



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

Contact: Ernest Ruben
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FOR RELEASE

March 30, 2023

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$30,380,872 for the year ended June 30, 2022, a 6.9% increase over the prior year. Expenses for County operations for the year ended June 30, 2022 totaled \$24,932,626, a less than 1.0% increase over the prior year. The significant increase in revenues is due to an increase in contributions from the Iowa Department of Transportation for road infrastructure.

AUDIT FINDINGS:

Sand reported eight findings related to the receipt and expenditure of taxpayer funds. They are found on pages 86 through 93 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.

All of the 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 [Audit Reports – Auditor of State](#).

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WASHINGTON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2022

Washington County



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Rob Sand
Auditor of State

March 13, 2023

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, 2022. 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", written in a cursive style.

Rob Sand
Auditor of State

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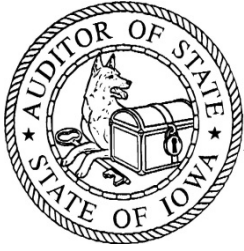
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Washington County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marcus Fedler	Board of Supervisors	Jan 2023
Richard Young	Board of Supervisors	Jan 2023
Jack Seward, Jr.	Board of Supervisors	Jan 2025
Stan Stoops	Board of Supervisors	Jan 2025
Bob Yoder	Board of Supervisors	Jan 2025
Dan Widmer	County Auditor	Jan 2025
Jeffrey A. Garrett	County Treasurer	Jan 2023
Jo Greiner	County Recorder	Jan 2023
Jared Schneider	County Sheriff	Jan 2025
John Gish	County Attorney	Jan 2023
Christy Tinnes	County Assessor	Jan 2028



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Independent Auditor's Report

To the Officials of Washington County:

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2022 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Washington County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 6 to the financial statements, Washington County adopted new accounting guidance related to Governmental Accounting Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Washington County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), 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 58 through 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 auditing standards generally accepted in the United States of America, 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, 2021 (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.

Such 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. The 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 through 8 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2023 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 13, 2023

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, 2022. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2022 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 87, Leases, during fiscal year 2022. The implementation of this standard revised certain asset and liability accounts related to leases, however had no effect on the beginning net position for governmental activities.
- Revenues of the County's governmental activities increased 6.9%, or approximately \$1,971,000, from fiscal year 2021 to fiscal year 2022. Property and other county tax decreased approximately \$637,000, charges for service increased approximately \$1,037,000, operating grants, contributions, and restricted interest decreased approximately \$218,000 and capital grants, contributions and restricted interest increased approximately \$1,772,000. The significant increase in revenues is partially due to an increase in capital contributions for road infrastructure and the increase in charges for services was due to completion of entire year for the ambulance department charges.
- Program expenses of the County's governmental activities were less than 1.0%, or approximately \$19,000, more in fiscal year 2022 than in fiscal year 2021. Roads and transportation and administration expenses increased approximately \$641,000 and \$458,000, respectively, while mental health expenses decreased approximately \$420,000.
- The County's net position increased 6.8%, or approximately \$5,448,000, over the June 30, 2021 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 (Custodial 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 (asset) 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 Custodial 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 custodial capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Custodial Funds that account for the Public Safety Commission, 911 Services, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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. 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,	
	2022	2021 Not Restated
Current and other assets	\$ 42,252	39,881
Capital assets	85,769	81,123
Total assets	128,021	121,004
Deferred outflows of resources	1,812	2,104
Long-term liabilities	19,536	27,272
Other liabilities	5,482	3,726
Total liabilities	25,018	30,998
Deferred inflows of resources	19,177	11,920
Net position:		
Net investment in capital assets	76,674	72,093
Restricted	7,093	7,216
Unrestricted	1,871	881
Total net position	\$ 85,638	80,190

Net position of Washington County’s governmental activities increased 6.79% (approximately \$85.6 million compared to approximately \$80.2 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 \$4,581,000, or 6.4%, over the prior year.

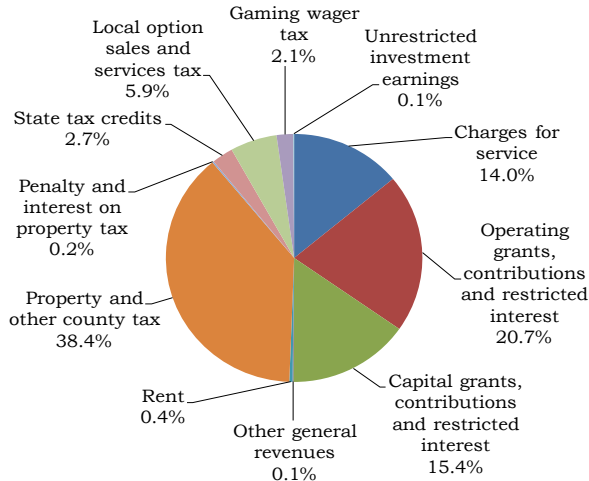
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position decreased approximately \$123,000, or 1.7%, from June 30, 2021 to June 30, 2022, primarily due to decreased amounts available for restriction in 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, increased approximately \$990,000 at June 30, 2021 to approximately \$1,871,000 at the end of this year, an increase of 112.4%.

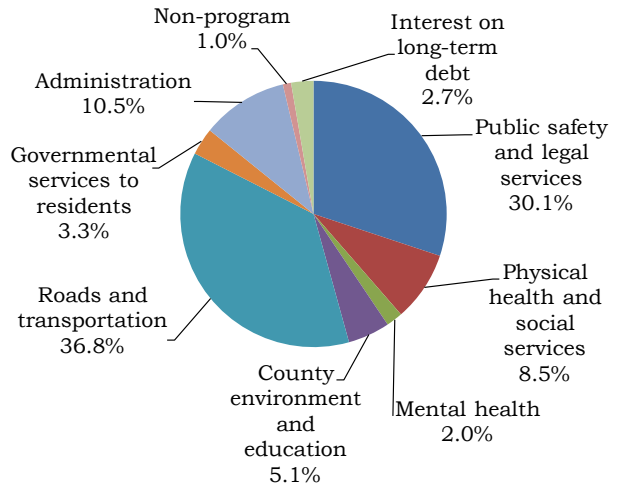
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2022	2021 Not Restated
Program revenues:		
Charges for service	\$ 4,267	3,230
Operating grants, contributions and restricted interest	6,288	6,506
Capital grants, contributions and restricted interest	4,677	2,905
General revenues:		
Property and other county tax	11,661	12,298
Penalty and interest on property tax	66	83
State tax credits	818	875
Local option sales and services tax	1,798	1,507
Gaming wager tax	633	581
Unrestricted investment earnings	26	44
Rent	122	-
Gain on disposition of capital assets	-	113
Other general revenues	25	268
Total revenues	30,381	28,410
Public safety and legal services	7,502	7,779
Physical health and social services	2,112	2,361
Mental health	510	930
County environment and education	1,270	1,371
Roads and transportation	9,178	8,537
Governmental services to residents	813	834
Administration	2,620	2,162
Non-program	261	191
Interest on long-term debt	667	749
Total expenses	24,933	24,914
Change in net position	5,448	3,496
Net position beginning of year, as restated	80,190	76,694
Net position end of year	\$ 85,638	80,190

Revenues by Source



Expenses by Program



Washington County's governmental activities net position increased approximately \$5,448,000 during the year. Revenues for governmental activities increased approximately \$1,971,000 over the prior year. Charges for services increased approximately \$1,037,000 over the prior year due to the ambulance department functioning the entire current fiscal year. Operating grants, contributions and restricted interest decreased approximately \$218,000. Capital grants, contributions and restricted interest increased approximately \$1,772,000 over the prior year primarily due to an increase in infrastructure assets contributed by the Iowa Department of Transportation.

For fiscal year 2022, taxable property valuation increased approximately \$38,726,000 and the tax levy rate decreased \$1.0976 per \$1,000 of taxable valuation, resulting in a decrease in property and other county tax revenue of approximately \$656,000. The total Washington County assessed taxable property valuation for property tax payable in fiscal year 2023 increased approximately \$36,891,000. The tax levy rate is set to increase \$0.2739 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$853,000 next year.

