(2,747,339)	-
General obligation bonds issued	-	-	-	-
Installment purchases agreement	198,600	-	-	-
Premium on general obligation bonds issued	-	-	-	-
Total other financing sources (uses)	(614,122)	-	(2,747,339)	2,496,757
Change in fund balances	162,960	(162,481)	158,078	331,307
Fund balances beginning of year	4,989,233	201,961	565,447	3,067,453
Fund balances end of year	\$ 5,152,193	39,480	723,525	3,398,760

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,372,405	-	-	12,554,972
-	-	-	1,409,151
-	-	-	33,285
103,382	53,374	12,555	7,554,889
-	-	-	110,373
-	57,126	5,125	826,602
104,004	132,735	2,134	434,112
269,105	140,717	12,586	693,186
1,848,896	383,952	32,400	23,616,570
-	-	-	6,104,605
-	-	-	2,036,147
-	-	-	758,917
-	-	-	1,135,974
-	-	-	6,373,215
-	-	-	760,043
-	-	-	1,811,995
-	-	-	12,419
4,994,558	-	-	4,994,558
-	6,601,244	-	7,604,683
4,994,558	6,601,244	-	31,592,556
(3,145,662)	(6,217,292)	32,400	(7,975,986)
469,450	634,000	-	3,610,353
-	-	(40,146)	(3,610,353)
1,665,000	6,990,000	-	8,655,000
-	-	-	198,600
127,850	949,965	-	1,077,815
2,262,300	8,573,965	(40,146)	9,931,415
(883,362)	2,356,673	(7,746)	1,955,429
12,109,026	2,336,736	269,779	23,539,635
11,225,664	4,693,409	262,033	25,495,064

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, 2020

Change in fund balances - Total governmental funds (page 23) \$ 1,955,429

**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	\$ 7,928,986	
Capital assets contributed by the Iowa Department of Transportation	606,719	
Depreciation/amortization expense	<u>(2,611,806)</u>	5,923,899

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. 85,465

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, as follows:

Property tax	54,593	
Other	<u>2,677</u>	57,270

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

Issued	(8,853,600)	
Repaid	<u>4,330,000</u>	(4,523,600)

The current year County IPERS and OPEB contributions are reported as expenditures in the governmental funds, but is reported as deferred outflows of resources in the Statement of Net Position. 757,570

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	(74,606)	
Pension expense	(971,096)	
OPEB expense	(76,933)	
Interest on long-term debt	<u>(24,987)</u>	(1,147,622)

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. (129,808)

Change in net position of governmental activities (page 17) \$ 2,978,603

See notes to financial statements.

Washington County
Statement of Net Position
Proprietary Funds

June 30, 2020

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 2,041,957
Receivables:	
Accrued interest	<u>383</u>
Total assets	2,042,340
Liabilities	
Accounts payable	<u>360,837</u>
Net Position	
Unrestricted	<u><u>\$ 1,681,503</u></u>

See notes to financial statements.

Exhibit H

Washington County

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

Year ended June 30, 2020

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,330,142
Reimbursements from employees and others		48,100
Reimbursements from Agency Funds		138,573
Stop loss reimbursements		125,615
Contributions for flexible benefits		<u>21,266</u>
Total operating revenues		1,663,696
Operating expenses:		
Medical and dental claims	\$ 1,428,271	
Administrative fees	378,210	
Flexible benefits claims	<u>19,759</u>	<u>1,826,240</u>
Operating loss		(162,544)
Non-operating revenues:		
Interest income		<u>32,736</u>
Net loss		(129,808)
Net position beginning of year		<u>1,811,311</u>
Net position end of year		<u>\$ 1,681,503</u>

See notes to financial statements.

Washington County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2020

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,330,691
Cash received from employees and others	196,024
Cash received from Agency Funds	138,573
Cash paid to suppliers for services	(1,832,574)
Net cash used by operating activities	(167,286)
Cash flows from investing activities:	
Interest on investments	33,389
Increase in cash and cash equivalents	(133,897)
Cash and cash equivalents beginning of year	2,175,854
Cash and cash equivalents end of year	\$ 2,041,957
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (162,544)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts receivable	1,592
Increase in accounts payable	(6,334)
Net cash used by operating activities	\$ (167,286)

See notes to financial statements.

Washington County

Washington County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2020

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 2,510,226
Other County officials	129,931
Receivables:	
Property tax:	
Delinquent	533,551
Succeeding year	28,627,000
Accounts	18,928
Special assessments	81,050
Due from other governments	104,892
Total assets	32,005,578

Liabilities

Liabilities:	
Accounts payable	50,120
Salaries and benefits payable	40,101
Due to other governments	31,764,343
Trust payable	82,639
Compensated absences	68,375
Total liabilities	32,005,578

Net position	\$ -
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See notes to financial statements.

Washington County

Notes to Financial Statements

June 30, 2020

(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 911 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. Effective July 1, 2020, the County will become the operator of the County Ambulance service.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary 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 non-exchange transactions.

The Statement of Net Position presents the County’s non-fiduciary 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.

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 non-major 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, 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 Balance/Net Position

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 reported as a deferred inflow of resources 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 becomes 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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2019.

