



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE _____ May 23, 2006

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Washington County, Iowa.

The County had local tax revenue of \$22,404,521 for the year ended June 30, 2005, which included \$1,185,006 in tax credits from the state. The County forwarded \$16,490,042 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,914,479 of the local tax revenue to finance County operations, a less than one percent increase over the prior year. Other revenues included charges for service of \$1,195,154, operating grants, contributions and restricted interest of \$4,360,902, capital grants, contributions and restricted interest of \$3,018,727, local option sales and services tax of \$748,083, unrestricted investment earnings of \$127,878 and other general revenues of \$215,611.

Expenses for County operations totaled \$14,395,662, an 11.5 percent increase over the prior year. Expenses included \$5,590,338 for roads and transportation, \$2,850,885 for public safety and legal services and \$1,896,547 for physical health and social services.

The increase in expenses was due primarily to various road construction projects.

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

###

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

JUNE 30, 2005

Table of Contents

| | | Page |
|--|-----------------|-------|
| Officials | | 3 |
| Independent Auditor’s Report | | 5-6 |
| Management’s Discussion and Analysis | | 7-13 |
| Basic Financial Statements: | <u>Exhibit</u> | |
| Government-wide Financial Statements: | | |
| Statement of Net Assets | A | 16 |
| Statement of Activities | B | 17 |
| Governmental Fund Financial Statements: | | |
| Balance Sheet | C | 18-19 |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets | D | 21 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | E | 22-23 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities | F | 24 |
| Proprietary Fund Financial Statements: | | |
| Statement of Net Assets | G | 25 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets | H | 26 |
| Statement of Cash Flows | I | 27 |
| Fiduciary Fund Financial Statement: | | |
| Statement of Fiduciary Assets and Liabilities – Agency Funds | J | 28 |
| Notes to Financial Statements | | 29-43 |
| Required Supplementary Information: | | |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds | | 46-47 |
| Budget to GAAP Reconciliation | | 48 |
| Notes to Required Supplementary Information – Budgetary Reporting | | 49 |
| Other Supplementary Information: | <u>Schedule</u> | |
| Nonmajor Special Revenue Funds: | | |
| Combining Balance Sheet | 1 | 52-53 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 2 | 54-55 |
| Internal Service Funds: | | |
| Combining Schedule of Net Assets | 3 | 56 |
| Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets | 4 | 57 |
| Combining Schedule of Cash Flows | 5 | 59 |
| Agency Funds: | | |
| Combining Schedule of Fiduciary Assets and Liabilities | 6 | 60-61 |
| Combining Schedule of Changes in Fiduciary Assets and Liabilities | 7 | 62-63 |
| Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds | 8 | 64 |
| 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 <u>Government Auditing Standards</u> | | 65-66 |
| Schedule of Findings | | 67-69 |
| Staff | | 70 |

Washington County

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|----------------------|---------------------|
| (Before January 2005) | | |
| Larry DeLong | Board of Supervisors | Jan 2005 |
| Robert L. Stout | Board of Supervisors | Jan 2005 |
| Jack Dillion | Board of Supervisors | Jan 2007 |
| Bill Fredrick | County Auditor | Jan 2005 |
| Jeffrey A. Garrett | County Treasurer | Jan 2007 |
| Connie Pence | County Recorder | Jan 2007 |
| Yale H. Jarvis | County Sheriff | Jan 2005 |
| Barbara A. Edmondson | County Attorney | Jan 2007 |
| Lil Perry | County Assessor | Jan 2010 |
| (After January 2005) | | |
| Jack Dillion | Board of Supervisors | Jan 2007 |
| Larry DeLong | Board of Supervisors | Jan 2009 |
| Randy Payne | Board of Supervisors | Jan 2009 |
| Bill Fredrick | County Auditor | Jan 2009 |
| Jeffrey A. Garrett | County Treasurer | Jan 2007 |
| Connie Pence | County Recorder | Jan 2007 |
| Jerry A. Dunbar | County Sheriff | Jan 2009 |
| Barbara A. Edmondson | County Attorney | Jan 2007 |
| Lil Perry | County Assessor | Jan 2010 |

Washington County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Washington County:

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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Washington County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Washington County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

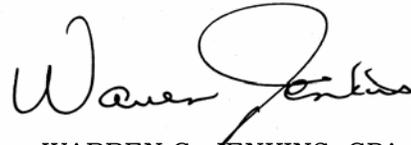
In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2006 on our consideration of Washington County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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 second paragraph of this report, the financial statements for the five years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other 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 has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 16, 2006

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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 7.7%, or approximately \$1,299,000, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$32,000, operating grants, contributions and restricted interest decreased approximately \$118,000 and capital grants, contributions and restricted interest decreased approximately \$1,396,000.
- Program expenses of the County's governmental activities increased 11.5%, or approximately \$1,479,000, from fiscal 2004 to fiscal 2005. Roads and transportation expenses increased approximately \$1,352,000.
- The County's net assets increased 3.1%, or approximately \$1,185,000, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as 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 consists of a Statement of Net Assets 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 statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Washington County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplemental Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Internal Service and Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities 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 Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 periods.

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

Fund Financial Statements

The County has three kinds of funds:

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the Public Safety Commission, E911 Services, Emergency Management Services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Washington County's combined net assets increased \$1,185,172, from \$38,204,522 to \$39,389,694. The analysis that follows focuses on the changes in the net assets of governmental activities.