The cost of all governmental activities this year was approximately \$24.9 million compared to approximately \$24.9 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 \$9.7 million because some of the cost was paid by those directly benefiting from the programs (approximately \$4.3 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$10.9 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2022 from approximately \$12,641,000 to approximately \$15,232,000, principally due to an increase in infrastructure assets contributed by the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Washington County completed the year, its governmental funds reported a combined fund balance of approximately \$19.6 million, a decrease of approximately \$3,455,000 from last year's total fund balance of approximately \$23.1 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 2.9% when compared to the prior year. Expenditures increased 8.9% over the prior year primarily due to the operations of the ambulance department which commenced during fiscal year ended June 30, 2021 but operated the entire year in fiscal year 2022. Also, the County purchased software licenses for upgrade in county accounting system. The ending fund balance decreased approximately \$403,000 from the prior year to approximately \$5,101,000.
- The Special Revenue, Mental Health Fund balance at year end was reduced to zero. The County was required by Senate File 619 to transfer the remaining fund balance to the mental health region prior to June 30, 2022.
- The Special Revenue, Rural Services Fund revenues decreased 7.2% and the expenditures decreased 2.1%, respectively, when compared to the prior year. The ending fund balance increased approximately \$175,000 over the prior year to approximately \$940,000.
- Special Revenue, Secondary Roads Fund expenditures decreased approximately \$730,000 from the prior year, due principally to a decrease in roadway construction infrastructure paid by the County. The Secondary Roads Fund ending fund balance decreased approximately \$146,000, or 4.0%, from the prior year to approximately \$3,530,000.
- The Debt Service Fund ended the year with a fund balance of approximately \$8,646,000 compared to the prior year fund balance of approximately \$10,127,000. The fund balance is large because the County has recorded a \$8,555,000 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 increased approximately \$362,000 over the prior year due to a trail paving project grant and a riverboat grant for the trail project received during the current year. Expenditures decreased approximately \$205,000 from the prior year. The ending fund balance decreased approximately \$1,527,000 from the prior year to approximately \$1,117,000.

Budgetary Highlights

Over the course of the year, Washington County amended its budget three times. The first amendment was approved in September 2021 due to refunding and reissuance of hospital bonds. The second amendment was approved in December 2021 was related to maternal child health activity moved to the General Fund, increase in mental health fund for eliminating the fund and an increase in conservation land purchases. The third amendment was approved in April 2022 due to an increase in secondary road projects, increase in ambulance salaries and other expenditures, final payments for the new communication building and equipment and increase for public health grants.

The County’s receipts were \$3,319,502 more than budgeted, a variance of 9.3% which is due primarily to the American Rescue Act funds which were not budgeted.

Total disbursements were \$13,778,669 less than the amended budget. Actual disbursements for non-program, public safety and legal services and administration were \$9,417,372, \$692,803 and \$492,782, respectively, less than budgeted. This was primarily due to hospital bonds being include in non-program budget but reported under other financing uses, fewer roads operations costs and jail corrections costs less than estimated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, Washington County had approximately \$85.8 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 \$4,646,000, or 5.7%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2022	2021
Land	\$ 856	776
Intangibles, road network	3,061	3,061
Construction in progress	6,247	5,735
Buildings	11,355	11,798
Right-to-use leased building	28	-
Improvements other than buildings	575	78
Equipment and vehicles	9,561	7,945
Right-to-use leased equipment	8	-
Intangibles	37	42
Infrastructure	54,041	51,688
Total	\$ 85,769	81,123

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 \$3,184,823 in fiscal year 2022 and total accumulated depreciation/amortization of \$40,114,703 at June 30, 2022.

Long-Term Debt

At June 30, 2022, Washington County had \$18,150,000 of general obligation bonds outstanding compared to \$20,630,000 of general obligation bonds at the end of fiscal year 2021. Debt decreased due to refunding of hospital bonds in fiscal year 2022 and scheduled payments on existing debt.

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 \$108,296,000. Additional information about the County's long-term debt is presented in Note 8 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 2023 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County stands at 2.3%, compared with the State's unemployment rate of 2.6% and the national rate of 3.6% for the same period ended June 30, 2022.

These indicators were taken into account when adopting the budget for fiscal year 2023. Amounts available for appropriation in the operating budget are approximately \$40,008,355, a 32.7% decrease from the final fiscal year 2022 budget. Budgeted disbursements decreased approximately \$20,642,000 from the final fiscal year 2022 budget, primarily in the debt service function. The County refunded county hospital bonds during fiscal year 2022. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$5,600,000 by the close of fiscal year 2023 primarily due to no long term debt issuances planned and capital projects construction projects being completed.

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, 2022

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 16,159,946
Receivables:	
Property tax:	
Delinquent	15,876
Succeeding year	12,369,000
Interest and penalty on property tax	14,899
Accounts	287,293
Opioid settlement	427,299
Accrued interest	1,904
Loan to Washington County Hospital	8,555,000
Due from other governments	844,006
Lease receivable	17,792
Inventories	463,621
Prepaid expense	114,847
Net pension asset	2,980,067
Capital assets not being depreciated	10,163,222
Capital assets, net of accumulated depreciation/amortization	75,605,808
Total assets	128,020,580
Deferred Outflows of Resources	
Pension related deferred outflows	1,521,598
OPEB related deferred outflows	290,399
Total deferred outflows of resources	1,811,997
Liabilities	
Accounts payable	708,956
Accrued interest payable	49,283
Salaries and benefits payable	443,496
Due to other governments	13,210
Unearned revenues	4,266,444
Long-term liabilities:	
Portion due or payable within one year:	
Lease agreements	29,845
General obligation bonds	2,060,000
Compensated absences	406,486
Total OPEB liability	24,848
Portion due or payable after one year:	
Lease agreements	6,683
General obligation bonds	16,090,000
Compensated absences	160,450
Total OPEB liability	757,816
Total liabilities	25,017,517
Deferred Inflows of Resources	
Unavailable property tax revenue	12,369,000
Pension related deferred inflows	6,610,203
OPEB related deferred inflows	198,061
Total deferred inflows of resources	19,177,264
Net Position	
Net investment in capital assets	76,673,583
Restricted for:	
Supplemental levy purposes	1,434,781
Rural services purposes	940,526
Secondary roads purposes	3,376,673
Opioid abatement	427,299
Capital projects	565,192
Debt service	77,296
Other purposes	271,053
Unrestricted	1,871,393
Total net position	\$ 85,637,796

See notes to financial statements.

Washington County
Statement of Activities
Year ended June 30, 2022

	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	\$ 7,502,103	2,610,809	188,007	-	(4,703,287)
Physical health and social services	2,111,534	331,351	1,239,635	-	(540,548)
Mental health	510,477	175	-	-	(510,302)
County environment and education	1,269,889	109,868	186,057	301,449	(672,515)
Roads and transportation	9,177,680	390,524	4,332,455	4,375,726	(78,975)
Governmental services to residents	812,677	529,320	163	-	(283,194)
Administration	2,620,148	8,071	85,489	-	(2,526,588)
Non-program	260,723	286,376	28,719	-	54,372
Interest on long-term debt	683,803	-	244,042	-	(439,761)
Total	\$ 24,949,034	4,266,494	6,304,567	4,677,175	(9,700,798)
General Revenues:					
Property and other county tax levied for:					
General purposes					10,313,947
Debt service					1,347,394
Penalty and interest on property tax					66,268
State tax credits					818,259
Local option sales tax					1,797,560
Gaming wager tax					633,102
Unrestricted investment earnings					26,285
Rent					121,381
Miscellaneous					24,848
Total general revenues					15,149,044
Change in net position					5,448,246
Net position beginning of year					80,189,550
Net position end of year					\$ 85,637,796

See notes to financial statements.