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, 2020, 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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with 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 and OPEB expense and contributions from the County after the measurement date but before the end of the County’s reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. 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.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Washington County’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB 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 fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

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, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance – 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, 2020 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 \$1,495,046. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary roads	General	<u>\$ 3,157</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, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Delinquent Fines	<u>\$ 10,146</u>
Special Revenue: Secondary Roads	General	218,068
	Special Revenue: Rural Services	<u>2,278,689</u>
		<u>2,496,757</u>
Debt Service	General	800
	Special Revenue: Rural Services	<u>468,650</u>
		<u>469,450</u>
Capital Projects	General	604,000
	Special Revenue: Resource Enhancement and Protection	<u>30,000</u>
		<u>634,000</u>
		<u>\$ 3,610,353</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, 2020 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 776,024	-	-	776,024
Intangibles, road network	3,060,717	-	-	3,060,717
Construction in progress	<u>3,468,738</u>	<u>7,278,646</u>	<u>(908,959)</u>	<u>9,838,425</u>
Total capital assets not being depreciated/amortized	<u>7,305,479</u>	<u>7,278,646</u>	<u>(908,959)</u>	<u>13,675,166</u>
Capital assets being depreciated/amortized:				
Buildings	11,880,057	-	-	11,880,057
Improvements other than buildings	147,008	-	-	147,008
Equipment and vehicles	11,207,384	1,364,420	(520,251)	12,051,553
Intangibles	90,620	-	-	90,620
Infrastructure	<u>72,799,398</u>	<u>908,959</u>	-	<u>73,708,357</u>
Total capital assets being depreciated/amortized	<u>96,124,467</u>	<u>2,273,379</u>	<u>(520,251)</u>	<u>97,877,595</u>
Less accumulated depreciation/amortization for:				
Buildings	5,413,733	224,363	-	5,638,096
Improvements other than buildings	55,816	6,368	-	62,184
Equipment and vehicles	7,114,123	849,041	(498,355)	7,464,809
Intangibles	36,248	6,041	-	42,289
Infrastructure	<u>19,569,030</u>	<u>1,525,993</u>	-	<u>21,095,023</u>
Total accumulated depreciation/amortization	<u>32,188,950</u>	<u>2,611,806</u>	<u>(498,355)</u>	<u>34,302,401</u>
Total capital assets being depreciated/amortized, net	<u>63,935,517</u>	<u>(338,427)</u>	<u>(21,896)</u>	<u>63,575,194</u>
Governmental activities capital assets, net	<u>\$ 71,240,996</u>	<u>6,940,219</u>	<u>(930,855)</u>	<u>77,250,360</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 267,012
Physical health and social services		22,292
County environment and education		98,873
Roads and transportation		2,126,486
Administration		<u>97,143</u>
Total depreciation/amortization expense - governmental activities		<u>\$ 2,611,806</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2020 is as follows:

Fund	Description	Amount
General	Services	\$ 12,203
Special Revenue:		
Secondary Roads	Services	<u>533</u>
Total for governmental funds		<u>\$ 12,736</u>
Agency:		
County Offices	Collections	\$ 47,292
Agricultural Extension Education		253,231
County Assessor		615,862
Schools		17,988,142
Community Colleges		1,575,713
Corporations		7,303,668
Townships		497,337
Public Safety Commission		311,706
Auto License and Use Tax		678,365
All other		<u>2,493,027</u>
Total for agency funds		<u>\$ 31,764,343</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	General Obligation Bonds	Ambulance Installment Purchase Agreement	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 18,710,000	-	409,329	4,496,861	473,772	24,089,962
Increases	8,655,000	198,600	477,233	-	148,276	9,479,109
Decreases	<u>4,290,000</u>	<u>40,000</u>	<u>402,627</u>	<u>483,855</u>	<u>-</u>	<u>5,216,482</u>
Balance end of year	<u>\$ 23,075,000</u>	<u>158,600</u>	<u>483,935</u>	<u>4,013,006</u>	<u>622,048</u>	<u>28,352,589</u>
Due within one year	\$ 2,445,000	158,600	295,103	-	18,589	2,917,292

General Obligation Bonds

A summary of the County's June 30, 2020 general obligation bonded indebtedness is as follows:

<u>Series 2015 Hospital</u>				<u>Series 2016 Hospital</u>			
<u>Issued December 1, 2015</u>				<u>Issued January 20, 2016</u>			
Year Ending June 30,	Interest Rates	Principal	Interest	Year Ending June 30,	Interest Rates	Principal	Interest
2021	0.00%	\$ -	239,390	2021	1.550%	\$ 1,005,000	16,102
2022	1.75	990,000	239,390	2022	1.750	30,000	525
2023	2.00	1,035,000	222,065			<u>\$ 1,035,000</u>	<u>16,627</u>
2024	2.10	1,060,000	201,365				
2025	2.30	1,080,000	179,105				
2026-2030	2.45-2.85	5,810,000	482,385				
		<u>\$ 9,975,000</u>	<u>1,563,700</u>				

<u>Series 2017A Refunding</u>				<u>Series 2018A Communication Equipment</u>			
<u>Issued March 7, 2017</u>				<u>Issued September 26, 2018</u>			
Year Ending June 30,	Interest Rates	Principal	Interest	Year Ending June 30,	Interest Rates	Principal	Interest
2021	2.00-3.00%	\$ 915,000	18,350	2021	4.00%	\$ 280,000	98,950
Total		<u>\$ 915,000</u>	<u>18,350</u>	2022	4.00	290,000	87,750
				2023	4.00	300,000	76,150
				2024	4.00	315,000	64,150
				2025	3.00	325,000	51,550
				2026-2028	3.00-4.00	1,045,000	84,600
						<u>\$ 2,555,000</u>	<u>463,150</u>