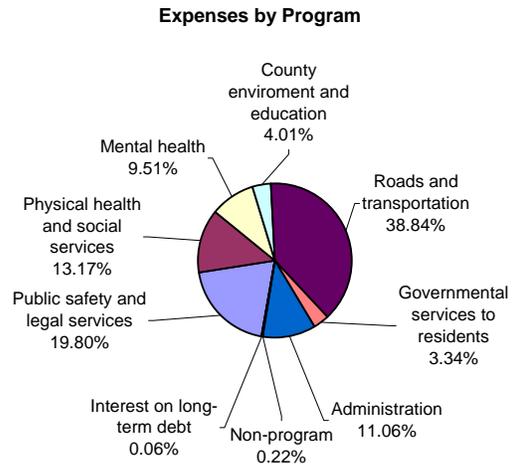
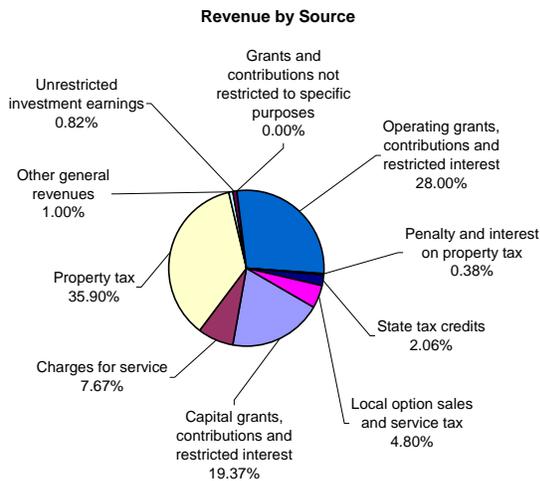
| Net Assets of Governmental Activities | | |
|---|----------------------|-------------------|
| | June 30, | |
| | 2005 | 2004 |
| Current and other assets | \$ 11,296,649 | 10,806,480 |
| Capital assets | 35,151,996 | 34,328,952 |
| Total assets | <u>46,448,645</u> | <u>45,135,432</u> |
| Long-term liabilities | 349,184 | 470,699 |
| Other liabilities | 6,709,767 | 6,460,211 |
| Total liabilities | <u>7,058,951</u> | <u>6,930,910</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 35,035,753 | 34,084,947 |
| Restricted | 2,843,728 | 2,632,192 |
| Unrestricted | <u>1,510,213</u> | <u>1,487,383</u> |
| Total net assets | <u>\$ 39,389,694</u> | <u>38,204,522</u> |

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from approximately \$1,487,000 at June 30, 2004 to approximately \$1,510,000 at the end of this year, an increase of 1.5%.

This increase of approximately \$23,000 in unrestricted net assets was a result of a decrease in county environment and education expenses. The County increased its investment in roadway equipment and road construction by approximately \$2.7 million over the prior year. The County has adopted a five year plan to replace aging equipment.

Changes in Net Assets of Governmental Activities

| | Year ended June 30, | |
|--|----------------------|-------------------|
| | 2005 | 2004 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 1,195,154 | 1,147,773 |
| Operating grants, contributions and restricted interest | 4,360,902 | 4,479,144 |
| Capital grants, contributions and restricted interest | 3,018,727 | 4,415,217 |
| General revenues: | | |
| Property tax | 5,593,044 | 5,560,931 |
| Penalty and interest on property tax | 59,045 | 53,893 |
| State tax credits | 321,435 | 305,853 |
| Local option sales and service tax | 748,083 | 681,633 |
| Grants and contributions not restricted to specific purposes | - | 5,076 |
| Unrestricted investment earnings | 127,878 | 95,531 |
| Other general revenues | 156,566 | 134,527 |
| Total revenues | 15,580,834 | 16,879,578 |
| Program expenses: | | |
| Public safety and legal services | 2,850,885 | 2,660,742 |
| Physical health and social services | 1,896,547 | 1,890,183 |
| Mental health | 1,368,798 | 1,378,298 |
| County environment and education | 576,615 | 568,356 |
| Roads and transportation | 5,590,338 | 4,238,205 |
| Governmental services to residents | 480,354 | 462,784 |
| Administration | 1,591,885 | 1,466,568 |
| Non-program | 31,990 | 237,421 |
| Interest on long-term debt | 8,250 | 13,664 |
| Total expenses | 14,395,662 | 12,916,221 |
| Increase in net assets | 1,185,172 | 3,963,357 |
| Net assets beginning of year | 38,204,522 | 34,241,165 |
| Net assets end of year | \$ 39,389,694 | 38,204,522 |



Washington County's net assets of governmental activities increased by approximately \$1,185,000 during the year. Revenues for governmental activities (a major portion from capital grants) decreased by approximately \$1,299,000 from the prior year, with property tax revenue up from the prior year by approximately \$32,000, or 0.6%.

The County increased property tax rates by \$.34018 per \$1,000 of valuation in the rural levy and by \$.58091 per \$1,000 of valuation in the countywide levy. The rural property valuation decreased by \$35,169,265 and the countywide property valuation decreased by \$34,632,758. Local option sales and services tax increased by \$66,450 during the fiscal year.

The cost of all governmental activities this year was \$14,395,662 compared to \$12,916,221 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$5,820,879, as \$1,195,154 of the cost was paid by those directly benefiting from the programs and \$7,379,629 of the cost was paid by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2005 from approximately \$10,042,134 to \$8,574,783 principally due to secondary roads farm to market reimbursements. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6,341,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Washington County completed the year, its governmental funds reported a combined fund balance of \$4,331,855, an increase of \$240,638 over last year's total of \$4,091,217. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased and expenditures increased from 2004. The ending fund balance decreased \$157,704 from the prior year, from \$2,375,139 to \$2,217,435.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,369,000, a decrease of 0.8% from the prior year. The Mental Health Fund balance at year end increased by approximately \$119,000 over the prior year.
- The Rural Services Fund balance increased from \$320,359 at the end of fiscal 2004 to \$443,673 at the end of fiscal 2005 due, in part, to increased local option sales and services tax. The property tax levy rate decreased from \$2.29284 per \$1,000 of valuation in fiscal 2004 to \$2.05211 per \$1,000 of valuation in fiscal 2005.
- Secondary Roads Fund expenditures increased by approximately \$159,000 and revenues increased by approximately \$1,189,000 over the prior year. These increases resulted in an increase in the Secondary Roads Fund ending balance of approximately \$236,000, or 65.6%.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.
- The Capital Projects Fund ended fiscal 2005 with a \$31,871 balance compared to the prior year balance of \$45,412.

Budgetary Highlights

Over the course of the year, Washington County amended its certified budget two (2) times. The first amendment was made in March 2005 for unanticipated expenses related to Public Health grants received, an additional Public Safety Commission loan payment, additional costs of the County Conservation center, Recorder's CLRIS project and Environmental Health grants. The second amendment was made in May 2005 for County Attorney court case costs, Public Health grants, the receipt of additional LOSST money, a truck for the Sheriff's Department, computer server and jail renovations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2005, Washington County had approximately \$35.2 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges, computers and audio-visual equipment, transportation equipment, and administrative offices. This is a net increase of \$823,044 from fiscal 2004.

| Capital Assets of Governmental Activities at Year End | | |
|---|----------------------|---------------------|
| | June 30, | |
| | 2005 | 2004 |
| Land | \$ 580,172 | 580,172 |
| Construction in progress | 45,749 | 921,836 |
| Buildings and improvements | 3,055,015 | 3,255,845 |
| Equipment and vehicles | 2,262,532 | 2,301,418 |
| Infrastructure | 29,208,528 | 27,269,681 |
| Total | <u>\$ 35,151,996</u> | <u>34,328,952</u> |
| This year's major additions included: | | |
| Infrastructure | | \$ 2,492,445 |
| Construction in progress | | 45,749 |
| Equipment and vehicles | | <u>429,265</u> |
| Total | | <u>\$ 2,967,459</u> |

Washington County had depreciation expense of \$1,216,603 in fiscal 2005 and total accumulated depreciation of \$11,963,139 on June 30, 2005.