Washington County

Balance Sheet
Governmental Funds

June 30, 2022

	Special Revenue		
	General	Rural Services	Secondary Roads
Assets			
Cash, cash equivalents and pooled investments	\$ 9,304,085	823,300	2,783,896
Receivables:			
Property tax:			
Delinquent	13,570	176	-
Succeeding year	9,751,000	1,266,000	-
Interest and penalty on property tax	14,899	-	-
Accounts, net of allowance for doubtful ambulance accounts of \$163,398	255,885	100	31,308
Opioid settlement	-	-	-
Accrued interest	1,288	-	-
Loan	-	-	-
Due from other funds	-	-	17,984
Due from other governments	318,154	136,074	388,437
Lease receivable	-	-	-
Inventories	-	-	463,621
Prepaid expenditures	114,847	-	-
Total assets	\$ 19,773,728	2,225,650	3,685,246
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 104,912	5,174	72,707
Salaries and benefits payable	349,763	12,517	81,216
Due to other funds	16,551	1,433	-
Due to other governments	11,678	-	1,532
Unearned revenues	4,266,444	-	-
Total liabilities	4,749,348	19,124	155,455
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	9,751,000	1,266,000	-
Other	172,526	149	-
Total deferred inflows of resources	9,923,526	1,266,149	-
Fund balances:			
Nonspendable:			
Inventories	-	-	463,621
Prepaid expenditures	114,847	-	-
Restricted for:			
Supplemental levy purposes	1,490,008	-	-
Rural services purposes	-	940,377	-
Secondary roads purposes	-	-	3,066,170
Debt service	-	-	-
Capital projects	-	-	-
Resource enhancement and protection	-	-	-
Other purposes	-	-	-
Assigned for future projects	317,000	-	-
Unassigned	3,178,999	-	-
Total fund balances	5,100,854	940,377	3,529,791
Total liabilities, deferred inflows of resources and fund balances	\$ 19,773,728	2,225,650	3,685,246

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
90,941	1,116,989	269,712	14,388,923
2,130	-	-	15,876
1,352,000	-	-	12,369,000
-	-	-	14,899
-	-	-	287,293
-	-	427,299	427,299
-	-	-	1,288
8,555,000	-	-	8,555,000
-	-	-	17,984
-	-	1,341	844,006
-	17,792	-	17,792
-	-	-	463,621
-	-	-	114,847
<u>10,000,071</u>	<u>1,134,781</u>	<u>698,352</u>	<u>37,517,828</u>
-	-	-	182,793
-	-	-	443,496
-	-	-	17,984
-	-	-	13,210
-	-	-	<u>4,266,444</u>
-	-	-	4,923,927
1,352,000	-	-	12,369,000
<u>2,078</u>	<u>17,792</u>	<u>427,299</u>	<u>619,844</u>
<u>1,354,078</u>	<u>17,792</u>	<u>427,299</u>	<u>12,988,844</u>
-	-	-	463,621
-	-	-	114,847
-	-	-	1,490,008
-	-	-	940,377
-	-	-	3,066,170
8,645,993	-	-	8,645,993
-	1,116,989	-	1,116,989
-	-	104,940	104,940
-	-	166,113	166,113
-	-	-	317,000
-	-	-	<u>3,178,999</u>
<u>8,645,993</u>	<u>1,116,989</u>	<u>271,053</u>	<u>19,605,057</u>
<u>10,000,071</u>	<u>1,134,781</u>	<u>698,352</u>	<u>37,517,828</u>

Washington County

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

June 30, 2022

Total governmental fund balances (page 19) \$ 19,605,057

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 \$125,883,733 and the accumulated depreciation/amortization is \$40,114,703. 85,769,030

Other long-term assets are not available to pay current year expenditures, as follows:

Deferred inflows of resources	\$ 619,844	
Net pension asset	<u>2,980,067</u>	3,599,911

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. 1,245,476

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	\$ 1,811,997	
Deferred inflows of resources	<u>(6,808,264)</u>	(4,996,267)

Long-term liabilities, including general obligation bonds payable, compensated absences payable, 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. (19,585,411)

Net position of governmental activities (page 16) \$ 85,637,796

See notes to financial statements.

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

Year ended June 30, 2022

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 9,043,303	439,256	1,464,261	-
Local option sales tax	-	-	1,797,560	-
Interest and penalty on property tax	63,864	-	-	-
Intergovernmental	2,778,175	32,344	66,847	4,846,598
Licenses and permits	87,010	-	-	29,412
Charges for service	2,106,232	175	1,650	13,249
Use of money and property	86,542	-	-	-
Miscellaneous	57,691	-	-	300,930
Total revenues	14,222,817	471,775	3,330,318	5,190,189
Expenditures:				
Operating:				
Public safety and legal services	8,260,426	-	-	-
Physical health and social services	2,261,476	-	89	-
Mental health	-	523,202	-	-
County environment and education	758,148	-	428,090	-
Roads and transportation	-	-	326,627	7,377,430
Governmental services to residents	876,633	-	2,031	-
Administration	2,244,560	-	-	-
Non-program	4,878	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	624,682
Total expenditures	14,406,121	523,202	756,837	8,002,112
Excess (deficiency) of revenues over (under) expenditures	(183,304)	(51,427)	2,573,481	(2,811,923)
Other financing sources (uses):				
Transfers in	-	-	-	2,627,399
Transfers out	(228,721)	-	(2,398,678)	-
Bond proceeds	-	-	-	-
Premium on bonds sold	-	-	-	-
Refunded debt	-	-	-	-
Lease agreement	8,910	-	-	38,448
Total other financing sources (uses)	(219,811)	-	(2,398,678)	2,665,847
Change in fund balances	(403,115)	(51,427)	174,803	(146,076)
Fund balances beginning of year	5,503,969	51,427	765,574	3,675,867
Fund balances end of year	\$ 5,100,854	-	940,377	3,529,791

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,347,138	-	-	12,293,958
-	-	-	1,797,560
-	-	-	63,864
99,804	301,449	12,305	8,137,522
-	-	-	116,422
-	79,918	5,594	2,206,818
2,042	133,854	246	222,684
242,000	155,944	10,858	767,423
1,690,984	671,165	29,003	25,606,251
-	-	-	8,260,426
-	-	-	2,261,565
-	-	-	523,202
-	-	-	1,186,238
-	-	-	7,704,057
-	-	-	878,664
-	-	-	2,244,560
-	-	-	4,878
3,166,665	-	-	3,166,665
-	2,248,394	-	2,873,076
3,166,665	2,248,394	-	29,103,331
(1,475,681)	(1,577,229)	29,003	(3,497,080)
-	50,000	-	2,677,399
-	-	(50,000)	(2,677,399)
9,405,000	-	-	9,405,000
594,815	-	-	594,815
(10,005,000)	-	-	(10,005,000)
-	-	-	47,358
(5,185)	50,000	(50,000)	42,173
(1,480,866)	(1,527,229)	(20,997)	(3,454,907)
10,126,859	2,644,218	292,050	23,059,964
8,645,993	1,116,989	271,053	19,605,057

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, 2022

Change in fund balances - Total governmental funds (page 23) \$ (3,454,907)

**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	\$ 3,922,052	
Capital assets contributed by the Iowa Department of Transportation	3,908,516	
Depreciation/amortization expense	<u>(3,184,823)</u>	4,645,745

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	485	
Other	<u>591,933</u>	592,418

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.

Issued	(9,405,000)	
Leases issued	(47,358)	
Repaid	11,885,000	
Repaid leases	<u>10,830</u>	2,443,472

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

IPERS		918,990
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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	(2,823)	
Pension expense	723,156	
OPEB expense	(102,988)	
Interest on long-term debt	<u>8,047</u>	625,392

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.

(322,864)

Change in net position of governmental activities (page 17) \$ 5,448,246

See notes to financial statements.

Washington County
Statement of Net Position
Proprietary Funds

June 30, 2022

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 1,771,023
Receivables:	
Accounts	<u>616</u>
Total assets	<u>1,771,639</u>
Liabilities	
Accounts payable	<u>526,163</u>
Net Position	
Restricted for:	
Employee health	1,197,510
Unrestricted	<u>47,966</u>
Total net position	<u>\$ 1,245,476</u>

See notes to financial statements.

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

Year ended June 30, 2022

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,782,625
Reimbursements from employees and others		47,252
Reimbursements from Custodial Funds		182,432
Stop loss reimbursements		72,458
Contributions for flexible benefits		<u>19,200</u>
Total operating revenues		2,103,967
Operating expenses:		
Medical and dental claims	\$ 1,894,937	
Administrative fees	511,374	
Flexible benefits claims	<u>24,239</u>	<u>2,430,550</u>
Operating loss		(326,583)
Non-operating revenues:		
Interest income		<u>3,719</u>
Net loss		(322,864)
Net position beginning of year		<u>1,568,340</u>
Net position end of year		<u>\$ 1,245,476</u>

See notes to financial statements.