<u>Series 2019A Communication Equipment</u>				<u>Series 2020A Communication Equipment</u>			
<u>Issued August 13, 2019</u>				<u>Issued April 7, 2020</u>			
Year Ending June 30,	Interest Rates	Principal	Interest	Year Ending June 30,	Interest Rates	Principal	Interest
2021	5.00%	\$ -	303,500	2021	4.00%	\$ 245,000	76,590
2022	5.00	475,000	303,500	2022	4.00	265,000	56,800
2023	5.00	500,000	279,750	2023	4.00	275,000	46,200
2024	5.00	525,000	254,750	2024	4.00	280,000	35,200
2025	5.00	550,000	228,500	2025	4.00	295,000	24,000
2026-2028	5.00-4.00	4,880,000	644,400	2026	4.00	305,000	12,200
		<u>\$ 6,930,000</u>	<u>2,014,400</u>			<u>\$ 1,665,000</u>	<u>250,990</u>

<u>General Obligation Bonds</u>			
<u>Total</u>			
Year Ending June 30,	Principal	Interest	Total
2021	\$ 2,445,000	\$ 752,882	3,197,882
2022	2,050,000	687,965	2,737,965
2023	2,110,000	624,165	2,734,165
2024	2,180,000	555,465	2,735,465
2025	2,250,000	483,155	2,733,155
2026-2030	12,040,000	1,223,585	13,263,585
	<u>\$ 23,075,000</u>	<u>4,327,217</u>	<u>27,402,217</u>

During the year ended June 30, 2020, the County retired \$4,290,000 of general obligation bonds.

General Obligation Hospital Bonds

On December 1, 2015, the County issued \$9,975,000 of general obligation hospital bonds for an expansion project at Washington County Hospital and to refinance a portion of the Hospital's Series 2006 Revenue Bonds. The bonds bear interest payable semi-annually on the first of June and December each year at rates ranging from 1.75% to 2.85% per annum. During the year ended June 30, 2020, the County paid interest of \$239,390 on the bond and no principal was retired.

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. During the year ended June 30, 2020, the County paid principal of \$990,000 and interest of \$29,715 on the bonds.

The County loaned the proceeds of both general obligation hospital bonds issued during fiscal year 2017 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 Bonds

On March 7, 2017, the County issued \$3,525,000 general obligation refunding bonds, Series 2017A, with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued to refund the outstanding balance of the general obligation bonds dated October 26, 2010, Series 2011A. During the year ended June 30, 2020, the County paid principal of \$895,000 and interest of \$40,850 on the bonds.

On September 26, 2018, the County issued \$3,365,000 general obligation county communication equipment bonds, Series 2018A, with interest rates ranging from 3.00% to 4.00% per annum. The bonds were issued to provide funds for the construction of communication equipment. During the year ended June 30, 2020, the County paid principal of \$270,000 and interest of \$107,050 on the bonds.

On August 13, 2019, the County issued \$6,990,000 general obligation county communication facility and equipment bonds, Series 2019A, with interest rates ranging from 4.00% to 5.00% per annum. The bonds were issued to provide funds for the acquisition of emergency services communication equipment and the construction of a facility to house the County emergency communications and operations center. During the year ended June 30, 2020, the County paid principal of \$60,000 and interest of \$245,200 on the bonds.

On April 7, 2020, the County issued \$1,665,000 general obligation refunding bonds, Series 2020A with interest rate of 4.00% per annum to refund the outstanding balance of the general obligation bonds, dated June 1, Series 2012A issue. During the year ended June 30, 2020, the County paid principal of \$2,075,000 and interest of \$39,337 on the bonds refunded. The County refunded the bonds to reduce its total debt service payments by approximately \$356,182 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$32,151.

Ambulance Installment Purchase Agreement

On May 5, 2020, the County entered into an installment purchase agreement with Washington County Ambulance Inc. for \$198,600 for the purchase of ambulance equipment. Effective July 1, 2020, the County will take over operations of the ambulance service and desired to obtain the previous provider's equipment. The County paid \$40,000 on the installment purchase agreement during fiscal year 2020 with the remainder due during the following year. Per the agreement, the assets will transfer ownership on July 1, 2020.

(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 PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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

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

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

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

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.51% of covered payroll, for a total rate of 19.02%. Protection occupation members contributed 6.61% of covered payroll and the County contributed 9.91% of covered payroll, for a total rate of 16.52%.

The County's contributions to IPERS for the year ended June 30, 2020 totaled \$748,129.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the County reported a liability of \$4,013,006 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2019, the County's proportion was 0.069301%, which was a decrease of 0.001759% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$971,096. At June 30, 2020, 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	\$ 32,481	183,516
Changes of assumptions	630,211	179,839
Net difference between projected and actual earnings on IPERS' investments	-	715,121
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	117,595	41,601
County contributions subsequent to the measurement date	748,129	-
Total	\$ 1,528,416	1,120,077

\$748,129 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, 2021. 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
2021	\$ 96,988
2022	(193,567)
2023	(135,826)
2024	(104,647)
2025	(2,738)
Total	\$ (339,790)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 8,742,343	4,013,006	47,453

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2020.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Washington County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>143</u>
Total	<u>144</u>

Total OPEB Liability – The County’s total OPEB liability of \$622,048 was measured as of July 1, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	
(effective June 30, 2020)	2.60% per annum.
Rates of salary increase	3.25% per annum, including
(effective June 30, 2020)	inflation.
Discount rate	3.51% compounded annually,
(effective June 30, 2020)	including inflation.
Healthcare cost trend rate	7.50% initial rate decreasing by .5%
(effective June 30, 2020)	annually to an ultimate rate of 4.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.51% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA Pub-2019 total dataset mortality table fully generational using Scale MP-2019. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 473,772
Changes for the year:	
Service cost	40,249
Interest	19,536
Differences between expected and actual experiences	148,228
Changes in assumptions	(41,148)
Benefit payments	<u>(18,589)</u>
Net changes	<u>148,276</u>
Total OPEB liability end of year	<u>\$ 622,048</u>

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2019 to 3.51% in fiscal year 2020.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.51%) or 1% higher (4.51%) than the current discount rate.

