



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Brian Brustkern
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FOR RELEASE

June 28, 2024

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$28,553,323 for the year ended June 30, 2023, a 6.0% decrease from the prior year. Expenses for County operations for the year ended June 30, 2023 totaled \$26,571,237, a 6.6% increase over the prior year. The significant decrease in revenue is primarily due to a decrease in contributions from the Iowa Department of Transportation for road infrastructure. The significant increase in expense is primarily due to an increase in expenses for the sheriff's department and ambulance service.

AUDIT FINDINGS:

Sand reported ten findings related to the receipt and expenditure of taxpayer funds. They are found on pages 92 through 99 of this report. The findings address issues such as lack of segregation of duties, lack of independent review to ensure the accurate reporting of capital assets and lack of policies and procedures over computer systems. Sand provided the County with recommendations to address each of these findings.

Eight of the 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 website 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, 2023

Washington County



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Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

June 27, 2024

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, 2023. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

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

Rob Sand
Auditor of State

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Washington County

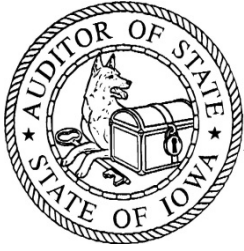
Officials

(Before January 2023)

<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

(After January 2023)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Seward, Jr.	Board of Supervisors	Jan 2025
Stan Stoops	Board of Supervisors	Jan 2025
Bob Yoder	Board of Supervisors	Jan 2025
Marcus Fedler	Board of Supervisors	Jan 2027
Richard Young	Board of Supervisors	Jan 2027
Dan Widmer	County Auditor	Jan 2025
Jeffrey A. Garrett	County Treasurer	Jan 2027
Teresa Mangold	County Recorder	Jan 2027
Jared Schneider	County Sheriff	Jan 2025
Nathan Repp	County Attorney	Jan 2027
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, 2023, 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, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 17 to the financial statements, Washington County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements. 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 GAAS 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 GAAS 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 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 15 and 62 through 74 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 GAAS, 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, 2022 (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 GAAS. 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 June 27, 2024 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

June 27, 2024

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, 2023. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 96, Subscription-Based Information Technology Arrangements (SBITAs), during fiscal year 2023. The implementation for this standard revised certain asset and liability accounts related to SBITAs; however, it had no effect on the beginning net position for governmental activities.
- The Governor signed Senate File 619 on June 16, 2021 which significantly changed mental health funding. The County was required to transfer the remaining fund balance of the Special Revenue, Mental Health Fund to the MHASEI Mental Health Region prior to June 30, 2022.
- Revenues of the County's governmental activities decreased 6.0%, or approximately \$1,828,000, from fiscal year 2022 to fiscal year 2023. The significant decrease in revenues is primarily due to a decrease in capital contributions for road infrastructure.
- Program expenses of the County's governmental activities were 6.6%, or approximately \$1,639,000, more in fiscal year 2023 than in fiscal year 2022. Public safety expense increased by approximately \$1,552,000. This is primarily due to an increase in sheriff department and ambulance service expenses.
- The County's net position increased 2.3%, or approximately \$1,982,000, over the June 30, 2022 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, 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 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,	
	2023	2022 (Not Restated)
Current and other assets	\$ 39,609	42,252
Capital assets	85,650	85,769
Total assets	125,259	128,021
Deferred outflows of resources	1,987	1,812
Long-term liabilities	19,222	19,536
Other liabilities	5,528	5,482
Total liabilities	24,750	25,018
Deferred inflows of resources	14,876	19,177
Net position:		
Net investment in capital assets	77,025	76,674
Restricted	7,906	7,093
Unrestricted	2,689	1,871
Total net position	\$ 87,620	85,638

Net position of Washington County’s governmental activities increased 2.31% (approximately \$87.6 million compared to approximately \$85.6 million).

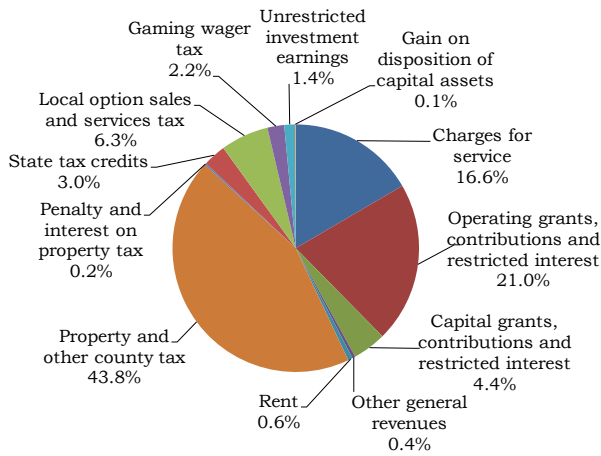
The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net position invested in capital assets increased approximately \$351,000, or less than 1%, over the prior year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased approximately \$813,000, or 11.46%, from June 30, 2022 to June 30, 2023, primarily due to increased amounts available for restriction in the Secondary Roads Fund.

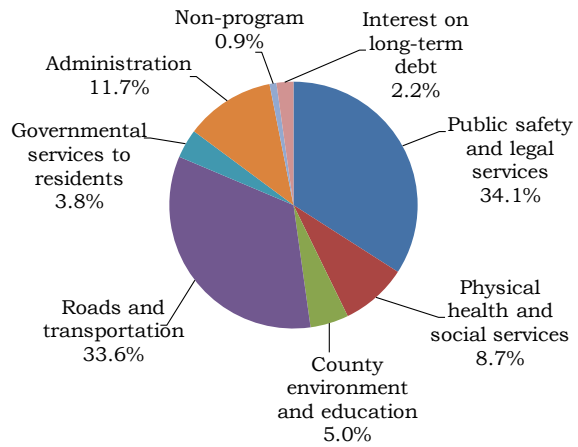
Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$818,000 at June 30, 2022 to approximately \$2,689,000 at the end of this year, an increase of 43.7%.

Changes in Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2023	2022 (Not Restated)
Program revenues:		
Charges for service	\$ 4,746	4,267
Operating grants, contributions and restricted interest	5,984	6,288
Capital grants, contributions and restricted interest	1,268	4,677
General revenues:		
Property and other county tax	12,476	11,661
Penalty and interest on property tax	59	66
State tax credits	858	818
Local option sales and services tax	1,798	1,798
Gaming wager tax	632	633
Unrestricted investment earnings	410	26
Rent	183	122
Gain on disposition of capital assets	38	-
Other general revenues	101	25
Total revenues	28,553	30,381
Public safety and legal services	9,054	7,502
Physical health and social services	2,318	2,112
Mental health	-	510
County environment and education	1,325	1,270
Roads and transportation	8,921	9,178
Governmental services to residents	1,011	813
Administration	3,109	2,620
Non-program	245	261
Interest on long-term debt	588	667
Total expenses	26,571	24,933
Change in net position	1,982	5,448
Net position beginning of year	85,638	80,190
Net position end of year	\$ 87,620	85,638

Revenues by Source



Expenses by Program



Washington County’s governmental activities net position increased approximately \$1,982,000 during the year. Revenues for governmental activities decreased approximately \$1,828,000 from the prior year. Charges for services increased approximately \$479,000 over the prior year. Operating grants, contributions and restricted interest decreased approximately \$304,000. Capital grants, contributions and restricted interest decreased approximately \$3,409,000 over the prior year primarily due to a decrease in infrastructure assets contributed by the Iowa Department of Transportation.