The County's fiscal year 2005 capital budget included \$3,393,500 for capital projects, principally for roadway construction. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At the end of fiscal 2005, Washington County had \$116,243 in general obligation notes outstanding compared to \$244,005 at the end of fiscal 2004.

Debt decreased as a result of general obligation note payments on the communication equipment note. The County does not have a current general obligation bond rating 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 \$35,291,046. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Washington County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Washington County's unemployment rate has increased by 0.3% this past year as a result of loss of a major manufacturer in the County at the end of 2003. Unemployment in the County now stands at 3.6% versus 4.8% a year ago, compared with the State's unemployment rate of 4.6% and the national rate of 5.0% for the same period.

Inflation in the State continues to be slightly lower than the national Consumer Price Index increase. The State's CPI increase was 2.5% for fiscal year 2005 compared with the national rate of 2.5%. Inflation has been modest here despite a continuing increase in the County's residential housing market and significant increases in energy prices in 2004-2005. The State's modest financial condition has improved somewhat from the prior year.

In a continuing effort to maintain County services without a major increase in tax askings, the Washington County Board of Supervisors has been committed to limiting expenditure increases and to spend down fund balances in order to provide required services. Amounts available for appropriation in the 2006 cash operating budget are \$15,067,744, a decrease in the amount budgeted for 2005, but an increase of 10.96% over actual final 2005 cash expenditures (due to efforts by county department heads to control spending and unspent capital project funds). A property tax revenue increase, due to slight increases in the County's taxable valuations, and a decision by the Board of Supervisors to impose a general basic levy rate of \$4.75 (exceeding the statutory maximum of \$3.50) will be complimented somewhat by modest anticipated increases in Intergovernmental revenues. The decision to increase the general basic levy was made by the Board to slow rapidly declining fund balances. Washington County will attempt to use these receipts to finance eligible programs we are currently involved in and offset the effect we expect inflation to have on some of these program costs. Budgeted 2006 disbursements, over what was actually spent in 2005, are expected to rise by approximately \$1,487,780. Increased wage and cost of living adjustments, increased insurance costs, and an anticipated increase in Secondary Roads capital projects, brought about in part by the State transfer of jurisdiction of Old State Highway 218, represent the largest increases. The County has added no other major new programs or initiatives to the 2006 budget, but is anticipating the possibility of a successful jail project referendum in the fall.

If these estimates are realized, the County's budgetary operating balance is expected to decrease at a slower rate than what has been budgeted for the last three years.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Washington County

Basic Financial Statements

Washington County
Statement of Net Assets
June 30, 2005

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and pooled investments | \$ 4,510,512 |
| Receivables: | |
| Property tax: | |
| Delinquent | 6,776 |
| Succeeding year | 6,014,000 |
| Interest and penalty on property tax | 279 |
| Accounts | 59,377 |
| Accrued interest | 1,935 |
| Due from other governments | 427,900 |
| Inventories | 246,082 |
| Prepaid insurance | 29,788 |
| Capital assets (net of accumulated depreciation) | 35,151,996 |
| Total assets | 46,448,645 |
| Liabilities | |
| Accounts payable | 363,320 |
| Accrued interest payable | 449 |
| Salaries and benefits payable | 112,291 |
| Due to other governments | 219,707 |
| Deferred revenue: | |
| Succeeding year property tax | 6,014,000 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| General obligation notes | 62,848 |
| Compensated absences | 167,625 |
| Portion due or payable after one year: | |
| General obligation notes | 53,395 |
| Compensated absences | 65,316 |
| Total liabilities | 7,058,951 |
| Net Assets | |
| Invested in capital assets, net of related debt | 35,035,753 |
| Restricted for: | |
| Supplemental levy purposes | 554,566 |
| Mental health purposes | 827,879 |
| Secondary roads purposes | 544,703 |
| Debt service | 16,560 |
| Capital projects | 31,871 |
| Other purposes | 868,149 |
| Unrestricted | 1,510,213 |
| Total net assets | \$ 39,389,694 |

See notes to financial statements.

Washington County
Statement of Activities
Year ended June 30, 2005

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets |
|---|----------------------|------------------------|--|--|--|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | \$ 2,850,885 | 121,497 | 347,668 | - | (2,381,720) |
| Physical health and social services | 1,896,547 | 355,642 | 731,012 | - | (809,893) |
| Mental health | 1,368,798 | 7,567 | 699,722 | - | (661,509) |
| County environment and education | 576,615 | 34,642 | 21,282 | 53,295 | (467,396) |
| Roads and transportation | 5,590,338 | 147,143 | 2,320,310 | 2,965,432 | (157,453) |
| Governmental services to residents | 480,354 | 355,295 | 12,841 | - | (112,218) |
| Administration | 1,591,885 | 173,368 | 228,067 | - | (1,190,450) |
| Non-program | 31,990 | - | - | - | (31,990) |
| Interest on long-term debt | 8,250 | - | - | - | (8,250) |
| Total | \$ 14,395,662 | 1,195,154 | 4,360,902 | 3,018,727 | (5,820,879) |
| General Revenues: | | | | | |
| Property and other county tax levied for general purposes | | | | | 5,593,044 |
| Penalty and interest on property tax | | | | | 59,045 |
| State tax credits | | | | | 321,435 |
| Local option sales and services tax | | | | | 748,083 |
| Unrestricted investment earnings | | | | | 127,878 |
| Miscellaneous | | | | | 156,566 |
| Total general revenues | | | | | 7,006,051 |
| Change in net assets | | | | | 1,185,172 |
| Net assets beginning of year | | | | | 38,204,522 |
| Net assets end of year | | | | | \$ 39,389,694 |

See notes to financial statements.