	<u>1% Decrease (2.51%)</u>	<u>Discount Rate (3.51%)</u>	<u>1% Increase (4.51%)</u>
Total OPEB liability	\$ 669,885	622,048	576,538

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates.

	<u>1% Decrease (6.50%)</u>	<u>Healthcare Cost Trend Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Total OPEB liability	\$ 547,006	622,048	711,252

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the County recognized OPEB expense of \$58,344. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 193,128	(25,831)
Changes in assumptions	-	(51,027)
County contributions subsequent to the measurement date	9,441	-
Total	<u>\$ 202,569</u>	<u>(76,858)</u>

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2021	\$ 17,148
2022	17,148
2023	17,148
2024	17,148
2025	17,148
Thereafter	<u>39,971</u>
	<u>\$ 125,711</u>

(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 779 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, 2020 were \$167,905.

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, 2020, no liability has been recorded in the County's financial statements. As of June 30, 2020, 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 in the amount of \$1,000,000. 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, 2020 was \$1,287,253.

Amounts payable from the Employee Group Health Fund at June 30, 2020 total \$115,315, 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 \$1,881,383 at June 30, 2020 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	\$ 365,537
Incurred claims (including claims incurred but not reported at June 30, 2020)	1,380,212
Payments	<u>(1,387,246)</u>
Unpaid claims end of year	<u>\$ 358,503</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

Other entities within the County also provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the City of Washington offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Kalona	Urban renewal and economic development projects	\$ 9,309
City of Washington	Urban renewal and economic development projects	16,536
	Chapter 404 tax abatement program	3,097
City of Wellman	Urban renewal and economic development projects	1,657

(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, 2020:

Additions:		
Contributions from governmental units:		
Emergency management services	\$ 864,402	
Other cities	<u>3,196</u>	\$ 867,598
Reimbursement from Joint 911 Service Board		25,000
Miscellaneous		<u>2,287</u>
Total additions		894,885
Deductions:		
Salaries	525,541	
Benefits	174,759	
Office supplies and postage	2,780	
Uniforms	1,175	
Travel	10,591	
Telephone and fax services	9,618	
Training	1,955	
Tort liability insurance	4,797	
Professional services	31,139	
Equipment maintenance	1,838	
Radio equipment maintenance	3,545	
Utilities	13,078	
Miscellaneous	<u>62,652</u>	<u>843,468</u>
Net		51,417
Balance beginning of year		<u>323,585</u>
Balance end of year		<u>\$ 375,002</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, 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, 2020, as follows:

Revenues:		
Property and other county tax		\$ 520,635
Intergovernmental:		
State tax credits	\$ 39,061	
Other	<u>36,415</u>	75,476
Charges for service		<u>325</u>
Total revenues		<u>596,436</u>
Expenditures:		
Services to persons with:		
Mental illness		27,044
General administration:		
Direct administration	87,188	
Distribution of regional fiscal agent	<u>644,685</u>	<u>731,873</u>
Total expenditures		<u>758,917</u>
Excess of expenditures over revenues		(162,481)
Fund balance beginning of year		<u>201,961</u>
Fund balance end of year		<u>\$ 39,480</u>

(16) Purchase Commitment

On July 24, 2018, the County entered into a system purchase contract with RACOM Corporation for the purchase on a radio communications system and services for \$4,427,624. As of June 30, 2020, approximately \$1,762,890 has been paid on the contract. The remaining \$2,664,734 will be paid as work on the project progresses.

The County has entered into contracts totaling \$9,530,228 for communication facility and equipment. As of June 30, 2020, costs of \$5,803,314 on the projects have been incurred. The balance of \$3,726,914 remaining on the contracts at June 30, 2020 will be paid as work on the projects progress.

(17) Related Party

The County had related party transactions totaling \$290,000 with officials of Washington County Ambulance, Inc.

(18) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Washington County, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Washington County. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Washington County.

(19) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Washington County

Required Supplementary Information

Washington County

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

Required Supplementary Information

Year ended June 30, 2020

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
Receipts:				
Property and other county tax	\$ 13,794,144	13,672,154	13,672,154	121,990
Interest and penalty on property tax	29,554	53,250	53,250	(23,696)
Intergovernmental	7,497,725	6,321,024	7,434,835	62,890
Licenses and permits	109,123	81,300	81,300	27,823
Charges for service	827,461	774,010	786,805	40,656
Use of money and property	437,625	355,670	355,670	81,955
Miscellaneous	1,649,450	1,550,780	1,550,780	98,670
Total receipts	24,345,082	22,808,188	23,934,794	410,288
Disbursements:				
Public safety and legal services	5,884,238	6,562,777	6,662,158	777,920
Physical health and social services	2,051,061	2,332,940	2,328,340	277,279
Mental health	758,258	761,593	761,593	3,335
County environment and education	1,132,079	1,245,627	1,245,627	113,548
Roads and transportation	6,371,225	6,872,697	7,157,697	786,472
Governmental services to residents	754,233	840,670	840,670	86,437
Administration	1,810,067	2,510,430	2,510,430	700,363
Non-program	12,239	13,000	17,200	4,961
Debt service	4,994,258	3,212,705	5,007,705	13,447
Capital projects	6,911,007	8,222,045	9,917,045	3,006,038
Total disbursements	30,678,665	32,574,484	36,448,465	5,769,800
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(6,333,583)	(9,766,296)	(12,513,671)	6,180,088
Other financing sources, net	9,738,250	6,920,935	8,727,685	1,010,565
Change in balances	3,404,667	(2,845,361)	(3,785,986)	7,190,653
Balance beginning of year	10,997,555	6,303,872	10,986,094	11,461
Balance end of year	\$ 14,402,222	3,458,511	7,200,108	7,202,114

See accompanying independent auditor's report.