Washington County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2022

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,811,950
Cash received from employees and others	108,969
Cash received from Agency Funds	182,432
Cash paid to suppliers for services	(2,275,528)
Net cash used by operating activities	(172,177)
Cash flows from investing activities:	
Interest on investments	3,870
Increase in cash and cash equivalents	(168,307)
Cash and cash equivalents beginning of year	1,939,330
Cash and cash equivalents end of year	\$ 1,771,023
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (326,583)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(616)
Accounts payable	155,022
Net cash used by operating activities	\$ (172,177)

See notes to financial statements.

Washington County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2022

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 2,344,677
Other County officials	146,827
Receivables:	
Property tax:	
Delinquent	60,409
Succeeding year	30,635,000
Accounts	12,322
Special assessments	60,287
Due from other governments	<u>66,203</u>
Total assets	<u>33,325,725</u>

Liabilities

Liabilities:	
Accounts payable	19,812
Salaries and benefits payable	48,044
Due to other governments	1,008,512
Trust payable	97,360
Compensated absences	<u>59,331</u>
Total liabilities	<u>1,233,059</u>

Deferred Inflows of Resources

Unavailable property tax revenues	<u>30,635,000</u>
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Net position

Restricted for individuals, organizations and other governments	<u>\$ 1,457,666</u>
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See notes to financial statements.

Washington County
Statement of Changes in Fiduciary Net Position
Custodial Funds

June 30, 2022

Additions:	
Property and other county tax	\$ 29,593,420
911 surcharge	250,041
State tax credits	2,489,113
Office fees and collections	814,323
Auto licenses, use tax, postage and drivers license fees	8,670,602
Assessments	7,848
Trusts	239,921
Miscellaneous	<u>2,020,140</u>
Total additions	<u>44,085,408</u>
Deductions:	
Agency remittances:	
To other funds	619,329
To other governments	43,264,025
Trusts paid out	<u>239,921</u>
Total deductions	<u>44,123,275</u>
Change in net position	(37,867)
Net position beginning of year	<u>1,495,533</u>
Net position end of year	<u><u>\$ 1,457,666</u></u>

See notes to financial statements.

Washington County

Notes to Financial Statements

June 30, 2022

(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 Custodial 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.

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 – Custodial 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 lease agreements 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, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2021.

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, 2022, 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 (except for intangible right-to-use lease assets, the measurement of which is discussed under “Leases” below) 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. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. 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
Right-to-use leases assets	5,000
Equipment and vehicles	5,000

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right-to-use leased assets and infrastructure 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
Right-to-Use leased assets	2 - 20
Equipment	2 - 20
Vehicles	3 - 10

Leases – County as Lessee: Washington County is the lessee for a noncancellable lease of equipment. The County has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payment expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payment made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Washington County determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Washington County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

County as Lessor: Washington County is a lessor for a noncancellable lease of a building. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Washington County determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

Washington County uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

Unearned Revenue – 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. Unearned revenue in the government-wide and governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the County has not made a qualifying expenditure. Unearned revenue consists of unspent American Rescue Plan Act proceeds.

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, 2022. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 (asset), 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 (asset) attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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, 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 expense, the unamortized portion of the net difference between projected and actual earnings on pension plan assets and deferred amounts related to leases.

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 the 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, 2022 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 \$7,635,615 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County’s investment in IPAIT is unrated.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 16,551
	Special Revenue:	
	Rural Services	1,433
Total		\$ 17,984

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, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 228,721
	Special Revenue:	
	Rural Services	<u>2,398,678</u>
		<u>2,627,399</u>
Capital Projects	REAP	<u>50,000</u>
		<u>\$ 2,677,399</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, 2022 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 776,024	80,000	-	856,024
Intangibles, road network	3,060,717	-	-	3,060,717
Construction in progress	5,734,633	4,448,644	(3,936,796)	6,246,481
Total capital assets not being depreciated/amortized	<u>9,571,374</u>	<u>4,528,644</u>	<u>(3,936,796)</u>	<u>10,163,222</u>
Capital assets being depreciated/amortized:				
Buildings	17,894,941	-	-	17,894,941
Right-to-use leased building	-	38,448	-	38,448
Improvements other than buildings	147,008	501,699	-	648,707
Equipment and vehicles	16,150,016	2,893,246	(261,066)	18,782,196
Right-to-use leased equipment	-	8,910	-	8,910
Intangibles	90,620	-	-	90,620
Infrastructure	74,319,893	3,936,796	-	78,256,689
Total capital assets being depreciated/amortized	<u>108,602,478</u>	<u>7,379,099</u>	<u>(261,066)</u>	<u>115,720,511</u>
Less accumulated depreciation/amortization for:				
Buildings	6,096,914	442,600	-	6,539,514
Right-to-use leased building	-	10,253	-	10,253
Improvements other than buildings	68,552	5,405	-	73,957
Equipment and vehicles	8,204,815	1,137,046	(120,687)	9,221,174
Right-to-use leased equipment	-	594	-	594
Intangibles	48,330	5,342	-	53,672
Infrastructure	22,631,956	1,583,583	-	24,215,539
Total accumulated depreciation/amortization	<u>37,050,567</u>	<u>3,184,823</u>	<u>(120,687)</u>	<u>40,114,703</u>
Total capital assets being depreciated/amortized, net	<u>71,551,911</u>	<u>4,194,276</u>	<u>(140,379)</u>	<u>75,605,808</u>
Governmental activities capital assets, net	<u>\$ 81,123,285</u>	<u>8,722,920</u>	<u>(4,077,175)</u>	<u>85,769,030</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 293,881
Physical health and social services		12,091
County environment and education		99,349
Roads and transportation		2,242,583
Government services to residents		1,252
Administration		<u>535,667</u>
Total depreciation/amortization expense - governmental activities		<u>\$ 3,184,823</u>

(6) County Building Lease Receivable

The County owns a building it rents out for a community action program. Effective February 14, 2012, the County entered into a ten-year lease with Hawkeye Area Community Action Program, Inc (Lessee) whereby the Lessee operates a community action program. The County is to receive \$3,000 monthly in rent with implicit rate of 4.0%. During the year ended June 30, 2022, the County received \$34,710 in principal and \$1,290 in interest.

Year Ending June 30,	Principal	Interest	Total
2023	<u>\$ 17,792</u>	<u>208</u>	<u>18,000</u>

(7) 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, 2022 is as follows:

Fund	Description	Amount
General	Services	\$ 11,678
Special Revenue:		
Secondary Roads	Services	<u>1,532</u>
Total for governmental funds		<u>\$ 13,210</u>
Custodial:		
County Offices	Collections	\$ 49,467
Agricultural Extension Education		1,694
County Assessor		60
Schools		121,156
Community Colleges		10,868
Corporations		36,833
Townships		3,814
Public Safety Commission		140
Auto License and Use Tax		673,841
All other		<u>110,639</u>
Total for custodial funds		<u>\$ 1,008,512</u>

(8) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	General Obligation		Lease Agreement	Compensated Absences	Net Pension Liability (Asset)		Total OPEB Liability	Total
	Bonds							
Balance beginning of year, as restated	\$ 20,630,000	-		564,113	5,230,478	847,508	27,272,099	
Increases	9,405,000	47,358		637,464	-	119,622	10,209,444	
Decreases	11,885,000	10,830		634,641	8,210,545	184,466	20,925,482	
Balance end of year	\$ 18,150,000	36,528		566,936	(2,980,067)	782,664	16,556,061	
Due within one year	\$ 2,060,000	29,845		406,486	-	24,848	2,521,179	

General Obligation Bonds

A summary of the County's June 30, 2022 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Series 2018A Communication Equipment Issued Sep 26, 2018			Series 2019A Communication Equipment Issued Aug 13, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	4.00%	\$ 300,000	76,150	5.00%	\$ 500,000	279,750
2024	4.00	315,000	64,150	5.00	525,000	254,750
2025	3.00	325,000	51,550	5.00	550,000	228,500
2026	4.00	335,000	41,800	5.00	580,000	201,000
2027	4.00	350,000	28,400	4.00	930,000	172,000
2028-2030	4.00	360,000	14,400	4.00	3,370,000	271,400
		\$ 1,985,000	276,450		\$ 6,455,000	1,407,400

Year Ending June 30,	Series 2020A Communication Equipment Issued Apr 7, 2020			Series 2021A Hospital Refunding Issued Jul 27, 2021		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	4.00%	\$ 275,000	46,200	2.000%	\$ 985,000	189,300
2024	4.00	280,000	35,200	2.248	1,010,000	169,600
2025	4.00	295,000	24,000	3.524	1,030,000	146,900
2026	4.00	305,000	12,200	2.000	1,065,000	110,600
2027	-	-	-	2.000	1,085,000	89,300
2028-2030	-	-	-	2.000	3,380,000	136,100
		\$ 1,155,000	117,600		\$ 8,555,000	841,800

Year Ending June 30,	Total		
	Principal	Interest	Total
2023	\$ 2,060,000	591,400	2,651,400
2024	2,130,000	523,700	2,653,700
2025	2,200,000	450,950	2,650,950
2026	2,285,000	365,600	2,650,600
2027	2,365,000	289,700	2,654,700
2028-2030	7,110,000	396,400	7,506,400
	\$ 18,150,000	2,617,750	20,767,750

During the year ended June 30, 2022, the County retired \$11,855,000 of general obligation bonds.