Washington County

Balance Sheet
Governmental Funds

June 30, 2005

| | Special Revenue | | | |
|--|---------------------|------------------|------------------|-----------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash and pooled investments | \$ 2,171,810 | 1,042,290 | 399,271 | 335,442 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 5,567 | 653 | 556 | - |
| Succeeding year | 4,672,000 | 548,000 | 794,000 | - |
| Interest and penalty on property tax | 279 | - | - | - |
| Accounts | 49,231 | 280 | - | 6,670 |
| Accrued interest | 1,935 | - | - | - |
| Due from other funds | 64 | - | - | 3,392 |
| Due from other governments | 139,673 | 4,022 | 52,503 | 231,144 |
| Inventories | - | - | - | 246,082 |
| Prepaid insurance | 29,788 | - | - | - |
| Total assets | \$ 7,070,347 | 1,595,245 | 1,246,330 | 822,730 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 80,497 | 10,701 | 6,434 | 194,281 |
| Salaries and benefits payable | 77,227 | 2,070 | 1,682 | 31,312 |
| Due to other funds | 3,392 | - | 5 | 59 |
| Due to other governments | 14,481 | 204,346 | - | 829 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 4,672,000 | 548,000 | 794,000 | - |
| Other | 5,315 | 623 | 536 | - |
| Total liabilities | 4,852,912 | 765,740 | 802,657 | 226,481 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Supplemental levy purposes | 608,430 | - | - | - |
| Debt service | - | - | - | - |
| Unreserved, reported in: | | | | |
| General fund | 1,609,005 | - | - | - |
| Special revenue funds | - | 829,505 | 443,673 | 596,249 |
| Capital projects fund | - | - | - | - |
| Total fund balances | 2,217,435 | 829,505 | 443,673 | 596,249 |
| Total liabilities and fund balances | \$ 7,070,347 | 1,595,245 | 1,246,330 | 822,730 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|--------------|------------------|--------------------------|------------|
| 17,011 | 31,871 | 197,325 | 4,195,020 |
| - | - | - | 6,776 |
| - | - | - | 6,014,000 |
| - | - | - | 279 |
| - | - | 1,056 | 57,237 |
| - | - | - | 1,935 |
| - | - | - | 3,456 |
| - | - | 558 | 427,900 |
| - | - | - | 246,082 |
| - | - | - | 29,788 |
| 17,011 | 31,871 | 198,939 | 10,982,473 |
| - | - | 2,777 | 294,690 |
| - | - | - | 112,291 |
| - | - | - | 3,456 |
| - | - | 51 | 219,707 |
| - | - | - | 6,014,000 |
| - | - | - | 6,474 |
| - | - | 2,828 | 6,650,618 |
| - | - | - | 608,430 |
| 17,011 | - | - | 17,011 |
| - | - | - | 1,609,005 |
| - | - | 196,111 | 2,065,538 |
| - | 31,871 | - | 31,871 |
| 17,011 | 31,871 | 196,111 | 4,331,855 |
| 17,011 | 31,871 | 198,939 | 10,982,473 |

Washington County

Washington County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2005

Total governmental fund balances (page 19) \$ 4,331,855

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$47,115,135 and the accumulated depreciation is \$11,963,139. 35,151,996

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 6,474

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 Assets. 249,002

Long-term liabilities, including general obligation notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (349,633)

Net assets of governmental activities (page 16) \$ 39,389,694

See notes to financial statements.

Washington County

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

Year ended June 30, 2005

| | Special Revenue | | | |
|---|---------------------|------------------|--------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | \$ 4,034,391 | 738,350 | 1,566,990 | - |
| Interest and penalty on property tax | 59,045 | - | - | - |
| Intergovernmental | 1,643,745 | 741,258 | 44,647 | 3,715,133 |
| Licenses and permits | 49,511 | - | - | 1,305 |
| Charges for service | 607,522 | 6,567 | 756 | 2,372 |
| Use of money and property | 169,445 | - | - | - |
| Miscellaneous | 42,359 | 1,000 | - | 178,631 |
| Total revenues | <u>6,606,018</u> | <u>1,487,175</u> | <u>1,612,393</u> | <u>3,897,441</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 2,770,948 | - | 7,708 | - |
| Physical health and social services | 1,898,497 | - | 53 | - |
| Mental health | - | 1,368,581 | - | - |
| County environment and education | 326,936 | - | 158,912 | - |
| Roads and transportation | - | - | 49,771 | 4,059,865 |
| Governmental services to residents | 440,935 | - | 3,042 | - |
| Administration | 1,224,129 | - | - | - |
| Non-program | 63,080 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | 990,049 |
| Total expenditures | <u>6,724,525</u> | <u>1,368,581</u> | <u>219,486</u> | <u>5,049,914</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(118,507)</u> | <u>118,594</u> | <u>1,392,907</u> | <u>(1,152,473)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | 79,782 | - | - | 1,388,572 |
| Operating transfers out | (118,979) | - | (1,269,593) | - |
| Total other financing sources (uses) | <u>(39,197)</u> | <u>-</u> | <u>(1,269,593)</u> | <u>1,388,572</u> |
| Net change in fund balances | (157,704) | 118,594 | 123,314 | 236,099 |
| Fund balances beginning of year | 2,375,139 | 710,911 | 320,359 | 360,150 |
| Fund balances end of year | <u>\$ 2,217,435</u> | <u>829,505</u> | <u>443,673</u> | <u>596,249</u> |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|--------------|------------------|--------------------------|-------------|
| - | - | - | 6,339,731 |
| - | - | - | 59,045 |
| - | - | 16,877 | 6,161,660 |
| - | - | - | 50,816 |
| - | - | 32,164 | 649,381 |
| 348 | 10,440 | 25,947 | 206,180 |
| 136,507 | - | 60,640 | 419,137 |
| 136,855 | 10,440 | 135,628 | 13,885,950 |
| - | - | 2,895 | 2,781,551 |
| - | - | 2,304 | 1,900,854 |
| - | - | - | 1,368,581 |
| - | - | 54,578 | 540,426 |
| - | - | - | 4,109,636 |
| - | - | 30,827 | 474,804 |
| - | - | - | 1,224,129 |
| - | - | - | 63,080 |
| 136,507 | - | - | 136,507 |
| - | 23,981 | 31,714 | 1,045,744 |
| 136,507 | 23,981 | 122,318 | 13,645,312 |
| 348 | (13,541) | 13,310 | 240,638 |
| - | - | - | 1,468,354 |
| - | - | (79,782) | (1,468,354) |
| - | - | (79,782) | - |
| 348 | (13,541) | (66,472) | 240,638 |
| 16,663 | 45,412 | 262,583 | 4,091,217 |
| 17,011 | 31,871 | 196,111 | 4,331,855 |

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, 2005

Net change in fund balances - Total governmental funds (page 23) \$ 240,638**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 expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

| | | |
|---|--------------------|---------|
| Expenditures for capital assets | \$ 475,014 | |
| Capital assets contributed by the Iowa Department of Transportation | 1,570,609 | |
| Depreciation expense | <u>(1,216,603)</u> | 829,020 |

In the Statement of Activities, the loss on the sale of capital assets is reported whereas the governmental funds report the loss as an decrease in financial resources.