For fiscal year 2023, taxable property valuation increased approximately \$36,891,000 and the tax levy rate increased \$0.2738500 per \$1,000 of taxable valuation, resulting in an increase in property and other county tax revenue of approximately \$853,000. The total Washington County assessed taxable property valuation for property tax payable in fiscal year 2024 will increase approximately \$13,791,000. The tax levy rate is set to increase \$0.7307 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$958,000 next year.

The cost of all governmental activities this year was approximately \$26.6 million compared to approximately \$24.9 million last year. However, as shown in the Statement of Activities on page 21, the amount taxpayers ultimately financed for these activities this year was approximately \$14.6 million because some of the cost was paid by those directly benefiting from the programs (approximately \$4.7 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$7.2 million). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2023 from approximately \$15,232,000 to approximately \$11,998,000, principally due to a decrease 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 \$18.4 million, a decrease of approximately \$1,187,000 from last year's total fund balance of approximately \$19.6 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 14.5% when compared to the prior year. This is primarily due to the property tax levy increasing from 3.65 in FY22 to 4.1 in FY23. Expenditures increased 14.1% over the prior year primarily due to the increase in expenditures for the sheriff's department and ambulance services, primarily for salaries. The ending fund balance decreased approximately \$381,000 from the prior year to approximately \$4,720,000.
- The Special Revenue, Rural Services Fund revenues decreased 5.2% and the expenditures increased 6.7%, respectively, when compared to the prior year. The ending fund balance decreased approximately \$125,000 over the prior year to approximately \$815,000.
- Special Revenue, Secondary Roads Fund expenditures decreased approximately \$747,000, or 9.3% from the prior year. The Secondary Roads Fund ending fund balance increased approximately \$663,000, or 18.8%, from the prior year to approximately \$4,193,000.
- The Debt Service Fund ended the year with a fund balance of approximately \$7,758,000 compared to the prior year fund balance of approximately \$8,646,000. The fund balance is large because the County has recorded a \$7,570,000 loan receivable for debt issued for the Washington County Hospital; however, the debt is not recorded as a fund liability under the modified accrual basis of accounting.
- Capital Projects Fund revenues decreased approximately \$385,000 from the prior year due to a trail paving project grant and a riverboat grant for the trail project received during the prior year. Expenditures decreased approximately \$1,446,000 from the prior year, due to expenditures on the noted grant projects in the prior year. The ending fund balance decreased approximately \$485,000 from the prior year to approximately \$632,000.

Budgetary Highlights

Over the course of the year, Washington County amended its budget one time. The amendment was approved in April 2023 primarily to increase capital projects expenses.

The County's receipts were \$630,229 more than budgeted, a variance of 2.3% primarily due to property and other county tax receipts being greater than anticipated.

Total disbursements were \$6,797,945 less than the amended budget. Actual disbursements for capital projects, roads and transportation, and public safety and legal services were \$2,786,372, \$1,998,735 and \$864,484, respectively, less than budgeted. This was primarily due to a delay in a communications project, jail expenditure salaries due to staffing was lower than anticipated and budgeted roads equipment that was not purchased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, Washington County had approximately \$85.7 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 decrease (including additions and deletions) of approximately \$209,000, or less than 1%, from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2023	2022
	(Not Restated)	
Land	\$ 976	856
Intangibles, road network	3,061	3,061
Construction in progress	931	6,247
Buildings	10,912	11,355
Right-to-use leased building	-	28
Improvements other than buildings	668	575
Equipment and vehicles	10,104	9,561
Right-to-use leased equipment	6	8
SBITA	72	90
Intangibles	31	37
Infrastructure	58,889	54,041
Total	<u>\$ 85,650</u>	<u>85,859</u>

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 \$3,575,490 in fiscal year 2023 and total accumulated depreciation/amortization of \$43,527,932 at June 30, 2023.

Long-Term Debt

At June 30, 2023, Washington County had \$16,090,000 of general obligation bonds outstanding compared to \$18,150,000 of general obligation bonds at the end of fiscal year 2022. Debt decreased due to no new debt issuances 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 \$113,242,000. 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 2024 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.6% versus 2.3% a year ago. This compares with the State's unemployment rate of 2.9% and the national rate of 3.6%. +

These indicators were taken into account when adopting the budget for fiscal year 2024. Amounts available for appropriation in the operating budget are approximately \$38,473,849, a 7.03% decrease from the final fiscal year 2023 budget. Budgeted disbursements decreased approximately \$825,000 from the final fiscal year 2023 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Washington County

Basic Financial Statements

Exhibit A

Washington County
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 15,936,675
Receivables:	
Property tax:	
Delinquent	19,483
Succeeding year	13,673,000
Interest and penalty on property tax	18,181
Accounts	351,262
Opioid settlement	333,989
Accrued interest	12,754
Loan to Washington County Hospital	7,570,000
Due from other governments	899,231
Lease receivable	78,491
Inventories	531,402
Prepaid expense	170,612
Capital assets not being depreciated	4,967,594
Capital assets, net of accumulated depreciation/amortization	<u>80,682,470</u>
Total assets	<u>125,245,144</u>
Deferred Outflows of Resources	
Pension related deferred outflows	1,621,247
OPEB related deferred outflows	<u>365,726</u>
Total deferred outflows of resources	<u>1,986,973</u>

Washington County
Statement of Net Position
June 30, 2023

	Governmental Activities
Liabilities	
Accounts payable	645,220
Accrued interest payable	43,642
Salaries and benefits payable	550,930
Due to other governments	71,654
Unearned revenues	4,202,724
Long-term liabilities:	
Portion due or payable within one year:	
Lease agreements	1,727
SBITA	21,943
General obligation bonds	2,130,000
Compensated absences	445,071
Total OPEB liability	19,995
Portion due or payable after one year:	
Lease agreements	4,956
SBITA	46,555
General obligation bonds	13,960,000
Compensated absences	172,048
Net Pension Liability	1,603,621
Total OPEB liability	816,551
Total liabilities	24,736,637
Deferred Inflows of Resources	
Unavailable property tax revenue	13,673,000
Pension related deferred inflows	905,917
OPEB related deferred inflows	296,681
Total deferred inflows of resources	14,875,598
Net Position	
Net investment in capital assets	77,025,375
Restricted for:	
Supplemental levy purposes	1,536,343
Rural services purposes	815,344
Secondary roads purposes	4,032,951
Opioid abatement	333,989
Capital projects	710,975
Debt service	176,099
Other purposes	300,179
Unrestricted	2,688,627
Total net position	\$ 87,619,882

See notes to financial statements.

Washington County

Washington County
Statement of Activities
Year ended June 30, 2023

	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	\$ 9,053,708	2,700,476	169,034	-	(6,184,198)
Physical health and social services	2,318,072	303,384	596,333	-	(1,418,355)
County environment and education	1,325,382	166,579	100,444	1,094	(1,057,265)
Roads and transportation	8,920,567	371,710	4,579,308	1,266,559	(2,702,990)
Governmental services to residents	1,011,390	446,881	168,731	-	(395,778)
Administration	3,109,372	192,955	93,152	-	(2,823,265)
Non-program	245,187	563,967	65,454	-	384,234
Interest on long-term debt	587,559	-	211,777	-	(375,782)
Total	\$ 26,571,237	4,745,952	5,984,233	1,267,653	(14,573,399)
General Revenues:					
Property and other county tax levied for:					
General purposes					11,116,012
Debt service					1,360,172
Penalty and interest on property tax					59,639
State tax credits					857,618
Local option sales tax					1,797,751
Gaming wager tax					631,830
Unrestricted investment earnings					410,424
Rent					182,883
Gain on disposition of capital asset					38,421
Miscellaneous					100,735
Total general revenues					16,555,485
Change in net position					1,982,086
Net position beginning of year					85,637,796
Net position end of year					\$ 87,619,882

See notes to financial statements.