General Obligation 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, 2022, the County paid principal of \$290,000 and interest of \$87,750 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, 2022, the County paid principal of \$475,000 and interest of \$303,500 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, 2022, the County paid principal of \$265,000 and interest of \$56,800 on the bonds. 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.

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 refund a portion of the Hospital's Series 2006 Revenue Bonds. On July 27, 2021, the County approved, upon recommendation of the Washington County Hospital and Clinics, to refund these bonds by paying \$9,975,000 in principal and \$59,848 in interest.

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 refund a portion of the Hospital's Series 2006 Revenue Bonds. On July 27, 2021, the County approved, upon recommendation of the Washington County Hospital and Clinics, to refund these bonds by paying \$30,000 in principal and \$131 in interest.

On July 27, 2021, the County approved, upon recommendation of the Washington County Hospital and Clinics, to issue general obligation hospital refunding bonds in a principal amount of \$9,405,000 to refund the outstanding principal. The County refunded the bonds to reduce its total debt service payments by approximately \$874,068 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$633,316. During the year ended June 30, 2022, the County paid principal of \$850,000 and interest of \$165,613 on the bonds.

The County loaned the proceeds of the general obligation hospital bonds issued during fiscal year 2022 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.

Lease Agreements

On February 15, 2022, the County entered into a noncancelable lease agreement for a building for secondary roads equipment. The agreement requires monthly payments of \$2,400 over seventeen-month period with an estimated implicit interest rate of 4.0% and final payment due on June 30, 2023. During the year ended June 30, 2022 the County paid principal of \$10,262 and interest of \$452 on the agreement.

On March 4, 2022, the County entered into a noncancelable lease agreement for a postage machine. The agreement requires monthly payments of \$164 over five years with an estimated implicit interest rate of 4.0% and final payment due on February 1, 2027. During the year ended June 30, 2022 the County paid principal of \$568 and interest of \$88 on the agreement.

Future principal and interest lease payments as of June 30, 2022 are as follows:

Year Ending June 30,	Secondary Road Building			Postage Machine		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 28,186	614	28,800	\$ 1,659	309	1,968
2024	-	-	-	1,727	241	1,968
2025	-	-	-	1,797	171	1,968
2026	-	-	-	1,870	98	1,968
2027	-	-	-	1,289	23	1,312
	<u>\$ 28,186</u>	<u>614</u>	<u>28,800</u>	<u>\$ 8,342</u>	<u>842</u>	<u>9,184</u>

Year Ending June 30,	Totals		
	Principal	Interest	Total
2023	\$ 29,845	\$ 923	30,768
2024	1,727	241	1,968
2025	1,797	171	1,968
2026	1,870	98	1,968
2027	1,289	23	1,312
	<u>\$ 36,528</u>	<u>1,456</u>	<u>37,984</u>

(9) Washington County Hospital Loan Receivable

As detailed in Note 8 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. At June 30, 2022, a receivable of \$8,555,000 from Washington County Hospital is reported in the Debt Service Fund.

(10) 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 2022, 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 9.01% of covered payroll, for a total rate of 18.02%. Protection occupation members contributed 6.21% of covered payroll and the County contributed 9.31% of covered payroll, for a total rate of 15.52%.

The County’s contributions to IPERS for the year ended June 30, 2022 totaled \$918,990.

Net Pension Asset, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the County reported an overall net pension asset of \$2,980,067 for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021 and the total plan pension liability used to calculate the overall plan net pension asset was determined by an actuarial valuation as of that date. The County’s proportion of the overall plan net pension asset was based on the County’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the County’s proportion was 0.863220%, which was an increase of 0.788762% over its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the County recognized pension expense of \$723,156. At June 30, 2022, 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	\$ 302,680	90,328
Changes of assumptions	99,354	67,730
Net difference between projected and actual earnings on IPERS' investments		6,413,475
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	200,574	38,670
County contributions subsequent to the measurement date	918,990	-
Total	\$ 1,521,598	6,610,203

\$918,990 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 (asset) in the year ending June 30, 2023. 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
2023	\$ 1,515,312
2024	1,485,138
2025	1,372,115
2026	1,671,041
2027	<u>(36,011)</u>
Total	<u>\$ 6,007,595</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability (asset) in the June 30, 2021 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, 2021 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 2021 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension asset 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 asset.

Sensitivity of the County's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability (asset) 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 (asset)	\$ 2,829,804	(2,980,067)	(7,846,232)

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, 2022.

(11) 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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>159</u>
Total	<u><u>160</u></u>

Total OPEB Liability – The County’s total OPEB liability of \$782,664 was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2020, rolled forward to July 1, 2021.

Actuarial Assumptions – The total OPEB liability in the July 1, 2021 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 (effective June 30, 2020)	3.25% per annum, including inflation
Discount Rate (effective July 30, 2021)	2.19% compounded annually, including inflation.
Healthcare cost trend rates (effective July 30, 2021)	7.50% initial rate decreasing by .5% annually to an ultimate rate of 4.50%

Discount Rate – The discount rate used to measure the total OPEB liability was 2.19% 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 Public Plan 2010 tables fully generational using Scale MP-2021. 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	<u>\$ 847,508</u>
Changes for the year:	
Service cost	81,064
Interest	24,372
Differences between expected and actual experiences	14,186
Changes in assumptions	(159,618)
Benefit payments	<u>(24,848)</u>
Net changes	<u>(64,844)</u>
Total OPEB liability end of year	<u>\$ 782,664</u>

Changes of assumptions reflect a change in the discount rate from 2.66% in fiscal year 2021 to 2.19% in fiscal year 2022.

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 (1.19%) or 1% higher (3.19%) than the current discount rate.

	<u>1% Decrease (1.19%)</u>	<u>Discount Rate (2.19%)</u>	<u>1% Increase (3.19%)</u>
Total OPEB liability	\$ 846,193	782,664	721,900

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	\$ 664,483	782,664	924,338

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the County recognized OPEB expense of \$115,850. At June 30, 2022, 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	\$ 228,982	17,221
Changes in assumptions	41,422	180,840
County contributions subsequent to the measurement date	19,995	-
Total	\$ 290,399	198,061

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
2023	\$ 17,547
2024	17,547
2025	17,547
2026	17,544
2027	13,784
Thereafter	(11,626)
	\$ 72,343

(12) 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 794 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, employment practices liability, public officials liability and police professional liability. 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, 2022 were \$211,884.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, 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, 2022, no liability has been recorded in the County's financial statements. As of June 30, 2022, 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.

(13) 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 \$60,000. 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, 2022 was \$1,731,292.

Amounts payable from the Employee Group Health Fund at June 30, 2022 total \$523,873, 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 \$1,197,510 at June 30, 2022 and is reported as a designation of the Internal Service, Employee Group Health Fund, 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	\$ 371,141
Incurred claims (including claims incurred but not reported at June 30, 2021)	1,820,712
Payments	<u>(1,667,980)</u>
Unpaid claims end of year	<u>\$ 523,873</u>

(14) 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, 2022 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Kalona	Urban renewal and economic development projects	\$ 9,323
City of Washington	Urban renewal and economic development projects	23,115
	Chapter 404 tax abatement program	6,472
City of Wellman	Urban renewal and economic development projects	1,326

(15) 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 a Custodial Fund because of the County's fiduciary relationship with the organization.