(5,975)

Because some property tax revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

1,396

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

127,762

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 governmental funds, as follows:

| | | |
|----------------------------|------------|---------|
| Compensated absences | (6,247) | |
| Interest on long-term debt | <u>496</u> | (5,751) |

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

(1,918)

Change in net assets of governmental activities (page 17) \$ 1,185,172

See notes to financial statements.

Washington County
 Statement of Net Assets
 Proprietary Funds

June 30, 2005

| | <u>Internal Service</u> |
|---------------------------|-----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 315,492 |
| Accounts receivable | <u>2,140</u> |
| Total assets | 317,632 |
| Liabilities | |
| Accounts payable | <u>68,630</u> |
| Net Assets | |
| Unrestricted | <u><u>\$ 249,002</u></u> |

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2005

| | | <u>Internal Service</u> |
|-------------------------------------|------------|-----------------------------|
| Operating revenues: | | |
| Reimbursements from operating funds | | \$ 853,557 |
| Reimbursements from employees | | 20,154 |
| Reimbursements from agency funds | | 94,088 |
| Contributions for flexible benefits | | 53,859 |
| Total operating revenues | | <u>1,021,658</u> |
| Operating expenses: | | |
| Medical claims | \$ 668,919 | |
| Administrative fees | 311,027 | |
| Flexible benefits claims | 49,460 | 1,029,406 |
| Operating loss | | <u>(7,748)</u> |
| Non-operating revenues: | | |
| Interest income | | <u>5,830</u> |
| Net loss | | (1,918) |
| Net assets beginning of year | | <u>250,920</u> |
| Net assets end of year | | <u>\$ 249,002</u> |

See notes to financial statements.

Washington County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2005

| | Internal Service |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from operating fund reimbursements | \$ 853,557 |
| Cash received from employees and others | 73,884 |
| Cash received from agency funds | 94,088 |
| Cash paid to suppliers for services | (1,043,067) |
| Net cash used by operating activities | (21,538) |
| Cash flows from investing activities: | |
| Interest on investments | 5,830 |
| Net decrease in cash and cash equivalents | (15,708) |
| Cash and cash equivalents beginning of year | 331,200 |
| Cash and cash equivalents end of year | \$ 315,492 |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ (7,748) |
| Adjustments to reconcile operating income to net cash used by operating activities: | |
| (Increase) in accounts receivable | (130) |
| (Decrease) in accounts payable | (13,660) |
| Net cash used by operating activities | \$ (21,538) |

See notes to financial statements.

Washington County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

| | |
|------------------------------|-------------------|
| Cash and pooled investments: | |
| County Treasurer | \$ 1,165,725 |
| Other County officials | 54,679 |
| Receivables: | |
| Property tax: | |
| Delinquent | 19,962 |
| Succeeding year | 15,644,000 |
| Accounts | 59,111 |
| Special assessments | 18,404 |
| Due from other governments | 20,645 |
| Total assets | <u>16,982,526</u> |

Liabilities

| | |
|-------------------------------|-------------------|
| Accounts payable | 7,413 |
| Salaries and benefits payable | 12,594 |
| Due to other governments | 16,884,108 |
| Trusts payable | 60,081 |
| Compensated absences | 18,330 |
| Total liabilities | <u>16,982,526</u> |

Net assets \$ -

See notes to financial statements.

Washington County

Notes to Financial Statements

June 30, 2005

(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.

These financial statements present Washington County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationships with the County.

Blended Component Unit – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, the same as the County. The Washington County Conservation Foundation (Foundation) has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Washington County Conservation Board. These donations are to be used to purchase items not included in the County's budget and to pay for special projects. The financial transactions of the Foundation have been displayed as a Nonmajor Special Revenue Fund.

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: East Central Iowa Council of Governments, Washington County Recycling Center, Heartland Group, South Iowa Case Management, Washington County Mini Bus and Southeast Multi-County Solid Waste Agency.

B. Basis of Presentation

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

The Statement of Net Assets presents the County’s nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account 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.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

The proprietary funds of the County apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 revenues 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, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – 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 which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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 in the Special Revenue Funds 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, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|----------------------------------|-----------|
| Infrastructure | \$ 50,000 |
| Land, buildings and improvements | 25,000 |
| Equipment and vehicles | 5,000 |

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Unrestricted Net Assets – The unrestricted net assets of the 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. During the year ended June 30, 2005, disbursements in one department exceeded the amount appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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 insure 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 which are valued at an amortized cost of \$67,426 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------|------------------|-----------------|
| General | Special Revenue: | |
| | Rural Services | \$ 5 |
| | Secondary Roads | 59 |
| Special Revenue: | | |
| Secondary Roads | General | 3,392 |
| Total | | <u>\$ 3,456</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, 2005 is as follows:

| Transfer to | Transfer from | Amount |
|------------------|-------------------------------|---------------------|
| General | Special Revenue: | |
| | Conservation Land Acquisition | \$ 79,782 |
| Special Revenue: | | |
| Secondary Roads | General | 118,979 |
| | Special Revenue: | |
| | Rural Services | 1,269,593 |
| Total | | <u>\$ 1,468,354</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, 2005 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 580,172 | - | - | 580,172 |
| Construction in progress | 921,836 | 45,749 | (921,836) | 45,749 |
| Total capital assets not being depreciated | 1,502,008 | 45,749 | (921,836) | 625,921 |
| Capital assets being depreciated: | | | | |
| Buildings | 5,656,123 | - | - | 5,656,123 |
| Equipment and vehicles | 6,000,818 | 429,265 | (268,769) | 6,161,313 |
| Infrastructure, road network | 32,179,333 | 2,492,445 | - | 34,671,778 |
| Total capital assets being depreciated | 43,836,274 | 2,921,710 | (268,769) | 46,489,214 |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,400,278 | 200,830 | - | 2,601,108 |
| Equipment and vehicles | 3,699,400 | 462,175 | (262,794) | 3,898,781 |
| Infrastructure, road network | 4,909,652 | 553,598 | - | 5,463,250 |
| Total accumulated depreciation | 11,009,330 | 1,216,603 | (262,794) | 11,963,139 |
| Total capital assets being depreciated, net | 32,826,944 | 1,705,107 | (5,975) | 34,526,075 |
| Governmental activities capital assets, net | \$ 34,328,952 | 1,750,856 | (927,811) | 35,151,996 |