Washington County

Balance Sheet
Governmental Funds

June 30, 2023

	Special Revenue		
	General	Rural Services	Secondary Roads
Assets			
Cash, cash equivalents and pooled investments	8,892,428	679,633	3,446,961
Receivables:			
Property tax:			
Delinquent	17,024	152	-
Succeeding year	10,802,000	1,597,000	-
Interest and penalty on property tax	18,181	-	-
Accounts, net of allowance for doubtful ambulance accounts of \$456,634	349,206	-	565
Opioid settlement	-	-	-
Accrued interest	11,660	-	-
Loan	-	-	-
Due from other funds	-	-	9,778
Due from other governments	349,554	155,788	392,325
Lease receivable	-	-	-
Inventories	-	-	531,402
Prepaid expenditures	170,612	-	-
Total assets	\$ 20,610,665	2,432,573	4,381,031
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	89,520	3,652	93,998
Salaries and benefits payable	444,815	16,577	89,538
Due to other funds	9,778	-	-
Due to other governments	66,815	-	4,839
Unearned revenues	4,202,724	-	-
Total liabilities	4,813,652	20,229	188,375
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	10,802,000	1,597,000	-
Other	275,332	147	-
Total deferred inflows of resources	11,077,332	1,597,147	-
Fund balances:			
Nonspendable:			
Inventories	-	-	531,402
Prepaid expenditures	170,612	-	-
Restricted for:			
Supplemental levy purposes	1,588,684	-	-
Rural services purposes	-	815,197	-
Secondary roads purposes	-	-	3,661,254
Debt service	-	-	-
Capital projects	-	-	-
Resource enhancement and protection	-	-	-
Other purposes	-	-	-
Assigned for future projects	362,000	-	-
Unassigned	2,598,385	-	-
Total fund balances	4,719,681	815,197	4,192,656
Total liabilities, deferred inflows of resources and fund balances	\$ 20,610,665	2,432,573	4,381,031

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
187,926	662,912	297,522	14,167,382
2,307	-	-	19,483
1,274,000	-	-	13,673,000
-	-	-	18,181
-	140	-	349,911
-	-	333,989	333,989
-	-	1,094	12,754
7,570,000	-	-	7,570,000
-	-	-	9,778
-	-	1,564	899,231
-	78,491	-	78,491
-	-	-	531,402
-	-	-	170,612
9,034,233	741,543	634,169	37,834,214
-	30,568	-	217,738
-	-	-	550,930
-	-	-	9,778
-	-	-	71,654
-	-	-	4,202,724
-	30,568	-	5,052,824
1,274,000	-	-	13,673,000
2,021	78,491	333,990	689,981
1,276,021	78,491	333,990	14,362,981
-	-	-	531,402
-	-	-	170,612
-	-	-	1,588,684
-	-	-	815,197
-	-	-	3,661,254
7,758,212	-	-	7,758,212
-	632,484	-	632,484
-	-	68,786	68,786
-	-	231,393	231,393
-	-	-	362,000
-	-	-	2,598,385
7,758,212	632,484	300,179	18,418,409
9,034,233	741,543	634,169	37,834,214

Washington County

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

June 30, 2023

Total governmental fund balances (page 23) \$ 18,418,409

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 \$129,177,996 and the accumulated depreciation/amortization is \$43,527,932. 85,650,064

Other long-term assets are not available to pay current year expenditures and therefore, are recognized as deferred inflows of resources in the governmental funds. 689,981

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. 1,343,162

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	\$ 1,986,973	
Deferred inflows of resources	<u>(1,202,598)</u>	784,375

Long-term liabilities, including general obligation bonds payable, lease agreements payable, IT subscription liability, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (19,266,109)

Net position of governmental activities (page 19) \$ 87,619,882

See notes to financial statements.

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

Year ended June 30, 2023

	Special Revenue		
	General	Rural Services	Secondary Roads
Revenues:			
Property and other county tax	\$ 10,448,709	1,297,758	-
Local option sales tax	-	1,797,751	-
Interest and penalty on property tax	56,357	-	-
Intergovernmental	2,935,886	59,952	4,868,366
Licenses and permits	83,858	-	49,110
Charges for service	2,158,183	1,730	9,475
Use of money and property	470,680	-	-
Miscellaneous	136,519	14	276,497
Total revenues	<u>16,290,192</u>	<u>3,157,205</u>	<u>5,203,448</u>
Expenditures:			
Operating:			
Public safety and legal services	9,574,013	-	-
Physical health and social services	2,394,003	186	-
County environment and education	874,682	433,121	-
Roads and transportation	-	371,400	6,424,318
Governmental services to residents	1,013,007	2,689	-
Administration	2,559,832	-	-
Non-program	3,782	-	-
Debt service	-	-	-
Capital projects	17,100	-	830,363
Total expenditures	<u>16,436,419</u>	<u>807,396</u>	<u>7,254,681</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(146,227)</u>	<u>2,349,809</u>	<u>(2,051,233)</u>
Other financing sources (uses):			
Transfers in	-	-	2,709,935
Transfers out	(234,946)	(2,474,989)	-
Sale of capital assets	-	-	4,163
Total other financing sources (uses)	<u>(234,946)</u>	<u>(2,474,989)</u>	<u>2,714,098</u>
Change in fund balances	(381,173)	(125,180)	662,865
Fund balances beginning of year	5,100,854	940,377	3,529,791
Fund balances end of year	<u>\$ 4,719,681</u>	<u>815,197</u>	<u>4,192,656</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,360,229	-	-	13,106,696
-	-	-	1,797,751
-	-	-	56,357
97,314	-	12,189	7,973,707
-	-	-	132,968
-	82,840	4,151	2,256,379
22,477	161,716	4,359	659,232
189,300	41,522	105,047	748,899
<u>1,669,320</u>	<u>286,078</u>	<u>125,746</u>	<u>26,731,989</u>
-	-	-	9,574,013
-	-	-	2,394,189
-	-	-	1,307,803
-	-	-	6,795,718
-	-	46,620	1,062,316
-	-	-	2,559,832
-	-	-	3,782
2,653,200	-	-	2,653,200
-	802,772	-	1,650,235
<u>2,653,200</u>	<u>802,772</u>	<u>46,620</u>	<u>28,001,088</u>
<u>(983,880)</u>	<u>(516,694)</u>	<u>79,126</u>	<u>(1,269,099)</u>
96,099	50,000	-	2,856,034
-	(96,099)	(50,000)	(2,856,034)
-	78,288	-	82,451
<u>96,099</u>	<u>32,189</u>	<u>(50,000)</u>	<u>82,451</u>
(887,781)	(484,505)	29,126	(1,186,648)
8,645,993	1,116,989	271,053	19,605,057
<u>7,758,212</u>	<u>632,484</u>	<u>300,179</u>	<u>18,418,409</u>

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, 2023

7Change in fund balances - Total governmental funds (page 27) \$ (1,186,648)

**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. Depreciation/amortization expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 2,317,602	
Capital assets contributed by the Iowa Department of Transportation	1,010,904	
Depreciation/amortization expense	<u>(3,575,490)</u>	(246,984)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 38,421

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	1,318	
Other	<u>68,819</u>	70,137

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. 2,110,944

The current year County IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 1,024,777

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	(50,183)	
Pension expense	195,470	
OPEB expense	(77,175)	
Interest on long-term debt	<u>5,641</u>	73,753

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. 97,686

Change in net position of governmental activities (page 21) \$ 1,982,086

See notes to financial statements.