The following financial data is for the year ended June 30, 2022:

Additions:		
Contributions from governmental units:		
Emergency management services	\$	884,537
Reimbursement from Joint 911 Service Board		15,000
Miscellaneous		<u>1,007</u>
Total additions		900,544
Deductions:		
Salaries	\$	654,631
Benefits		221,499
Office supplies and postage		1,263
Uniforms		1,967
Travel		1,113
Telephone and fax services		7,735
Training		1,150
Tort liability insurance		6,381
Professional services		29,271
Equipment maintenance		2,648
Radio equipment maintenance		252
Utilities		15,496
Miscellaneous		<u>29,779</u>
		<u>973,185</u>
Net		(72,641)
Balance beginning of year, as restated		<u>259,509</u>
Balance end of year		<u>\$ 186,868</u>

(16) 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, 2022, as follows:

Revenues:		
Property and other county tax		\$ 439,256
Intergovernmental:		
State tax credits		32,344
Charges for service		<u>175</u>
Total revenues		<u>471,775</u>
Expenditures:		
Services to persons with:		
Mental illness		27,312
General administration:		
Direct administration	\$ 84,806	
Distribution of regional fiscal agent	<u>411,084</u>	<u>495,890</u>
Total expenditures		<u>523,202</u>
Excess of expenditures over revenues		(51,427)
Fund balance beginning of year		<u>51,427</u>
Fund balance end of year		<u>\$ -</u>

(17) 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. The current contract plus change orders totals \$5,021,037. As of June 30, 2022, approximately \$4,518,938 has been paid on the contract. The remaining \$502,099 will be paid as work on the project progresses.

(18) Opioid Litigation Settlement

The State of Iowa along with other states settled claims that certain prescription drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failed to monitor for, detect and prevent diversion of the drugs. The County also settled the same claims and related claims. Due to its settlement of these claims, the County will receive payments from the Defendant companies over the next seventeen years. The County is required to use these funds for activities to remediate the opioid crisis and treat or mitigate opioid use disorder and related disorders through prevention, harm reduction, and recovery services.

(19) Ambulance Department Billing Contract

The County hired a contractor to review the Washington County Ambulance Department billing practices and procedures. The results of that review have not been completed as the date of this report.

(20) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 96, Subscription-Based Information Technology Arrangements. This statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting certain assets and liabilities for the right-to-use another party's information technology software alone or in combination with tangible capital assets that are not currently reported.

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, 2022

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
Receipts:				
Property and other county tax	\$ 14,084,899	13,410,899	13,410,899	674,000
Interest and penalty on property tax	63,864	53,500	53,500	10,364
Intergovernmental	10,540,810	7,195,820	8,153,383	2,387,427
Licenses and permits	114,729	79,750	79,750	34,979
Charges for service	2,259,523	2,127,825	2,127,825	131,698
Use of money and property	224,511	217,583	217,583	6,928
Miscellaneous	1,594,893	1,445,465	11,520,602	(9,925,709)
Total receipts	28,883,229	24,530,842	35,563,542	(6,680,313)
Disbursements:				
Public safety and legal services	8,186,236	8,531,082	8,879,039	692,803
Physical health and social services	2,255,655	2,355,345	2,543,213	287,558
Mental health	526,875	974,792	1,014,792	487,917
County environment and education	1,185,534	1,359,072	1,359,072	173,538
Roads and transportation	8,304,603	7,494,635	8,677,769	373,166
Governmental services to residents	868,911	909,285	909,285	40,374
Administration	2,223,260	2,716,042	2,716,042	492,782
Non-program	5,628	18,000	9,423,000	9,417,372
Debt service	3,155,442	2,742,715	12,807,694	9,652,252
Capital projects	2,964,759	2,131,561	4,530,666	1,565,907
Total disbursements	29,676,903	29,232,529	52,860,572	23,183,669
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(793,674)	(4,701,687)	(17,297,030)	16,503,356
Other financing sources, net	628,358	5,492	9,410,492	(8,782,134)
Change in balances	(165,316)	(4,696,195)	(7,886,538)	7,721,222
Balance beginning of year	14,554,239	10,207,032	14,500,462	53,777
Balance end of year	\$ 14,388,923	5,510,837	6,613,924	7,774,999

See accompanying independent auditor's report.

Washington County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2022

	<u>Governmental Funds</u>		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual
			Basis
Revenues	\$ 28,883,229	(3,276,978)	25,606,251
Expenditures	29,676,903	(573,572)	29,103,331
Net	(793,674)	(2,703,406)	(3,497,080)
Other financing sources (uses), net	628,358	(586,185)	42,173
Beginning fund balances	14,554,239	8,505,725	23,059,964
Ending fund balances	<u>\$ 14,388,923</u>	<u>5,216,134</u>	<u>19,605,057</u>

See accompanying independent auditor's report.

Washington County

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2022

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 Custodial 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 \$23,628,043. 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, 2022, disbursements did not exceed the amounts budgeted.

Washington County

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

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

Required Supplementary Information

	2022	2021	2020	2019
County's proportion of the net pension liability/asset	0.863220% **	0.074458%	0.069301%	0.071060%
County's proportionate share of the net pension liability	\$ (2,980)	5,230	4,013	4,497
County's covered payroll	\$ 9,239	7,868	7,588	7,305
County's proportionate share of the net pension liability as a percentage of its covered payroll	-32.26	66.47%	52.89%	61.56%
IPERS' net position as a percentage of the total pension liability	100.81	82.90%	85.45%	83.62%

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

** Overall plan net pension asset.

See accompanying independent auditor's report.

2018	2017	2016	2015
0.075687%	0.076946%	0.070351%	0.067259%
5,042	4,842	3,476	2,667
7,038	6,924	6,511	6,363
71.64%	69.93%	53.39%	41.91%
82.21%	81.82%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 919	873	748	727
Contributions in relation to the statutorily required contribution	<u>(919)</u>	<u>(873)</u>	<u>(748)</u>	<u>(727)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 9,830	9,239	7,868	7,588
Contributions as a percentage of covered payroll	9.35%	9.45%	9.51%	9.58%

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
665	644	636	600	585	561
(665)	(644)	(636)	(600)	(585)	(561)
-	-	-	-	-	-
7,305	7,038	6,924	6,511	6,363	6,218
9.10%	9.15%	9.19%	9.22%	9.20%	9.02%

Washington County

Notes to Required Supplementary Information – Pension Liability (Asset)

Year ended June 30, 2022

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 Five Years
 Required Supplementary Information

	2022	2021	2020	2019	2018
Service cost	\$ 81,064	61,261	40,249	42,846	30,690
Interest cost	24,372	23,820	19,536	18,275	11,421
Difference between expected and actual experiences	14,186	99,192	148,228	(34,441)	95,142
Changes in assumptions	(159,618)	50,628	(41,148)	(12,162)	(8,850)
Benefit payments	(24,848)	(9,441)	(18,589)	(22,291)	(14,502)
Net change in total OPEB liability	(64,844)	225,460	148,276	(7,773)	113,901
Total OPEB liability beginning of year	847,508	622,048	473,772	481,545	367,644
Total OPEB liability end of year	<u>\$ 782,664</u>	<u>847,508</u>	<u>622,048</u>	<u>473,772</u>	<u>481,545</u>
Covered-employee payroll	\$ 8,923,799	9,452,194	7,623,854	7,030,764	6,809,457
Total OPEB liability as a percentage of covered-employee payroll	8.8%	9.0%	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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

The 2022 valuation implemented changed mortality assumptions for all mortality tables from MP-2019 to MP-2021.

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, 2022	2.19%
Year ended June 30, 2021	2.66%
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, 2022

				Special
	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement County Attorney	
Assets				
Cash, cash equivalents and pooled investments	\$ 61,964	104,940	4,403	
Opioid settlement	-	-	-	
Due from other governments	462	-	-	
Total assets	\$ 62,426	104,940	4,403	
Liabilities and Fund Balances				
Deferred inflows of resources:				
Unavailable revenues:				
Deferred inflows - other	\$ -	-	-	
Fund balances:				
Restricted for:				
Resource enhancement and protection	-	104,940	-	
Other purposes	62,426	-	4,403	
Total fund balances	62,426	104,940	4,403	
Total liabilities and fund balances	\$ 62,426	104,940	4,403	

See accompanying independent auditor's report.