Washington County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 24,345,082	(728,512)	23,616,570
Expenditures	30,678,665	913,891	31,592,556
Net	(6,333,583)	(1,642,403)	(7,975,986)
Other financing sources (uses), net	9,738,250	193,165	9,931,415
Beginning fund balances	10,997,555	12,542,080	23,539,635
Ending fund balances	\$ 14,402,222	11,092,842	25,495,064

See accompanying independent auditor's report.

Washington County

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2020

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, three budget amendments increased budgeted disbursements by \$3,873,981. 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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

Washington County

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

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

Required Supplementary Information

	2020	2019	2018	2017
County's proportion of the net pension liability	0.069301%	0.071060%	0.075687%	0.076946%
County's proportionate share of the net pension liability	\$ 4,013	4,497	5,042	4,842
County's covered payroll	\$ 7,588	7,305	7,038	6,924
County's proportionate share of the net pension liability as a percentage of its covered payroll	52.89%	61.56%	71.64%	69.93%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

* 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.

2016	2015
0.070351%	0.067259%
3,476	2,667
6,511	6,363
53.39%	41.91%
85.19%	87.61%

Washington County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 748	727	665	644
Contributions in relation to the statutorily required contribution	<u>(748)</u>	<u>(727)</u>	<u>(665)</u>	<u>(644)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 7,868	7,588	7,305	7,038
Contributions as a percentage of covered payroll	9.51%	9.58%	9.10%	9.15%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
636	600	585	561	525	465
(636)	(600)	(585)	(561)	(525)	(465)
-	-	-	-	-	-
6,924	6,511	6,363	6,218	6,151	6,165
9.19%	9.22%	9.20%	9.02%	8.54%	7.54%

Washington County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.

Washington County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Last Three Years
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 40,249	42,846	30,690
Interest cost	19,536	18,275	11,421
Difference between expected and actual experiences	148,228	(34,441)	95,142
Changes in assumptions	(41,148)	(12,162)	(8,850)
Benefit payments	(18,589)	(22,291)	(14,502)
Net change in total OPEB liability	148,276	(7,773)	113,901
Total OPEB liability beginning of year	473,772	481,545	367,644
Total OPEB liability end of year	\$ 622,048	473,772	481,545
Covered-employee payroll	\$ 7,623,854	7,030,764	6,809,457
Total OPEB liability as a percentage of covered-employee payroll	8.2%	6.7%	7.1%

See accompanying independent auditor's report.

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	3.51%
Year ended June 30, 2019	3.87%
Year ended June 30, 2018	3.56%
Year ended June 30, 2017	2.92%

Washington County

Supplementary Information

Washington County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2020

			Special
	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement County Attorney
Assets			
Cash, cash equivalents and pooled investments	\$ 53,897	129,866	4,337
Due from other governments	588	-	-
Total assets	\$ 54,485	129,866	4,337
Liabilities and Fund Balances			
Fund balances:			
Restricted for:			
Resource enhancement and protection	\$ -	129,866	-
Other purposes	54,485	-	4,337
Total fund balances	54,485	129,866	4,337
Total liabilities and fund balances	\$ 54,485	129,866	4,337

See accompanying independent auditor's report.

Revenue				
Law Enforcement County Sheriff	Supplemental Environmental Projects	Delinquent Fines		Total
50,755	2,638	19,379		260,872
-	-	573		1,161
50,755	2,638	19,952		262,033
-	-	-		129,866
50,755	2,638	19,952		132,167
50,755	2,638	19,952		262,033
50,755	2,638	19,952		262,033

Washington County

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

Year ended June 30, 2020

	<u>Special</u>		
	<u>County</u>	<u>Resource</u>	<u>Law</u>
	<u>Recorder's</u>	<u>Enhancement</u>	<u>Enforcement</u>
	<u>Records</u>	<u>and</u>	<u>County</u>
	<u>Management</u>	<u>Protection</u>	<u>Attorney</u>
Revenues:			
Intergovernmental	\$ -	12,555	-
Charges for service	5,125	-	-
Use of money and property	544	1,562	-
Miscellaneous	-	-	875
Total revenues	5,669	14,117	875
Other financing uses:			
Transfers out	-	(30,000)	-
Change in fund balances	5,669	(15,883)	875
Fund balances beginning of year	48,816	145,749	3,462
Fund balances end of year	<u>\$ 54,485</u>	<u>129,866</u>	<u>4,337</u>

See accompanying independent auditor's report.