Depreciation expense was charged to the following functions:

| | |
|--|---------------------|
| Governmental activities: | |
| Public safety and legal services | \$ 115,873 |
| Physical health and social services | 14,316 |
| County environment and education | 3,907 |
| Roads and transportation | 849,682 |
| Governmental services to residents | 2,353 |
| Administration | 230,472 |
| Total depreciation expense - governmental activities | <u>\$ 1,216,603</u> |

(6) Due to Other Governments

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

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|--------------------|----------------------|
| General | Services | <u>\$ 14,481</u> |
| Special Revenue: | | |
| Mental Health | Services | 204,346 |
| Secondary Roads | Services | 829 |
| FEMA | Services | 51 |
| | | <u>205,226</u> |
| Total for governmental funds | | <u>\$ 219,707</u> |
| Agency: | | |
| County Assessor | Collections | \$ 396,614 |
| Schools | | 9,773,839 |
| Community Colleges | | 489,074 |
| Corporations | | 4,228,193 |
| Auto License and Use Tax | | 347,768 |
| All other | | 1,648,620 |
| Total for agency funds | | <u>\$ 16,884,108</u> |

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

| | <u>General</u> | <u>Compen-</u> | |
|---------------------------|-------------------|-----------------|----------------|
| | <u>Obligation</u> | <u>sated</u> | |
| | <u>Notes</u> | <u>Absences</u> | <u>Total</u> |
| Balance beginning of year | \$ 244,005 | 226,694 | 470,699 |
| Increases | - | 258,894 | 258,894 |
| Decreases | 127,762 | 252,647 | 380,409 |
| Balance end of year | <u>\$ 116,243</u> | <u>232,941</u> | <u>349,184</u> |
| Due within one year | <u>\$ 62,848</u> | <u>167,625</u> | <u>230,473</u> |

Notes Payable

A summary of the County's June 30, 2005 general obligation note indebtedness is as follows:

| Year ending June 30, | Interest Rates | Principal | Interest | Total |
|----------------------------|-------------------|------------|----------|---------|
| 2006 | 4.65% | \$ 62,848 | 5,406 | 68,254 |
| 2007 | 4.65 | 53,395 | 2,482 | 55,877 |
| Total | | \$ 116,243 | 7,888 | 124,131 |

On January 9, 2001, the County issued \$400,000 in general obligation communications equipment notes to pay a portion of the cost of acquiring communications equipment for the Washington County Public Safety Center. The notes bear interest at 4.65% per annum and mature on June 1, 2007. The Joint E911 Service Board has agreed to repay Washington County from the E911 telephone surcharge funds.

During the year ended June 30, 2005, the County retired note principal of \$127,762.

(8) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the year ended June 30, 2005, 2004 and 2003 were \$276,062, \$268,739 and \$252,273, respectively, equal to the required contributions for each year.

(9) Risk Management

Washington County is a member in 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 with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. 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 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 due and payable in the current 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 to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current 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 risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$144,327.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, 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 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. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) 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 \$20,000. 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, 2005 was \$853,557.

Amounts payable from the Employee Group Health Fund at June 30, 2005 total \$68,630, 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 \$241,627 at June 30, 2005 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. 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 | \$ 82,290 |
| Incurred claims (including claims incurred but not reported at June 30, 2005) | 668,919 |
| Payments | <u>(682,579)</u> |
| Unpaid claims end of year | <u><u>\$ 68,630</u></u> |

(11) Contingent Liability

The Heartland Group is a public authority established under a 28E agreement between Jefferson, Keokuk, Lucas, Wapello and Washington counties. In March 1994, the Heartland Group issued \$800,000 in general obligation capital loan notes. Each of the five counties approved the issuance of \$160,000 in general obligation capital loan notes as a guarantee of the Heartland Group's issuance.

To date, Washington County has not issued any debt as a guarantor for the Heartland Group. However, the County remains contingently liable in the event the Heartland Group cannot satisfy its debt payments.

(12) County Hospital Revenue Bonds

On July 1, 1997, the County entered into a loan agreement and issued \$5,200,000 of Hospital Revenue Bonds for constructing, remodeling and expanding the Washington County Hospital. The bonds and related interest are payable solely out of the net earnings of the Washington County Hospital and do not constitute liabilities of the County.

(13) Jointly Governed Organization

Washington County participates in the Washington County Public Safety Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2005:

| | | | |
|--|----|-------------------|-------------------|
| Additions: | | | |
| Contributions from governmental units: | | | |
| Washington County | \$ | 258,185 | |
| City of Washington | | 163,369 | |
| Reimbursement from Joint E-911 Service Board | | 136,507 | |
| Miscellaneous | | 263 | \$ 558,324 |
| | | <u> </u> | <u> </u> |
| Deductions: | | | |
| Salaries | | 311,986 | |
| Benefits | | 53,886 | |
| Office supplies | | 2,514 | |
| Uniforms | | 2,165 | |
| Telephone and fax services | | 13,195 | |
| Postage and mailing | | 487 | |
| Travel | | 857 | |
| Training | | 1,416 | |
| Professional services | | 288 | |
| Equipment maintenance | | 12,285 | |
| Distribution to Debt Service Fund | | 136,507 | |
| Machinery and equipment | | 29,566 | |
| Office equipment and furniture | | 366 | |
| Miscellaneous | | 790 | 566,308 |
| | | <u> </u> | <u> </u> |
| Net | | | (7,984) |
| Balance beginning of year | | | 109,474 |
| | | | <u> </u> |
| Balance end of year | | | \$ 101,490 |
| | | | <u> </u> |

(14) Subsequent Events

In December 2005, the County issued a \$4,600,000 general obligation correctional facility bond anticipation project note for the construction, furnishing and equipping of a new county correctional facility.

In December 2005, the County issued a \$9,400,000 urban renewal tax increment revenue bond to pay the costs of constructing a water and sanitary sewer treatment facilities to be owned by the City of Riverside. The bond is to be repaid from income and proceeds of the Urban Renewal Tax Increment Revenue Fund.