Revenue					
Law Enforcement County Sheriff	Supplemental Environmental Projects	Local Government Opioid Abatement	Delinquent Fines		Total
56,513	2,650	-	39,242		269,712
-	-	427,299	-		427,299
-	-	-	879		1,341
56,513	2,650	427,299	40,121		698,352
-	-	427,299	-		427,299
-	-	-	-		104,940
56,513	2,650	-	40,121		166,113
56,513	2,650	-	40,121		271,053
56,513	2,650	427,299	40,121		698,352

Washington County

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

Year ended June 30, 2022

	County Recorder's Records Management	Resource Enhancement and Protection	Special Law Enforcement County Attorney
Revenues:			
Intergovernmental	\$ -	12,096	-
Charges for service	5,594	-	-
Use of money and property	82	160	-
Miscellaneous	-	-	-
Total revenues	5,676	12,256	-
Other financing uses:			
Operating transfers out	-	(50,000)	-
Excess of revenues over expenditures	5,676	62,256	-
Fund balances beginning of year	56,750	142,684	4,403
Fund balances end of year	\$ 62,426	204,940	4,403

See accompanying independent auditor's report.

Revenue				
Law Enforcement County Sheriff	Supplemental Environmental Projects	Delinquent Fines		Total
209	-	-		12,305
-	-	-		5,594
-	4	-		246
524	-	10,334		10,858
733	4	10,334		29,003
-	-	-		(50,000)
733	4	10,334		79,003
55,780	2,646	29,787		292,050
56,513	2,650	40,121		371,053

Schedule 3

Washington County
Combining Schedule of Net Position
Internal Service Funds

June 30, 2022

	Employee Group Health	Flexible Benefits	Dental Insurance	Total
Assets				
Cash and cash equivalents	\$ 1,720,767	11,027	39,229	1,771,023
Receivables:				
Accounts	616	-	-	616
Total assets	<u>1,721,383</u>	<u>11,027</u>	<u>39,229</u>	<u>1,771,639</u>
Liabilities				
Accounts payable	<u>523,873</u>	-	2,290	<u>526,163</u>
Net Position				
Restricted for:				
Employee health	1,197,510	-	-	1,197,510
Unrestricted	-	11,027	36,939	47,966
Total net position	<u>\$ 1,197,510</u>	<u>11,027</u>	<u>36,939</u>	<u>1,245,476</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, 2022

	Employee Group Health	Flexible Benefits	Dental Insurance	Total
Operating revenues:				
Reimbursements from operating funds	\$ 1,731,292	-	51,333	1,782,625
Reimbursements from employees and others	17,311	-	29,941	47,252
Reimbursements from agency funds	182,432	-	-	182,432
Stop loss reimbursements	72,458	-	-	72,458
Contributions for flexible benefits	-	19,200	-	19,200
Total operating revenues	2,003,493	19,200	81,274	2,103,967
Operating expenses:				
Medical and dental claims	1,820,712	-	74,225	1,894,937
Administrative fees	511,374	-	-	511,374
Flexible benefits claims	-	24,239	-	24,239
Total operating expenses	2,332,086	24,239	74,225	2,430,550
Operating income (loss)	(328,593)	(5,039)	7,049	(326,583)
Non-operating revenues:				
Interest income	3,719	-	-	3,719
Net income (loss)	(324,874)	(5,039)	7,049	(322,864)
Net position beginning of year	1,522,384	16,066	29,890	1,568,340
Net position end of year	\$ 1,197,510	11,027	36,939	1,245,476

See accompanying independent auditor's report.

Washington County

Washington County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2022

	Employee Group Health	Flexible Benefits	Dental Insurance	Total
Cash flows from operating activities:				
Cash received from operating funds	\$ 1,730,676	-	81,274	1,811,950
Cash received from employees and others	89,769	19,200	-	108,969
Cash received from custodial funds	182,432	-	-	182,432
Cash paid to suppliers for services	(2,179,354)	(24,239)	(71,935)	(2,275,528)
Net cash provided (used) by operating activities	(176,477)	(5,039)	9,339	(172,177)
Cash flows from investing activities:				
Interest on investments	3,870	-	-	3,870
Net increase (decrease) in cash and cash equivalents	(172,607)	(5,039)	9,339	(168,307)
Cash and cash equivalents beginning of year	1,893,374	16,066	29,890	1,939,330
Cash and cash equivalents end of year	\$ 1,720,767	11,027	39,229	1,771,023
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (328,593)	(5,039)	7,049	(326,583)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
Accounts receivable	(616)	-	-	(616)
Accounts payable	152,732	-	2,290	155,022
Net cash provided (used) by operating activities	\$ (176,477)	(5,039)	9,339	(172,177)

See accompanying independent auditor's report.

Washington County
Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2022

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,694	225,316	121,156	10,868
Other County officials	146,827	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	415	718	30,039	2,714
Succeeding year	-	259,000	488,000	18,675,000	1,754,000
Accounts	-	-	119	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	146,827	261,109	714,153	18,826,195	1,767,582
Liabilities					
Accounts payable	-	-	975	-	-
Salaries and benefits payable	-	-	13,999	-	-
Due to other governments	49,467	1,694	60	121,156	10,868
Trusts payable	97,360	-	-	-	-
Compensated absences	-	-	19,300	-	-
Total liabilities	146,827	1,694	34,334	121,156	10,868
Deferred Inflow of Resources					
Unavailable revenues	-	259,000	488,000	18,675,000	1,754,000
Net Position					
Restricted for individuals, organizations and other governments	\$ -	415	191,819	30,039	2,714

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
36,833	3,814	257,548	673,841	1,013,607	2,344,677
-	-	-	-	-	146,827
24,390	59	-	-	2,074	60,409
7,593,000	529,000	-	-	1,337,000	30,635,000
-	-	-	-	12,203	12,322
-	-	-	-	60,287	60,287
-	-	-	-	66,203	66,203
7,654,223	532,873	257,548	673,841	2,491,374	33,325,725
-	-	904	-	17,933	19,812
-	-	31,523	-	2,522	48,044
36,833	3,814	140	673,841	110,639	1,008,512
-	-	-	-	-	97,360
-	-	38,113	-	1,918	59,331
36,833	3,814	70,680	673,841	133,012	1,233,059
7,593,000	529,000	-	-	1,337,000	30,635,000
24,390	59	186,868	-	1,021,362	1,457,666

Washington County

Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2022

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Additions:					
Property and other county tax	\$ -	257,167	445,128	18,301,441	1,663,567
911 surcharge	-	-	-	-	-
State tax credits	-	18,932	32,770	1,368,972	123,270
Office fees and collections	808,688	-	-	-	-
Auto licenses, use tax, postage and drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	239,921	-	-	-	-
Miscellaneous	25	-	474	-	-
Total additions	1,048,634	276,099	478,372	19,670,413	1,786,837
Deductions:					
Agency remittances:					
To other funds	330,037	-	-	-	-
To other governments	478,676	276,044	469,845	19,666,426	1,786,392
Trusts paid out	239,921	-	-	-	-
Total deductions	1,048,634	276,044	469,845	19,666,426	1,786,392
Changes in net position	-	55	8,527	3,987	445
Net position beginning of year	-	360	183,292	26,052	2,269
Net position end of year	\$ -	415	191,819	30,039	2,714

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
7,096,915	516,157	-	-	1,313,045	29,593,420
-	-	-	-	250,041	250,041
825,334	23,257	-	-	96,578	2,489,113
-	-	-	-	5,635	814,323
-	-	-	8,670,602	-	8,670,602
-	-	-	-	7,848	7,848
-	-	-	-	-	239,921
-	-	900,544	-	1,119,097	2,020,140
<u>7,922,249</u>	<u>539,414</u>	<u>900,544</u>	<u>8,670,602</u>	<u>2,792,244</u>	<u>44,085,408</u>
-	-	-	289,292	-	619,329
7,919,841	539,379	973,185	8,381,310	2,772,927	43,264,025
-	-	-	-	-	239,921
<u>7,919,841</u>	<u>539,379</u>	<u>973,185</u>	<u>8,670,602</u>	<u>2,772,927</u>	<u>44,123,275</u>
2,408	35	(72,641)	-	19,317	(37,867)
21,982	24	259,509	-	1,002,045	1,495,533
<u>24,390</u>	<u>59</u>	<u>186,868</u>	<u>-</u>	<u>1,021,362</u>	<u>1,457,666</u>