Washington County
Statement of Net Position
Proprietary Funds

June 30, 2023

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 1,769,293
Accounts receivable	<u>1,351</u>
Total assets	<u>1,770,644</u>
Liabilities	
Accounts payable	<u>427,482</u>
Net Position	
Restricted for:	
Employee health	1,286,995
Unrestricted	<u>56,167</u>
Total net position	<u>\$ 1,343,162</u>

See notes to financial statements.

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

Year ended June 30, 2023

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,838,372
Reimbursements from employees and others	45,993
Reimbursements from Custodial Funds	182,636
Stop loss reimbursements	353,596
Contributions for flexible benefits	<u>15,548</u>
Total operating revenues	2,436,145
Operating expenses:	
Medical and dental claims	\$ 1,863,077
Administrative fees	518,205
Flexible benefits claims	<u>12,631</u>
	<u>2,393,913</u>
Operating income	42,232
Non-operating revenues:	
Interest income	<u>55,454</u>
Net income	97,686
Net position beginning of year	<u>1,245,476</u>
Net position end of year	<u>\$ 1,343,162</u>

See notes to financial statements.

Washington County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2023

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,868,277
Cash received from employees and others	384,498
Cash received from Agency Funds	182,636
Cash paid to suppliers for services	(2,492,595)
Net cash used by operating activities	(57,184)
Cash flows from investing activities:	
Interest on investments	55,454
Decrease in cash and cash equivalents	(1,730)
Cash and cash equivalents beginning of year	1,771,023
Cash and cash equivalents end of year	\$ 1,769,293
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 42,232
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(735)
Accounts payable	(98,681)
Net cash used by operating activities	\$ (57,184)

See notes to financial statements.

Washington County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2023

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 2,564,067
Other County officials	158,323
Receivables:	
Property tax:	
Delinquent	67,084
Succeeding year	31,649,000
Accounts	10,620
Special assessments	40,583
Due from other governments	59,544
	<hr/>
Total assets	34,549,221

Liabilities

Liabilities:	
Accounts payable	12,612
Salaries and benefits payable	56,247
Due to other governments	1,119,182
Trust payable	114,910
Compensated absences	69,110
	<hr/>
Total liabilities	1,372,061

Deferred Inflows of Resources

Unavailable property tax revenues	<hr/> 31,649,000
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Net Position

Restricted for individuals, organizations and other governments	<hr/> \$ 1,528,160
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See notes to financial statements.

Washington County
Statement of Changes in Fiduciary Net Position
Custodial Funds

June 30, 2023

Additions:	
Property and other county tax	\$ 30,572,576
911 surcharge	249,605
State tax credits	2,229,748
Office fees and collections	684,435
Auto licenses, use tax, postage and drivers license fees	8,953,141
Trusts	338,632
Miscellaneous	<u>2,437,104</u>
Total additions	<u>45,465,241</u>
Deductions:	
Agency remittances:	
To other funds	318,786
To other governments	44,736,044
Trusts paid out	<u>339,917</u>
Total deductions	<u>45,394,747</u>
Change in net position	70,494
Net position beginning of year	<u>1,457,666</u>
Net position end of year	<u>\$ 1,528,160</u>

See notes to financial statements.

Washington County

Notes to Financial Statements

June 30, 2023

(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 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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2022.

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.

Opioid Settlement Receivable – The County will receive payments from certain prescription drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failure to monitor for, detect and prevent diversion of the drugs. 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.

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, 2023, 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
Right-to-use IT subscription 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:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Right-to-use leased assets	2 - 20
Right-to-use IT subscription 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 payments 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 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.

Subscription-Based Information Technology Arrangements (SBITA) – Washington County has entered into a contract that conveys control of the right-to-use information technology software. The County has recognized an IT subscription liability and an intangible right-to-use IT subscription asset in the government-wide financial statements. The County recognized IT subscription liabilities with an initial, individual value of \$5,000, or more.

At the commencement of the IT subscription term, the County initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by the principal portion of payments made. The right-to-use an IT subscription asset is initially measured as the sum of the initial IT subscription liability, adjusted for payments made at or before the commencement date, plus capitalization implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

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

Washington County uses the interest rate charged by the IT subscription vendor as the discount rate. When the interest rate charged by the vendor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate.

The IT subscription term includes the noncancellable period of the subscription. Payments included in the measurement of the liability are composed of fixed payments.

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

Right-to-use IT subscription assets are reported with other capital assets and IT subscription liabilities are reported with long-term debt on the statement of net position.

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, 2023. 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 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 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 governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within 60 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, 2023 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 \$10,037,148. 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, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	<u>\$ 9,778</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 234,946
	Special Revenue:	
	Rural Services	<u>2,474,989</u>
		<u>2,709,935</u>
	Special Revenue:	
Capital Projects	REAP	50,000
Debt Service	Capital Projects	<u>96,099</u>
		<u>\$ 2,856,034</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, 2023 was as follows:

	Restated, Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 856,024	120,000	-	976,024
Intangibles, road network	3,060,717	-	-	3,060,717
Construction in progress	6,246,481	1,262,991	(6,578,619)	930,853
Total capital assets not being depreciated/amortized	10,163,222	1,382,991	(6,578,619)	4,967,594
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	648,707	96,872	-	745,579
Equipment and vehicles	18,782,196	1,860,002	(143,055)	20,499,143
Right-to-use leased equipment	8,910	-	-	8,910
SBITA	89,597	-	-	89,597
Intangibles	90,620	-	-	90,620
Infrastructure	78,256,689	6,624,923	-	84,881,612
Total capital assets being depreciated/amortized	115,810,108	8,581,797	(181,503)	124,210,402
Less accumulated depreciation/amortization for:				
Buildings	6,539,514	442,919	-	6,982,433
Right-to-use leased building	10,253	27,140	(37,393)	-
Improvements other than buildings	73,957	4,013	-	77,970
Equipment and vehicles	9,221,174	1,299,219	(124,868)	10,395,525
Right-to-use leased equipment	594	1,782	-	2,376
SBITA	-	17,919	-	17,919
Intangibles	53,672	5,342	-	59,014
Infrastructure	24,215,539	1,777,156	-	25,992,695
Total accumulated depreciation/amortization	40,114,703	3,575,490	(162,261)	43,527,932
Total capital assets being depreciated/amortized, net	75,695,405	5,006,307	(19,242)	80,682,470
Governmental activities capital assets, net	\$ 85,858,627	6,389,298	(6,597,861)	85,650,064

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 395,447
Physical health and social services	11,434
County environment and education	117,033
Roads and transportation	2,378,172
Government services to residents	955
Administration	672,449
Total depreciation/amortization expense - governmental activities	<u>\$ 3,575,490</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%. Effective December 13, 2022, the County entered into a two-year lease that extended the lease period from April 1, 2023. The County is to receive \$4,500 monthly in rent with an implicit rate of 4%. During the year ended June 30, 2023, the County received \$25,482 in principal and \$1,518 in interest.