Washington County

Required Supplementary Information

Washington County

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

Required Supplementary Information

Year ended June 30, 2005

| | Actual | Less Funds not Required to be Budgeted | Net |
|---|---------------------|---|-------------------|
| Receipts: | | | |
| Property and other county tax | \$ 6,355,607 | - | 6,355,607 |
| Interest and penalty on property tax | 58,923 | - | 58,923 |
| Intergovernmental | 5,829,857 | - | 5,829,857 |
| Licenses and permits | 53,593 | - | 53,593 |
| Charges for service | 662,597 | - | 662,597 |
| Use of money and property | 197,230 | - | 197,230 |
| Miscellaneous | 234,897 | 18,623 | 216,274 |
| Total receipts | <u>13,392,704</u> | <u>18,623</u> | <u>13,374,081</u> |
| Disbursements: | | | |
| Public safety and legal services | 2,599,198 | - | 2,599,198 |
| Physical health and social services | 1,874,527 | - | 1,874,527 |
| Mental health | 1,344,344 | - | 1,344,344 |
| County environment and education | 542,954 | 54,578 | 488,376 |
| Roads and transportation | 3,924,749 | - | 3,924,749 |
| Governmental services to residents | 474,386 | - | 474,386 |
| Administration | 1,261,915 | - | 1,261,915 |
| Non-program | 70,038 | - | 70,038 |
| Debt service | 136,507 | - | 136,507 |
| Capital projects | 1,351,345 | - | 1,351,345 |
| Total disbursements | <u>13,579,963</u> | <u>54,578</u> | <u>13,525,385</u> |
| Excess (deficiency) of receipts over (under) disbursements | (187,259) | (35,955) | (151,304) |
| Other financing sources, net | 222,698 | - | 222,698 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 35,439 | (35,955) | 71,394 |
| Balance beginning of year | 4,159,581 | 56,591 | 4,102,990 |
| Balance end of year | <u>\$ 4,195,020</u> | <u>20,636</u> | <u>4,174,384</u> |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to Net Variance |
|-------------------|-------------------|-----------------------------|
| Original | Final | |
| 6,151,420 | 6,151,420 | 204,187 |
| 55,000 | 55,000 | 3,923 |
| 8,393,261 | 8,506,864 | (2,677,007) |
| 44,340 | 44,340 | 9,253 |
| 572,650 | 583,846 | 78,751 |
| 163,080 | 163,080 | 34,150 |
| 243,160 | 243,160 | (26,886) |
| <u>15,622,911</u> | <u>15,747,710</u> | <u>(2,373,629)</u> |
| 2,811,662 | 2,932,790 | 333,592 |
| 2,162,754 | 2,251,432 | 376,905 |
| 1,699,500 | 1,699,500 | 355,156 |
| 507,670 | 507,670 | 19,294 |
| 4,120,000 | 4,120,000 | 195,251 |
| 552,268 | 582,268 | 107,882 |
| 1,407,910 | 1,409,796 | 147,881 |
| 66,875 | 92,950 | 22,912 |
| 68,325 | 136,579 | 72 |
| 3,385,500 | 3,393,500 | 2,042,155 |
| <u>16,782,464</u> | <u>17,126,485</u> | <u>3,601,100</u> |
| (1,159,553) | (1,378,775) | 1,227,471 |
| <u>182,884</u> | <u>182,884</u> | <u>39,814</u> |
| (976,669) | (1,195,891) | 1,267,285 |
| <u>2,701,500</u> | <u>4,048,345</u> | <u>54,645</u> |
| <u>1,724,831</u> | <u>2,852,454</u> | <u>1,321,930</u> |

Washington County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

| | Governmental Funds | | |
|------------------------------|--------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 13,392,704 | 493,246 | 13,885,950 |
| Expenditures | 13,579,963 | 65,349 | 13,645,312 |
| Net | (187,259) | 427,897 | 240,638 |
| Other financing sources, net | 222,698 | (222,698) | - |
| Beginning fund balances | 4,159,581 | (68,364) | 4,091,217 |
| Ending fund balances | \$ 4,195,020 | 136,835 | 4,331,855 |

See accompanying independent auditor's report.

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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 blended component unit and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$344,021. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2005, disbursements in one department exceeded the amount appropriated.

Washington County

Other Supplementary Information

Washington County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2005

| | County Recorder's Records Management | County Recorder's Electronic Transaction Fee | Resource Enhance- ment and Protection | Law Enforcement County Attorney |
|--|---|---|--|--|
| Assets | | | | |
| Cash and pooled investments | \$ 24,043 | 11,358 | 69,738 | 15,612 |
| Accounts receivable | - | - | - | - |
| Due from other governments | 558 | - | - | - |
| Total assets | \$ 24,601 | 11,358 | 69,738 | 15,612 |
| Liabilities and Fund Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | - | - | - |
| Due to other governments | - | - | - | - |
| Total liabilities | - | - | - | - |
| Fund equity: | | | | |
| Unreserved fund balance | 24,601 | 11,358 | 69,738 | 15,612 |
| Total liabilities and fund equity | \$ 24,601 | 11,358 | 69,738 | 15,612 |

See accompanying independent auditor's report.

| Law Enforcement County Sheriff | Federal Emergency Management Assistance | Supplemental Environmental Projects | Conservation Land Acquisition | Washington County Conservation Foundation | Total |
|---|--|---|-------------------------------------|--|---------|
| 7,389 | 1 | 502 | 48,046 | 20,636 | 197,325 |
| - | - | - | 1,056 | - | 1,056 |
| - | - | - | - | - | 558 |
| 7,389 | 1 | 502 | 49,102 | 20,636 | 198,939 |
| - | 147 | - | 2,630 | - | 2,777 |
| - | 51 | - | - | - | 51 |
| - | 198 | - | 2,630 | - | 2,828 |
| 7,389 | (197) | 502 | 46,472 | 20,636 | 196,111 |
| 7,389 | 1 | 502 | 49,102 | 20,636 | 198,939 |