Washington County

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

For the Last Ten Years

	2022	2021	2020	2019
Revenues:				
Property and other county tax	\$ 12,293,958	12,929,686	12,554,972	11,538,277
Tax increment financing	-	-	-	-
Local option sales tax	1,797,560	1,506,704	1,409,151	1,259,429
Interest and penalty on property tax	63,864	82,725	33,285	60,039
Intergovernmental	8,137,522	9,306,747	7,554,889	7,243,425
Licenses and permits	116,422	102,811	110,373	100,434
Charges for service	2,206,818	1,933,601	826,602	800,471
Use of money and property	222,684	229,882	434,112	420,321
Miscellaneous	751,015	649,254	693,186	654,631
Total	\$ 25,589,843	26,741,410	23,616,570	22,077,027
Expenditures:				
Operating:				
Public safety and legal services	\$ 8,260,426	7,399,025	6,104,605	4,810,554
Physical health and social services	2,261,565	2,279,175	2,036,147	2,048,359
Mental health	523,202	926,278	758,917	825,003
County environment and education	1,186,238	1,202,010	1,135,974	1,166,680
Roads and transportation	7,704,057	6,720,806	6,373,215	5,915,677
Governmental services to residents	878,664	810,132	760,043	718,631
Administration	2,244,560	1,983,173	1,811,995	1,826,807
Non-program	4,878	9,626	12,419	4,069
Debt service	2,555,442	3,200,983	4,994,558	3,142,161
Capital projects	2,873,076	4,789,450	7,604,683	2,317,852
Total	\$ 28,492,108	29,320,658	31,592,556	22,775,793

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
10,093,892	9,547,699	9,214,425	8,993,354	9,092,267	9,658,584
-	-	-	910,267	1,746,821	1,807,197
1,154,357	1,125,920	1,189,149	1,129,426	1,114,808	969,263
55,520	52,786	53,397	53,820	70,802	72,171
6,211,151	6,345,389	5,823,552	6,101,263	5,935,796	6,094,416
96,208	90,507	83,653	73,462	87,100	71,390
811,345	788,456	842,784	783,054	737,985	788,891
249,238	170,398	158,570	190,767	139,590	148,447
562,270	659,632	557,909	365,425	514,918	856,268
19,233,981	18,780,787	17,923,439	18,600,838	19,440,087	20,466,627
4,794,395	4,560,519	4,280,381	4,317,598	4,011,223	4,106,744
1,995,237	2,190,791	2,179,693	2,222,115	2,242,800	2,517,575
693,211	488,587	630,463	310,473	324,392	435,068
1,119,310	985,610	1,053,243	954,300	926,078	1,247,107
5,870,376	5,668,040	5,979,548	5,065,801	5,006,326	4,651,989
809,246	636,027	637,042	609,740	599,112	600,254
1,722,300	1,745,629	1,757,456	1,679,024	1,661,955	1,695,303
3,398	114,670	46,374	51,812	88,683	59,227
2,518,756	6,077,520	1,391,979	5,156,992	3,117,343	3,417,027
1,668,107	1,118,554	534,651	543,450	2,981,114	2,677,266
21,194,336	23,585,947	18,490,830	20,911,305	20,959,026	21,407,560



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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 auditing standards generally accepted in the United States of America 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, 2022, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 13, 2023.

Report on 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washington County's internal control. Accordingly, we do not express an opinion on the effectiveness of Washington County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that 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 that a material misstatement of the Washington 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 2022-001 through 2022-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that 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 2022-004 through 2022-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance 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 Washington County's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Washington 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 Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Washington County's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Washington County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 13, 2023

Washington County
 Schedule of Findings
 Year ended June 30, 2022

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 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 and the Public Safety Commission’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, Ambulance
(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, Ambulance
(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 have the ability to void receipts in the Eden system, including individuals who perform daily balancing.	Treasurer, Recorder Offices
(6) Journal entries are not reviewed and approved.	Auditor
(7) Responsibilities for maintaining detailed accounts receivable records are not segregated from record posting.	Engineer, Public Health Nurse, Ambulance

Washington County

Schedule of Findings

Year ended June 30, 2022

- | | |
|--|----------|
| (8) Sufficient records are not maintained for material and scrap metal recovered and those records are not reviewed by someone independent of other related materials to ensure all material is accounted for. | Engineer |
| (9) Persons who sign checks are not independent of persons who approve disbursements, record cash or prepare checks. | Recorder |

Cause – The County offices noted above, and the Public Safety Commission 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 and the Public Safety Commission’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 – We have 3 full time staff in the Records Office and all are cross trained to perform duties which is the most practical with a small office. We have segregated duties as much as possible and can look over other employees when performing the duties to have oversight.

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 – As Director of the Washington County Conservation Board, I will take into consideration the recommendation to create additional segregation of tasks amongst my office staff.

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 – The Public Health Trust Fund requires a second signature for checks written by the agency Administrator who is independent of all other functions. Internal control processes and segregating of duties will continue to be monitored.

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

Washington County

Schedule of Findings

Year ended June 30, 2022

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

Ambulance – Change in staff has made it hard to further segregate duties. We are committed to improving our internal controls in all aspects moving forward.

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.

2022-002 Financial Reporting

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

Condition – Material amounts of capital assets and construction in progress 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 polices 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.

County Auditor Response – We will work with pertinent department heads to establish a procedure to ensure capital assets are reviewed on a regular basis and that capital assets and construction in progress are consistently and accurately reported.

Conclusion – Response accepted.

2022-003 Ambulance Reconciliation of Billings, Collections and Delinquent Accounts

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

Condition – Ambulance billings, collections and delinquent accounts were not reconciled throughout the year. Ambulance collections were not reconciled to deposits.

Washington County

Schedule of Findings

Year ended June 30, 2022

Cause – Policies have not been established and procedures have not been implemented to maintain account listings, reconcile billings, collections and delinquent account balances and to reconcile ambulance collections to deposits. Also, comparing collections to deposits to ensure proper recording of receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

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

Recommendation - Procedures should be established to reconcile billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. Also, to properly compare collections to deposits to ensure proper recording of receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances. An independent person should review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Interim Ambulance Director Response – County is determined to improve internal controls over reporting and accounting. We plan to implement a reconciliation procedure.

Conclusion – Response accepted.

2022-004 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 – Will develop and initiate policies to ensure capital assets will be tested periodically.

Conclusion – Response accepted.

Washington County

Schedule of Findings

Year ended June 30, 2022

2022-005 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 – We noted the following regarding the County’s password policies:

- 1) County has a password policy; however, policy requires passwords be shared with supervisors.
- 2) Passwords are not changed at least every 60 to 90 days. The Eden system does not force a change in passwords.

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

Cause – Management has not required updates to 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 – We will work to develop and implement written policies in order to improve County control over computer systems.

Conclusion – Response accepted.

2022-006 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 a record of hours worked. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked.

Condition – Although timesheets are prepared, there is no evidence of review and approval of timesheets by supervisory personnel for the various departments. 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.

Washington County

Schedule of Findings

Year ended June 30, 2022

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 – Will develop and initiate policies to ensure timesheets are properly reviewed and authorized, including department head timesheets.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Washington County
 Schedule of Findings
 Year ended June 30, 2022

Other Findings Related to Required Statutory Reporting:

- 2022-A Certified Budget – Disbursements during the year ended June 30, 2022 did not exceed the amounts budgeted.
- 2022-B 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.
- 2022-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 2022-D Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Marcus Felder, Board of Supervisors, president of Custom Impressions, Inc.	Embroidery/signage	\$ 2,602

The transactions do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa, since the total transactions with each individual were less than \$6,000 during the fiscal year.

- 2022-E 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.
- 2022-F 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.
- 2022-G 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 – We will investigate steps to be taken to ensure that Board minutes are provided for publication per Iowa Code Chapter 349.18.

Conclusion – Response accepted.

- 2022-H 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, 2022

2022-I 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).

2022-J 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.

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

This audit was performed by:

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