Year Ending June 30,	Principal	Interest	Total
2024	\$ 51,803	2,197	54,000
2025	26,688	312	27,000
	<u>\$ 78,491</u>	<u>2,509</u>	<u>81,000</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, 2023 is as follows:

Fund	Description	Amount
General	Services	\$ 66,815
Special Revenue:		
Secondary Roads	Services	4,839
Total for governmental funds		<u>\$ 71,654</u>
Custodial:		
County Offices	Collections	\$ 43,413
Agricultural Extension Education		1,646
County Assessor		76
Schools		121,676
Community Colleges		11,146
Corporations		46,635
Townships		3,542
Public Safety Commission		3,488
Auto License and Use Tax		741,053
All other		146,507
Total for custodial funds		<u>\$ 1,119,182</u>

(8) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	General Obligation Bonds	Lease Agreement	SBITA	Compensated Absences	Net Pension Liability (Asset)	Total OPEB Liability	Total
Balance beginning of year, as restated	\$ 18,150,000	36,528	89,597	566,936	(2,980,067)	782,664	16,645,658
Increases	-	-	-	675,529	4,583,688	270,960	5,530,177
Decreases	2,060,000	29,845	21,099	625,346	-	217,078	2,953,368
Balance end of year	\$ 16,090,000	6,683	68,498	617,119	1,603,621	836,546	19,222,467
Due within one year	\$ 2,130,000	1,727	21,943	445,071	-	19,995	2,618,736

General Obligation Bonds

A summary of the County's June 30, 2023 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
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	4.00	360,000	14,400	4.00	970,000	134,800
2029-2030		-	-	4.00	2,400,000	136,600
		<u>\$ 1,685,000</u>	<u>200,300</u>		<u>\$ 5,955,000</u>	<u>1,127,650</u>

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
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		-	-	2.000	1,105,000	67,600
2029-2030		-	-	2.000	2,275,000	68,500
		<u>\$ 880,000</u>	<u>71,400</u>		<u>\$ 7,570,000</u>	<u>652,500</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
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	2,435,000	216,800	2,651,800
2029-2030	4,675,000	205,100	4,880,100
	<u>\$ 16,090,000</u>	<u>2,051,850</u>	<u>18,141,850</u>

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, 2023, the County paid principal of \$300,000 and interest of \$76,150 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, 2023, the County paid principal of \$500,000 and interest of \$279,750 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, 2023, the County paid principal of \$275,000 and interest of \$46,200 on the bonds.

General Obligation Hospital Bonds

On July 27, 2021, the County issued \$9,405,000 of general obligation renewal and refunding bonds, Series 2021, with interest rates ranging from 2.00% to 3.524% per annum to refund the outstanding general obligation hospital bonds, Series 2015 and 2016. During the year ended June 30, 2023, the County paid principal of \$985,000 and interest of \$189,300 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, 2023 the County paid principal of \$28,186 and interest of \$614 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, 2023 the County paid principal of \$1,659 and interest of \$309 on the agreement.

Future principal and interest lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Postage Machine		
	Principal	Interest	Total
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>\$ 6,683</u>	<u>533</u>	<u>7,216</u>

IT Subscription Liability

On June 2, 2022, the County entered into an IT subscription license and services information technology agreement with Tyler Incode for financial software. An initial IT subscription liability was recorded in the amount of \$123,415. The agreement requires annual payments of \$24,683 over 5 years with an initial payment made June 2, 2022 for \$24,683, with an interest rate of 4.00% and final payment due June 2, 2026. During the year ended June 30, 2023, principal and interest paid were \$21,099 and \$3,584, respectively. Future principal and interest lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Tyler Incode Subscription		
	Principal	Interest	Total
2024	\$ 21,943	2,740	24,683
2025	22,821	1,862	24,683
2026	23,734	949	24,683
	<u>\$ 68,498</u>	<u>5,551</u>	<u>74,049</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, 2023, a receivable of \$7,570,000 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 more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

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

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

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

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

In fiscal year 2023, 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 8.76% of covered payroll, for a total rate of 17.52%. 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, 2023 totaled \$1,024,777.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the County reported a liability of \$1,603,621 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the County’s proportion was 0.042445%, which was a decrease of 0.820775% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of (\$195,470). At June 30, 2023, 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	\$ 454,268	42,749
Changes of assumptions	2,465	243,875
Net difference between projected and actual earnings on IPERS' investments		500,575
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	139,737	118,718
County contributions subsequent to the measurement date	<u>1,024,777</u>	-
Total	<u>\$ 1,621,247</u>	<u>905,917</u>

\$1,024,777 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. 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
2024	\$ 445,873
2025	329,574
2026	636,366
2027	(1,112,344)
2028	<u>9,978</u>
Total	<u>\$ 309,447</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability (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)	\$ 5,831,231	1,603,621	(2,113,128)

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, 2023.

(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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>177</u>
Total	<u>179</u>

Total OPEB Liability – The County's total OPEB liability of \$836,546 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the July 1, 2022 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, 2022)	2.60% per annum.
Rates of salary increase (effective June 30, 2022)	3.25% per annum, including inflation
Discount Rate (effective June 30, 2022)	4.09% compounded annually, including inflation.
Healthcare cost trend rates (effective June 30, 2022)	7.00% 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 4.09% 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>\$ 782,664</u>
Changes for the year:	
Service cost	119,267
Interest	19,535
Changes in benefit terms	(59,492)
Differences between expected and actual experiences	132,158
Changes in assumptions	(137,591)
Benefit payments	<u>(19,995)</u>
Net changes	<u>53,882</u>
Total OPEB liability end of year	<u>\$ 836,546</u>

Changes of assumptions reflect a change in the discount rate from 2.19% in fiscal year 2022 to 4.09% in fiscal year 2023.

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 (3.09%) or 1% higher (5.09%) than the current discount rate.

	<u>1% Decrease (3.09%)</u>	<u>Discount Rate (4.09%)</u>	<u>1% Increase (5.09%)</u>
Total OPEB liability	\$ 907,119	836,546	770,416

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 (6.00%) or 1% higher (8.00%) than the current healthcare cost trend rates.

	1% Decrease (6.00%)	Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 719,319	836,546	976,741

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the County recognized OPEB expense of \$77,175. At June 30, 2023, 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	\$ 309,719	12,916
Changes in assumptions	36,819	283,765
County contributions subsequent to the measurement date	19,188	-
Total	<u>\$ 365,726</u>	<u>296,681</u>

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

Year Ending June 30,	Amount
2024	\$ 17,053
2025	17,053
2026	17,050
2027	13,290
2028	(95)
Thereafter	<u>(14,494)</u>
	<u>\$ 49,857</u>

(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 800 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, employment practices liability, public officials liability, cyber liability and law enforcement 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, 2023 were \$256,296.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber, 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, 2023, no liability has been recorded in the County's financial statements. As of June 30, 2023, 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, 2023 was \$1,788,282.