Revenue				
Law Enforcement County Sheriff	Supplemental Environmental Projects	Delinquent Fines		Total
-	-	-		12,555
-	-	-		5,125
-	28	-		2,134
3,903	-	7,808		12,586
3,903	28	7,808		32,400
-	-	(10,146)		(40,146)
3,903	28	(2,338)		(7,746)
46,852	2,610	22,290		269,779
50,755	2,638	19,952		262,033

Schedule 3

Washington County

Combining Schedule of Net Position
Internal Service Funds

June 30, 2020

	Employee Group Health	Flexible Benefits	Dental Insurance	Total
Assets				
Cash and cash equivalents	\$ 1,996,315	17,078	28,564	2,041,957
Receivables:				
Accrued interest	383	-	-	383
Total assets	<u>1,996,698</u>	<u>17,078</u>	<u>28,564</u>	<u>2,042,340</u>
Liabilities				
Accounts payable	358,503	-	2,334	360,837
Net Position				
Unrestricted	<u>\$ 1,638,195</u>	<u>17,078</u>	<u>26,230</u>	<u>1,681,503</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, 2020

	Employee			Total
	Group Health	Flexible Benefits	Dental Insurance	
Operating revenues:				
Reimbursements from operating funds	\$ 1,287,253	-	42,889	1,330,142
Reimbursements from employees and others	22,113	-	25,987	48,100
Reimbursements from agency funds	138,573	-	-	138,573
Stop loss reimbursements	125,615	-	-	125,615
Contributions for flexible benefits	-	21,266	-	21,266
Total operating revenues	1,573,554	21,266	68,876	1,663,696
Operating expenses:				
Medical and dental claims	1,380,212	-	48,059	1,428,271
Administrative fees	378,210	-	-	378,210
Flexible benefits claims	-	19,759	-	19,759
Total operating expenses	1,758,422	19,759	48,059	1,826,240
Operating income (loss)	(184,868)	1,507	20,817	(162,544)
Non-operating revenues:				
Interest income	32,736	-	-	32,736
Net income (loss)	(152,132)	1,507	20,817	(129,808)
Net position beginning of year	1,790,327	15,571	5,413	1,811,311
Net position end of year	\$ 1,638,195	17,078	26,230	1,681,503

See accompanying independent auditor's report.

Washington County

Washington County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2020

	Employee Group Health	Flexible Benefits	Dental Insurance	Total
Cash flows from operating activities:				
Cash received from operating funds	\$ 1,287,802	-	42,889	1,330,691
Cash received from employees and others	147,728	22,253	26,043	196,024
Cash received from agency funds	138,573	-	-	138,573
Cash paid to suppliers for services	<u>(1,765,456)</u>	<u>(19,759)</u>	<u>(47,359)</u>	<u>(1,832,574)</u>
Net cash provided (used) by operating activities	(191,353)	2,494	21,573	(167,286)
Cash flows from investing activities:				
Interest on investments	33,389	-	-	33,389
Net increase (decrease) in cash and cash equivalents	(157,964)	2,494	21,573	(133,897)
Cash and cash equivalents beginning of year	<u>2,154,279</u>	<u>14,584</u>	<u>6,991</u>	<u>2,175,854</u>
Cash and cash equivalents end of year	<u>\$ 1,996,315</u>	<u>17,078</u>	<u>28,564</u>	<u>2,041,957</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (184,868)	1,507	20,817	(162,544)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
Decrease in accounts receivable	549	987	56	1,592
Increase(decrease) in accounts payable	<u>(7,034)</u>	<u>-</u>	<u>700</u>	<u>(6,334)</u>
Net cash provided (used) by operating activities	<u>\$ (191,353)</u>	<u>2,494</u>	<u>21,573</u>	<u>(167,286)</u>

See accompanying independent auditor's report.

Washington County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2020

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,676	207,228	122,539	10,135
Other County officials	129,931	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	4,555	8,344	330,603	27,578
Succeeding year	-	247,000	431,000	17,535,000	1,538,000
Accounts	-	-	104	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 129,931	253,231	646,676	17,988,142	1,575,713
Liabilities					
Liabilities:					
Accounts payable	\$ -	-	366	-	-
Salaries and benefits payable	-	-	10,741	-	-
Due to other governments	47,292	253,231	615,862	17,988,142	1,575,713
Trusts payable	82,639	-	-	-	-
Compensated absences	-	-	19,707	-	-
Total liabilities	\$ 129,931	253,231	646,676	17,988,142	1,575,713

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
49,417	3,109	373,912	678,365	1,063,845	2,510,226
-	-	-	-	-	129,931
130,251	8,228	-	-	23,992	533,551
7,124,000	486,000	-	-	1,266,000	28,627,000
-	-	1,060	-	17,764	18,928
-	-	-	-	81,050	81,050
-	-	30	-	104,862	104,892
<u>7,303,668</u>	<u>497,337</u>	<u>375,002</u>	<u>678,365</u>	<u>2,557,513</u>	<u>32,005,578</u>
-	-	3,708	-	46,046	50,120
-	-	20,581	-	8,779	40,101
7,303,668	497,337	311,706	678,365	2,493,027	31,764,343
-	-	-	-	-	82,639
-	-	39,007	-	9,661	68,375
<u>7,303,668</u>	<u>497,337</u>	<u>375,002</u>	<u>678,365</u>	<u>2,557,513</u>	<u>32,005,578</u>

Washington County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2020

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 124,099	241,484	650,971	17,353,833	1,470,956
Additions:					
Property and other county tax	-	248,849	434,089	17,619,688	1,547,249
911 surcharge	-	-	-	-	-
State tax credits	-	18,166	33,275	1,320,189	110,985
Office fees and collections	583,786	-	-	-	-
Auto licenses, use tax, postage and drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	226,722	-	-	-	-
Miscellaneous	50	-	413	-	-
Total additions	810,558	267,015	467,777	18,939,877	1,658,234
Deductions:					
Agency remittances:					
To other funds	308,288	-	-	-	-
To other governments	265,372	255,268	472,072	18,305,568	1,553,477
Trusts paid out	231,066	-	-	-	-
Total deductions	804,726	255,268	472,072	18,305,568	1,553,477
Balances end of year	\$ 129,931	253,231	646,676	17,988,142	1,575,713