Amounts payable from the Employee Group Health Fund at June 30, 2023 total \$425,948, 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 \$1,286,995 at June 30, 2023 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 523,873
Incurred claims (including claims incurred but not reported at June 30, 2023)	1,787,632
Payments	<u>(1,885,557)</u>
Unpaid claims end of year	<u>\$ 425,948</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 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, 2023 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Kalona	Urban renewal and economic development projects	\$ 13,736
City of Washington	Urban renewal and economic development projects	22,205
	Chapter 404 tax abatement program	8,353

(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, 2023:

Additions:		
Contributions from governmental units:		
Emergency management services		\$ 1,039,363
Reimbursement from Joint 911 Service Board		45,000
Miscellaneous		<u>5,096</u>
Total additions		1,089,459
Deductions:		
Salaries	\$ 732,337	
Benefits	229,797	
Office supplies and postage	1,342	
Uniforms	2,633	
Travel	297	
Telephone and fax services	10,657	
Training	870	
Tort liability insurance	5,535	
Professional services	60,730	
Equipment maintenance	5,895	
Radio equipment maintenance	1,102	
Utilities	3,812	
Miscellaneous	<u>11,418</u>	<u>1,066,425</u>
Net		23,034
Balance beginning of year		<u>186,868</u>
Balance end of year		<u>\$ 209,902</u>

(16) Purchase Commitment

On July 24, 2018, the County entered into a system purchase contract with RACOM Corporation for the purchase on a radio communications system and services. The current contract plus change orders totals \$5,021,037. As of June 30, 2023, approximately \$4,992,427 has been paid on the contract. The remaining \$28,610 will be paid as work on the project progresses.

(17) Accounting Change

Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), was implemented during fiscal year 2023. The new requirements require the reporting of certain right-to-use subscription-based IT arrangements and liabilities which were previously not reported. The result of these changes had no effect on the beginning net position.

	Capital Assets	Long-term Liabilities IT Subscription Liability
Balances June 30, 2022, as previously reported	\$ 85,769,030	-
Change to implement GASBS No. 96	89,597	89,597
Balances July 1, 2022, as restated	<u>\$ 85,858,627</u>	<u>89,597</u>

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, 2023

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
Receipts:				
Property and other county tax	\$ 14,880,365	14,561,055	14,561,055	319,310
Interest and penalty on property tax	56,357	53,500	53,500	2,857
Intergovernmental	7,932,510	7,788,418	8,082,818	(150,308)
Licenses and permits	130,955	79,750	79,750	51,205
Charges for service	2,141,629	2,179,705	2,057,168	84,461
Use of money and property	652,845	194,183	474,183	178,662
Miscellaneous	1,821,301	1,756,120	1,677,260	144,041
Total receipts	27,615,962	26,612,731	26,985,734	630,228
Disbursements:				
Public safety and legal services	9,540,928	10,042,838	10,405,412	864,484
Physical health and social services	2,390,533	2,594,562	2,643,787	253,254
County environment and education	1,297,625	1,525,464	1,525,464	227,839
Roads and transportation	6,828,678	8,180,841	8,827,413	1,998,735
Governmental services to residents	1,047,549	1,071,832	1,165,072	117,523
Administration	2,554,887	3,057,342	3,091,507	536,620
Non-program	3,782	13,000	13,000	9,218
Debt service	2,653,200	2,657,100	2,657,100	3,900
Capital projects	1,613,401	3,075,467	4,399,773	2,786,372
Total disbursements	27,930,583	32,218,446	34,728,528	6,797,945
Excess (deficiency) of receipts over (under) disbursements	(314,621)	(5,605,715)	(7,742,794)	7,428,173
Other financing sources, net	93,080	5,405	9,405	83,675
Change in balances	(221,541)	(5,600,310)	(7,733,389)	7,511,848
Balance beginning of year	14,388,923	13,390,219	14,388,922	1
Balance end of year	\$ 14,167,382	7,789,909	6,655,533	7,511,849

See accompanying independent auditor's report.

Washington County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2023

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 27,615,962	(883,973)	26,731,989
Expenditures	27,930,583	70,505	28,001,088
Net	(314,621)	(954,478)	(1,269,099)
Other financing sources (uses), net	93,080	(10,629)	82,451
Beginning fund balances	14,388,923	5,216,134	19,605,057
Ending fund balances	<u>\$ 14,167,382</u>	<u>4,251,027</u>	<u>18,418,409</u>

See accompanying independent auditor's report.

Washington County

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2023

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 nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety and legal services, physical health and social services, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$2,510,082. The budget amendment is 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, 2023, 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 Nine Years*
(In Thousands)

Required Supplementary Information

	2023	2022	2021	2020
County's proportion of the net pension liability (asset)	0.042445%	0.863220% **	0.074458%	0.069301%
County's proportionate share of the net pension liability (asset)	\$ 1,604	(2,980)	5,230	4,013
County's covered payroll	\$ 9,830	9,239	7,868	7,588
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	16.32%	(32.26)%	66.47%	52.89%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	85.45%

* 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.

2019	2018	2017	2016	2015
0.071060%	0.075687%	0.076946%	0.070351%	0.067259%
4,497	5,042	4,842	3,476	2,667
7,305	7,038	6,924	6,511	6,363
61.56%	71.64%	69.93%	53.39%	41.91%
83.62%	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

	2023	2022	2021	2020
Statutorily required contribution	\$ 1,025	919	873	748
Contributions in relation to the statutorily required contribution	(1,025)	(919)	(873)	(748)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 11,010	9,830	9,239	7,868
Contributions as a percentage of covered payroll	9.31%	9.35%	9.45%	9.51%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
727	665	644	636	600	585
(727)	(665)	(644)	(636)	(600)	(585)
-	-	-	-	-	-
7,588	7,305	7,038	6,924	6,511	6,363
9.58%	9.10%	9.15%	9.19%	9.22%	9.20%

Washington County

Washington County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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 and Related Ratios

For the Last Six Years
Required Supplementary Information

	2023	2022	2021	2020
Service cost	\$ 119,267	81,064	61,261	40,249
Interest cost	19,535	24,372	23,820	19,536
Difference between expected and actual experiences	132,158	14,186	99,192	148,228
Changes in benefit terms	(59,492)	-	-	-
Changes in assumptions	(137,591)	(159,618)	50,628	(41,148)
Benefit payments	(19,995)	(24,848)	(9,441)	(18,589)
Net change in total OPEB liability	53,882	(64,844)	225,460	148,276
Total OPEB liability beginning of year	782,664	847,508	622,048	473,772
Total OPEB liability end of year	\$ 836,546	782,664	847,508	622,048
Covered-employee payroll	\$ 10,922,506	8,923,799	9,452,194	7,623,854
Total OPEB liability as a percentage of covered-employee payroll	7.7%	8.8%	9.0%	8.2%

See accompanying independent auditor's report.

<u>2019</u>	<u>2018</u>
42,846	30,690
18,275	11,421
(34,441)	95,142
-	-
(12,162)	(8,850)
<u>(22,291)</u>	<u>(14,502)</u>
<u>(7,773)</u>	<u>113,901</u>
<u>481,545</u>	<u>367,644</u>
<u>473,772</u>	<u>481,545</u>
7,030,764	6,809,457
6.7%	7.1%

Washington County

Notes to Required Supplementary Information – OPEB Liability

Year ended June 30, 2023

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2023	4.09%
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%

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

Supplementary Information

Washington County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2023

				Special
	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement County Attorney	
Assets				
Cash, cash equivalents and pooled investments	\$ 21,132	68,786	4,403	
Receivables:				
Accrued interest receivable	-	-	-	
Opioid settlement	-	-	-	
Due from other governments	370	-	-	
Total assets	\$ 21,502	68,786	4,403	
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
None	\$ -	-	-	
Deferred inflows of resources:				
Unavailable revenues:				
Deferred inflows - other	-	-	-	
Fund balances:				
Restricted for:				
Resource enhancement and protection	-	68,786	-	
Other purposes	21,502	-	4,403	
Total fund balances	21,502	68,786	4,403	
Total liabilities, deferred inflows of resources and fund balances	\$ 21,502	68,786	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	2,713	93,310	50,665		297,522
-	-	1,094	-		1,094
-	-	333,989	-		333,989
-	-	-	1,194		1,564
56,513	2,713	428,393	51,859		634,169
-	-	-	-		-
-	-	333,990	-		333,990
-	-	-	-		68,786
56,513	2,713	94,403	51,859		231,393
56,513	2,713	94,403	51,859		300,179
56,513	2,713	428,393	51,859		634,169

Washington County

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

Year ended June 30, 2023

	County Recorder's Records Management	Resource Enhancement and Protection	Special Law Enforcement County Attorney
Revenues:			
Intergovernmental	\$ -	12,189	-
Charges for service	4,151	-	-
Use of money and property	1,545	1,657	-
Miscellaneous	-	-	-
Total revenues	5,696	13,846	-
Expenditures:			
Operating:			
Governmental services to residents	46,620	-	-
Excess (deficiencies) of revenues over (under) expenditures	(40,924)	13,846	-
Other financings uses:			
Operating transfers out		(50,000)	-
Change in fund balances	(40,924)	(36,154)	-
Fund balances beginning of year	62,426	104,940	4,403
Fund balances end of year	\$ 21,502	68,786	4,403

See accompanying independent auditor's report.