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
7,024,586	472,633	323,585	572,008	2,415,542	30,649,697
6,929,677	500,784	-	-	1,274,018	28,554,354
-	-	-	-	254,727	254,727
784,170	21,759	-	-	93,993	2,382,537
-	-	-	-	292,759	876,545
-	-	-	7,772,510	-	7,772,510
-	-	-	-	8,264	8,264
-	-	-	-	-	226,722
-	-	894,885	-	1,135,820	2,031,168
7,713,847	522,543	894,885	7,772,510	3,059,581	42,106,827
-	-	-	254,232	-	562,520
7,434,765	497,839	843,468	7,411,921	2,917,610	39,957,360
-	-	-	-	-	231,066
7,434,765	497,839	843,468	7,666,153	2,917,610	40,750,946
7,303,668	497,337	375,002	678,365	2,557,513	32,005,578

Washington County

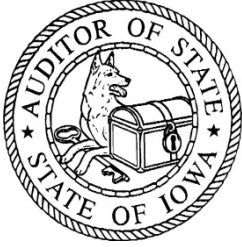
Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017
Revenues:				
Property and other county tax	\$ 12,554,972	11,538,277	10,093,892	9,547,699
Tax increment financing	-	-	-	-
Local option sales tax	1,409,151	1,259,429	1,154,357	1,125,920
Interest and penalty on property tax	33,285	60,039	55,520	52,786
Intergovernmental	7,554,889	7,243,425	6,211,151	6,345,389
Licenses and permits	110,373	100,434	96,208	90,507
Charges for service	826,602	800,471	811,345	788,456
Use of money and property	434,112	420,321	249,238	170,398
Miscellaneous	693,186	654,631	562,270	659,632
Total	\$ 23,616,570	22,077,027	19,233,981	18,780,787
Expenditures:				
Operating:				
Public safety and legal services	\$ 6,104,605	4,810,554	4,794,395	4,560,519
Physical health and social services	2,036,147	2,048,359	1,995,237	2,190,791
Mental health	758,917	825,003	693,211	488,587
County environment and education	1,135,974	1,166,680	1,119,310	985,610
Roads and transportation	6,373,215	5,915,677	5,870,376	5,668,040
Governmental services to residents	760,043	718,631	809,246	636,027
Administration	1,811,995	1,826,807	1,722,300	1,745,629
Non-program	12,419	4,069	3,398	114,670
Debt service	4,994,558	3,142,161	2,518,756	6,077,520
Capital projects	7,604,683	2,317,852	1,668,107	1,118,554
Total	\$ 31,592,556	22,775,793	21,194,336	23,585,947

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
9,214,425	8,993,354	9,092,267	9,658,584	9,197,085	8,129,183
-	910,267	1,746,821	1,807,197	1,785,917	1,790,775
1,189,149	1,129,426	1,114,808	969,263	1,084,809	968,286
53,397	53,820	70,802	72,171	74,276	76,322
5,823,552	6,101,263	5,935,796	6,094,416	6,833,101	6,690,934
83,653	73,462	87,100	71,390	70,128	61,438
842,784	783,054	737,985	788,891	758,402	714,553
158,570	190,767	139,590	148,447	135,668	151,486
557,909	365,425	514,918	856,268	704,465	623,606
<u>17,923,439</u>	<u>18,600,838</u>	<u>19,440,087</u>	<u>20,466,627</u>	<u>20,643,851</u>	<u>19,206,583</u>
4,280,381	4,317,598	4,011,223	4,106,744	3,776,403	3,752,408
2,179,693	2,222,115	2,242,800	2,517,575	2,461,339	2,412,125
630,463	310,473	324,392	435,068	2,301,318	1,733,162
1,053,243	954,300	926,078	1,247,107	1,043,520	886,227
5,979,548	5,065,801	5,006,326	4,651,989	4,242,814	4,729,678
637,042	609,740	599,112	600,254	595,946	599,233
1,757,456	1,679,024	1,661,955	1,695,303	1,581,466	1,576,049
46,374	51,812	88,683	59,227	54,498	57,065
1,391,979	5,156,992	3,117,343	3,417,027	2,971,717	2,288,019
534,651	543,450	2,981,114	2,677,266	5,340,817	1,801,336
<u>18,490,830</u>	<u>20,911,305</u>	<u>20,959,026</u>	<u>21,407,560</u>	<u>24,369,838</u>	<u>19,835,302</u>



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

To the Officials of Washington County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington County, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 3, 2021.

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 (G) 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, 2020 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.


Marlys K. Gaston, CPA
Deputy Auditor of State

June 3, 2021

Washington County
 Schedule of Findings
 Year ended June 30, 2020

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:

	<u>Applicable Offices</u>
(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
(2) Generally, one individual may have control over 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
(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
(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.	Treasurer
(6) All individuals in the Recorder’s Office have the ability to void receipts, including individuals who perform daily balancing. No report is maintained, or review performed over voided receipts.	Recorder
(7) Journal entries are not reviewed and approved.	Auditor

Washington County

Schedule of Findings

Year ended June 30, 2020

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 each County office'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 – Since all Recorder employees are cross-trained, they perform all duties which is the most practical with 3 employees.