Revenue					
Law Enforcement County Sheriff	Supplemental Environmental Projects	Local Government Opioid Abatement	Delinquent Fines		Total
-	-	-	-	-	12,189
-	-	-	-	-	4,151
-	63	1,094	-	-	4,359
-	-	93,309	11,738	-	105,047
-	63	94,403	11,738	-	125,746
-	-	-	-	-	46,620
-	63	94,403	11,738	-	79,126
-	-	-	-	-	(50,000)
-	63	94,403	11,738	-	29,126
56,513	2,650	-	40,121	-	271,053
56,513	2,713	94,403	51,859	-	300,179

Schedule 3

Washington County

Combining Schedule of Net Position
Internal Service Funds

June 30, 2023

	Employee Group Health	Flexible Benefits	Dental Insurance	Total
Assets				
Cash and cash equivalents	\$ 1,711,653	13,944	43,696	1,769,293
Accounts receivable	1,290	-	61	1,351
Total assets	1,712,943	13,944	43,757	1,770,644
Liabilities				
Accounts payable	425,948	-	1,534	427,482
Net Position				
Restricted for:				
Employee health	1,286,995	-	-	1,286,995
Unrestricted	-	13,944	42,223	56,167
Total net position	\$ 1,286,995	13,944	42,223	1,343,162

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, 2023

	Employee Group Health	Flexible Benefits	Dental Insurance	Total
Operating revenues:				
Reimbursements from operating funds	\$ 1,788,282	-	50,090	1,838,372
Reimbursements from employees and others	15,354	-	30,639	45,993
Reimbursements from agency funds	182,636	-	-	182,636
Stop loss reimbursements	353,596	-	-	353,596
Contributions for flexible benefits	-	15,548	-	15,548
Total operating revenues	<u>2,339,868</u>	<u>15,548</u>	<u>80,729</u>	<u>2,436,145</u>
Operating expenses:				
Medical and dental claims	1,787,632	-	75,445	1,863,077
Administrative fees	518,205	-	-	518,205
Flexible benefits claims	-	12,631	-	12,631
Total operating expenses	<u>2,305,837</u>	<u>12,631</u>	<u>75,445</u>	<u>2,393,913</u>
Operating income	34,031	2,917	5,284	42,232
Non-operating revenues:				
Interest income	55,454	-	-	55,454
Net income	89,485	2,917	5,284	97,686
Net position beginning of year	<u>1,197,510</u>	<u>11,027</u>	<u>36,939</u>	<u>1,245,476</u>
Net position end of year	<u>\$ 1,286,995</u>	<u>13,944</u>	<u>42,223</u>	<u>1,343,162</u>

See accompanying independent auditor's report.

Washington County

Washington County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2023

	Employee Group Health	Flexible Benefits	Dental Insurance	Total
Cash flows from operating activities:				
Cash received from operating funds	\$ 1,787,609	-	80,668	1,868,277
Cash received from employees and others	368,950	15,548	-	384,498
Cash received from custodial funds	182,636	-	-	182,636
Cash paid to suppliers for services	<u>(2,403,763)</u>	<u>(12,631)</u>	<u>(76,201)</u>	<u>(2,492,595)</u>
Net cash provided (used) by operating activities	(64,568)	2,917	4,467	(57,184)
Cash flows from investing activities:				
Interest on investments	55,454	-	-	55,454
Net increase (decrease) in cash and cash equivalents	(9,114)	2,917	4,467	(1,730)
Cash and cash equivalents beginning of year	1,720,767	11,027	39,229	1,771,023
Cash and cash equivalents end of year	<u>\$ 1,711,653</u>	<u>13,944</u>	<u>43,696</u>	<u>1,769,293</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 34,031	2,917	5,284	42,232
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
Accounts receivable	(674)	-	(61)	(735)
Accounts payable	<u>(97,925)</u>	<u>-</u>	<u>(756)</u>	<u>(98,681)</u>
Net cash provided (used) by operating activities	<u>\$ (64,568)</u>	<u>2,917</u>	<u>4,467</u>	<u>(57,184)</u>

See accompanying independent auditor's report.

Washington County
Combining Schedule of Fiduciary Net Position –
Custodial Funds

June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,646	221,153	121,676	11,146
Other County officials	158,323	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	452	852	33,018	3,068
Succeeding year	-	274,000	507,000	19,323,000	1,902,000
Accounts	-	-	119	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	158,323	276,098	729,124	19,477,694	1,916,214
Liabilities					
Accounts payable	-	-	592	-	-
Salaries and benefits payable	-	-	16,835	-	-
Due to other governments	43,413	1,646	76	121,676	11,146
Trusts payable	114,910	-	-	-	-
Compensated absences	-	-	23,269	-	-
Total liabilities	158,323	1,646	40,772	121,676	11,146
Deferred Inflow of Resources					
Unavailable revenues	-	274,000	507,000	19,323,000	1,902,000
Net Position					
Restricted for individuals, organizations and other governments	\$ -	452	181,352	33,018	3,068

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
46,635	3,542	290,656	741,053	1,126,560	2,564,067
-	-	-	-	-	158,323
27,347	60	-	-	2,287	67,084
7,686,000	568,000	-	-	1,389,000	31,649,000
-	-	-	-	10,501	10,620
-	-	-	-	40,583	40,583
-	-	-	-	59,544	59,544
7,759,982	571,602	290,656	741,053	2,628,475	34,549,221
-	-	129	-	11,891	12,612
-	-	36,193	-	3,219	56,247
46,635	3,542	3,488	741,053	146,507	1,119,182
-	-	-	-	-	114,910
-	-	40,944	-	4,897	69,110
46,635	3,542	80,754	741,053	166,514	1,372,061
7,686,000	568,000	-	-	1,389,000	31,649,000
27,347	60	209,902	-	1,072,961	1,528,160

Washington County

Combining Schedule of Changes in Fiduciary Net Position –
Custodial Funds

Year ended June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Additions:					
Property and other county tax	\$ -	260,356	491,396	18,770,410	1,766,397
911 surcharge	-	-	-	-	-
State tax credits	-	18,818	34,967	1,129,354	104,279
Office fees and collections	679,618	-	574	-	-
Auto licenses, use tax, postage and drivers license fees	-	-	-	-	-
Trusts	338,632	-	-	-	-
Miscellaneous	44	-	-	-	-
Total additions	1,018,294	279,174	526,937	19,899,764	1,870,676
Deductions:					
Agency remittances:					
To other funds	318,786	-	-	-	-
To other governments	359,591	279,137	537,404	19,896,785	1,870,322
Trusts paid out	339,917	-	-	-	-
Total deductions	1,018,294	279,137	537,404	19,896,785	1,870,322
Changes in net position	-	37	(10,467)	2,979	354
Net position beginning of year	-	415	191,819	30,039	2,714
Net position end of year	\$ -	452	181,352	33,018	3,068