County Treasurer – The Tyler cash receipting program has been updated so that a report of voided receipts can be run. This report will be run monthly so that the Treasurer or Deputy can review voided transactions.

County Conservation – We will take this into consideration moving forward.

Engineer – We understand this concern and because of the structure of our office we are limited in what we can do. We will continue to explore the possibility of others being involved with the opening and receipting of mail.

Public Health Nurse – We will continue to research internal duties and staffing to ensure segregation of duties.

Public Safety Commission – We will do our best to segregate duties, even though we have a limited number of staff in office.

County Auditor – We will pursue ways of segregating duties while not increasing staff. Also, journal entries will be reviewed and approved.

Conclusion – Responses acknowledged. Each County Official should utilize current personnel, including elected officials and staff from other offices, to provide additional control through review of financial transactions, reconciliations and reports. Evidence of review should be indicated by the signature or initials of the independent reviewer and the date of the review.

(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.

Washington County

Schedule of Findings

Year ended June 30, 2020

Condition – Material amounts of capital assets 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 capital asset 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 capital assets are identified and properly reported in the County’s financial statements.

Response – The County will establish procedures to ensure all capital assets are identified and properly reported in the County’s financial statements.

Conclusion – Response accepted.

(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 errors in the normal course of performing their assigned functions, resulting in the over or under statement of reported capital assets.

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.

County Auditor Response – Capital assets will be processed periodically by having an independent person review the assets and the capital asset listing.

Conclusion – Response accepted.

Washington County

Schedule of Findings

Year ended June 30, 2020

(D) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the County’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, and helps ensure the 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 logins/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.

Effect – Lack of written policies for computer-based system 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.

County Auditor Response – Written policy for password privacy and confidentiality will be established. A written disaster recovery plan will be completed.

Conclusion – Response accepted.

(E) County Recorder Change Fund

Criteria – All receipts should be deposited intact.

Condition – The County 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, ensuring receipts are maintained intact.

Effect – Lack of maintaining receipts intact creates an opportunity to misappropriate funds.

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

Washington County

Schedule of Findings

Year ended June 30, 2020

Recorder Response – One employee counts money in the evening, another counts the money in the morning (usually myself) which provided a cross-check. Always the same amount in the drawer.

Conclusion – Response acknowledged. All receipts should be deposited completely and intact the following day. When cash is held out from the deposit to make change, then the receipts are not deposited in the format/makeup of how they were collected. Receipts should be deposited intact daily and a change fund should be established from a request to the Board of Supervisors.

(F) 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. However, based on supporting documentation from grocery store purchases, it is unclear how the County determined compliance with their meal policy, including that meals were within the \$6.00 allowance, since the dates the meals were consumed was not documented. The receipts only documented the employee and the number of meals consumed by each employee.

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

Cause – Procedures have not been established to ensure meals were consumed during dates the employees worked and to ensure the meals did not exceed the allowable \$6.

Effect – Lack of procedures resulted in employees not detecting noncompliance with the County's policy in the normal course of performing their assigned functions.

Recommendation – The Commission should ensure sufficient supporting documentation is provided to document meals were consumed during dates the employees were working and should ensure meal reimbursements do not exceed the amount allowed by County policy.

Public Safety Response – We will include proper supporting documentation to ensure compliance.

Conclusion – Response accepted.

(G) Payroll

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

Washington County

Schedule of Findings

Year ended June 30, 2020

Condition – Although timesheets are prepared, there is no evidence of approval of timesheets by supervisory personnel for the various departmental Directors. These department heads are salaried employees who prepare and approve their own timesheet.

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

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

Recommendation – Timesheets should be submitted to an appropriate supervisor for approval and should be signed by the employee and supervisor.

County Auditor Response – We will emphasize the need for improved supervisory review of timesheets.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Washington County
 Schedule of Findings
 Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – 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	\$ 290,000

In the opinion of the County Attorney, the transactions with Washington County Ambulance, Inc. do not represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa because Supervisor Young recuses himself from all voting on these expenditures.

- (5) Restricted Donor Activity – No transactions were noted between the County, County officials or County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) 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.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Although minutes of the Board proceedings were published, they were not provided to the newspaper within the time period required by Chapter 349.18 of the Code of Iowa.

Recommendation – The County should ensure the minutes are provided for publication timely, as required.

Response – Staff and I will investigate steps to be taken to ensure that Board minutes are provided for publication per Iowa Code Chapter 349.18.

Conclusion – Response accepted.

- (8) 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.

Washington County

Schedule of Findings

Year ended June 30, 2020

- (9) 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).
- (10) Taxable Fringe Benefits – Certain County clothing 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.

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

Conclusion – Response accepted.

- (11) County Sheriff – The County Sheriff maintains a bank account for activity related to reserve officers. This account's activity was not reflected in the County's accounting system and has not been included in the County's annual budget or financial report.

In addition, Chapter 556.11 of the Code of Iowa requires entities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The County Sheriff did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Chapter 80D.11 of the Code of Iowa defines reserved peace officers as employees of the governing body. The activity should be included in the County's annual budget and financial statements and disbursements should be charged to appropriate expenditure account in accordance with the Uniform Chart of Accounts for County Governments in Iowa. Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

Sheriff Response – We will investigate addressing outstanding checks with Great Iowa Treasure Hunt. As for the reserve officers account, this account belongs to reserve deputy group.

Conclusion – Response acknowledged. The Sheriff's reserve peace officers are employees of the County as stated in Chapter 80D.11 of the Code of Iowa. The activity of the peace officers should be included in the County's annual budget and reports.

Washington County

Staff

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