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
7,395,172	542,586	-	-	1,346,259	30,572,576
-	-	-	-	249,605	249,605
820,528	24,711	-	-	97,091	2,229,748
-	-	-	-	4,243	684,435
-	-	-	8,953,141	-	8,953,141
-	-	-	-	-	338,632
-	-	1,089,459	-	1,347,601	2,437,104
8,215,700	567,297	1,089,459	8,953,141	3,044,799	45,465,241
-	-	-	-	-	318,786
8,212,743	567,296	1,066,425	8,953,141	2,993,200	44,736,044
-	-	-	-	-	339,917
8,212,743	567,296	1,066,425	8,953,141	2,993,200	45,394,747
2,957	1	23,034	-	51,599	70,494
24,390	59	186,868	-	1,021,362	1,457,666
27,347	60	209,902	-	1,072,961	1,528,160

Washington County

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

For the Last Ten Years

	2023	2022	2021	2020
Revenues:				
Property and other county tax	\$ 13,106,696	12,293,958	12,929,686	12,554,972
Tax increment financing	-	-	-	-
Local option sales tax	1,797,751	1,797,560	1,506,704	1,409,151
Interest and penalty on property tax	56,357	63,864	82,725	33,285
Intergovernmental	7,973,707	8,137,522	9,306,747	7,554,889
Licenses and permits	132,968	116,422	102,811	110,373
Charges for service	2,256,379	2,206,818	1,933,601	826,602
Use of money and property	659,232	222,684	229,882	434,112
Miscellaneous	748,899	751,015	649,254	693,186
Total	<u>\$ 26,731,989</u>	<u>25,589,843</u>	<u>26,741,410</u>	<u>23,616,570</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 9,574,013	8,260,426	7,399,025	6,104,605
Physical health and social services	2,394,189	2,261,565	2,279,175	2,036,147
Mental health	-	523,202	926,278	758,917
County environment and education	1,307,803	1,186,238	1,202,010	1,135,974
Roads and transportation	6,795,718	7,704,057	6,720,806	6,373,215
Governmental services to residents	1,062,316	878,664	810,132	760,043
Administration	2,559,832	2,244,560	1,983,173	1,811,995
Non-program	3,782	4,878	9,626	12,419
Debt service	2,653,200	2,555,442	3,200,983	4,994,558
Capital projects	1,650,235	2,873,076	4,789,450	7,604,683
Total	<u>\$ 28,001,088</u>	<u>28,492,108</u>	<u>29,320,658</u>	<u>31,592,556</u>

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
11,538,277	10,093,892	9,547,699	9,214,425	8,993,354	9,092,267
-	-	-	-	910,267	1,746,821
1,259,429	1,154,357	1,125,920	1,189,149	1,129,426	1,114,808
60,039	55,520	52,786	53,397	53,820	70,802
7,243,425	6,211,151	6,345,389	5,823,552	6,101,263	5,935,796
100,434	96,208	90,507	83,653	73,462	87,100
800,471	811,345	788,456	842,784	783,054	737,985
420,321	249,238	170,398	158,570	190,767	139,590
654,631	562,270	659,632	557,909	365,425	514,918
<u>22,077,027</u>	<u>19,233,981</u>	<u>18,780,787</u>	<u>17,923,439</u>	<u>18,600,838</u>	<u>19,440,087</u>
4,810,554	4,794,395	4,560,519	4,280,381	4,317,598	4,011,223
2,048,359	1,995,237	2,190,791	2,179,693	2,222,115	2,242,800
825,003	693,211	488,587	630,463	310,473	324,392
1,166,680	1,119,310	985,610	1,053,243	954,300	926,078
5,915,677	5,870,376	5,668,040	5,979,548	5,065,801	5,006,326
718,631	809,246	636,027	637,042	609,740	599,112
1,826,807	1,722,300	1,745,629	1,757,456	1,679,024	1,661,955
4,069	3,398	114,670	46,374	51,812	88,683
3,142,161	2,518,756	6,077,520	1,391,979	5,156,992	3,117,343
2,317,852	1,668,107	1,118,554	534,651	543,450	2,981,114
<u>22,775,793</u>	<u>21,194,336</u>	<u>23,585,947</u>	<u>18,490,830</u>	<u>20,911,305</u>	<u>20,959,026</u>



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

To the Officials of Washington County:

We have audited, in accordance with 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, 2023, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2024.

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 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 2023-001 through 2023-003 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 2023-004 through 2023-006 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, 2023 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 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

June 27, 2024

Washington County
 Schedule of Findings
 Year ended June 30, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 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 Incode system, including individuals who perform daily balancing.	Treasurer and Recorder
(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, 2023

- | | |
|--|----------|
| (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 – Since all recorder employees are cross-trained, they perform all duties which is the most practical with three employees. They have segregated duties as much as possible and feel that they can look over other employees when dealing with these duties with oversight. Beginning in fiscal year 2024, we will perform proper bank to book reconciliations of the recorder account. We will investigate having a County employee outside of our department review our monthly bank reconciliations.

County Treasurer – Given our limited staff, we try to segregate duties as much as possible.

County Conservation – The Conservation Director has made note of the above issues and will keep them in mind in the future. Due to the small nature of the office, issues with segregation of duties tend to be an inherent issue. If the opportunity to improve internal controls in this area arises, he will look into doing so.

Engineer – We will take this into consideration with future hiring needs and responsibilities in the office.

Public Health Nurse – Internal control processes and segregation of duties will continue to be monitored and adjusted where applicable.

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, 2023

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.

2023-002 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.

2023-003 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, 2023

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.

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

Conclusion – Response accepted.

2023-004 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, 2023

2023-005 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 Incode 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.

2023-006 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, 2023

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, 2023

Other Findings Related to Required Statutory Reporting:

- 2023-A Certified Budget – Disbursements during the year ended June 30, 2023 did not exceed the amounts budgeted.
- 2023-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.
- 2023-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 2023-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	\$ 5,825

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.

- 2023-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.
- 2023-F Bond Coverage – The County does not carry surety bond coverage of County officials and employees in accordance with Chapter 64 of the Code of Iowa.

Recommendation – The County should obtain surety bond coverage of County officials and employees as required. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Response – Our agent is working on the application, and once he completes the application, he will forward it to the Auditor to finish completing it and the application will be submitted.

Conclusion – Response accepted.

- 2023-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.

Washington County

Schedule of Findings

Year ended June 30, 2023

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.

2023-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.

2023-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).

2023-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. Steps have been taken through payroll to eliminate the Reserve account and have everything run through County records.

Conclusion – Response accepted.

2023-K Minutes Publication – Public Safety Commission – Minutes for two Public Safety Commission meetings were not submitted to the newspaper for publication within 20 days of the meeting as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Public Safety Commission should take steps to ensure minutes are submitted to the newspaper for publication within 20 days of the meeting, as required.

Response – We will keep a close eye making sure the minutes are published timely.

Conclusion – Response accepted.

Washington County

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
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William R. Bamber, CPA, Senior Auditor
David A. Slocum, CPA, Senior Auditor
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