Washington County

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

Year ended June 30, 2005

| | County Recorder's Records Management | County Recorder's Electronic Transaction Fee | Resource Enhance- ment and Protection | Law Enforcement County Attorney |
|--|---|---|--|--|
| Revenues: | | | | |
| Intergovernmental | \$ - | - | 11,687 | - |
| Charges for service | 5,459 | - | - | - |
| Use of money and property | 222 | 239 | 919 | - |
| Miscellaneous | - | - | - | - |
| Total revenues | 5,681 | 239 | 12,606 | - |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | - | - | - | 2,895 |
| Physical health and social services | - | - | - | - |
| County environment and education | - | - | - | - |
| Governmental services to residents | 5,000 | 25,827 | - | - |
| Capital projects | - | - | - | - |
| Total expenditures | 5,000 | 25,827 | - | 2,895 |
| Excess (deficiency) of revenues over (under) expenditures | 681 | (25,588) | 12,606 | (2,895) |
| Other financing uses: | | | | |
| Operating transfers out | - | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures and other financing uses | 681 | (25,588) | 12,606 | (2,895) |
| Fund balances beginning of year | 23,920 | 36,946 | 57,132 | 18,507 |
| Fund balances end of year | \$ 24,601 | 11,358 | 69,738 | 15,612 |

See accompanying independent auditor's report.

| Law Enforcement County Sheriff | Federal Emergency Management Assistance | Supplemental Environmental Projects | Conservation Land Acquisition | Washington County Conservation Foundation | Total |
|---|--|---|-------------------------------------|--|----------|
| - | 2,052 | - | 3,138 | - | 16,877 |
| - | - | - | 26,705 | - | 32,164 |
| 5,562 | - | 500 | 18,505 | - | 25,947 |
| - | - | - | 42,017 | 18,623 | 60,640 |
| 5,562 | 2,052 | 500 | 90,365 | 18,623 | 135,628 |
| - | - | - | - | - | 2,895 |
| - | 2,304 | - | - | - | 2,304 |
| - | - | - | - | 54,578 | 54,578 |
| - | - | - | - | - | 30,827 |
| - | - | - | 31,714 | - | 31,714 |
| - | 2,304 | - | 31,714 | 54,578 | 122,318 |
| 5,562 | (252) | 500 | 58,651 | (35,955) | 13,310 |
| - | - | - | (79,782) | - | (79,782) |
| 5,562 | (252) | 500 | (21,131) | (35,955) - | (66,472) |
| 1,827 | 55 | 2 | 67,603 | 56,591 | 262,583 |
| 7,389 | (197) | 502 | 46,472 | 20,636 | 196,111 |

Schedule 3

Washington County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2005

| | Employee Group Health | Flexible Benefits | Total |
|-----------------------------|-----------------------------|----------------------|----------------|
| Assets | | | |
| Cash and pooled investments | \$ 310,257 | 5,235 | 315,492 |
| Accounts receivable | - | 2,140 | 2,140 |
| Total assets | 310,257 | 7,375 | 317,632 |
| Liabilities | | | |
| Accounts payable | 68,630 | - | 68,630 |
| Net Assets | | | |
| Unrestricted | \$ 241,627 | 7,375 | 249,002 |

See accompanying independent auditor's report.

Washington County
 Combining Schedule of Revenues, Expenses
 and Changes in Fund Net Assets
 Internal Service Funds

Year ended June 30, 2005

| | Employee Group Health | Flexible Benefits | Total |
|-------------------------------------|-----------------------------|----------------------|------------------|
| Operating revenues: | | | |
| Reimbursements from operating funds | \$ 853,557 | - | 853,557 |
| Reimbursements from employees | 20,154 | - | 20,154 |
| Reimbursements from agency funds | 94,088 | - | 94,088 |
| Withholdings from employees | - | 53,859 | 53,859 |
| | <u>967,799</u> | <u>53,859</u> | <u>1,021,658</u> |
| Operating expenses: | | | |
| Medical claims | 668,919 | - | 668,919 |
| Administrative fees | 311,027 | - | 311,027 |
| Flexible benefits claims | - | 49,460 | 49,460 |
| Total operating expenses | <u>979,946</u> | <u>49,460</u> | <u>1,029,406</u> |
| Operating income (loss) | (12,147) | 4,399 | (7,748) |
| Non-operating revenues: | | | |
| Interest on investments | 5,830 | - | 5,830 |
| Net income (loss) | (6,317) | 4,399 | (1,918) |
| Net assets beginning of year | <u>247,944</u> | <u>2,976</u> | <u>250,920</u> |
| Net assets end of year | <u>\$ 241,627</u> | <u>7,375</u> | <u>249,002</u> |

See accompanying independent auditor's report.

Washington County

Washington County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2005

| | Employee Group Health | Flexible Benefits | Total |
|---|-----------------------------|----------------------|-------------|
| Cash flows from operating activities: | | | |
| Cash received from operating funds | \$ 853,557 | - | 853,557 |
| Cash received from others | 20,155 | 53,729 | 73,884 |
| Cash received from agency funds | 94,088 | - | 94,088 |
| Cash paid to suppliers for services | (993,607) | (49,460) | (1,043,067) |
| Net cash provided (used) by operating activities | (25,807) | 4,269 | (21,538) |
| Cash flows from investing activities: | | | |
| Interest on investments | 5,830 | - | 5,830 |
| Net increase (decrease) in cash and cash equivalents | (19,977) | 4,269 | (15,708) |
| Cash and cash equivalents at beginning of year | 330,234 | 966 | 331,200 |
| Cash and cash equivalents at end of year | \$ 310,257 | 5,235 | 315,492 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (12,147) | 4,399 | (7,748) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Changes in assets and liabilities: | | | |
| Increase in accounts receivable | - | (130) | (130) |
| Decrease in accounts payable | (13,660) | - | (13,660) |
| Net cash provided (used) by operating activities | \$ (25,807) | 4,269 | (21,538) |

See accompanying independent auditor's report.

Washington County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|-------------------------------|-------------------|--|--------------------|------------------|-----------------------|
| Assets | | | | | |
| Cash and pooled investments: | | | | | |
| County Treasurer | \$ - | 2,423 | 99,694 | 153,057 | 7,510 |
| Other County officials | 54,679 | - | - | - | - |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | 186 | 363 | 11,782 | 564 |
| Succeeding year | - | 156,000 | 305,000 | 9,609,000 | 481,000 |
| Accounts | - | - | - | - | - |
| Special assessments | - | - | - | - | - |
| Due from other governments | - | - | - | - | - |
| Total assets | \$ 54,679 | 158,609 | 405,057 | 9,773,839 | 489,074 |
| Liabilities | | | | | |
| Accounts payable | \$ - | - | 78 | - | - |
| Salaries and benefits payable | - | - | 4,083 | - | - |
| Due to other governments | 17,053 | 158,609 | 396,614 | 9,773,839 | 489,074 |
| Trusts payable | 37,626 | - | - | - | - |
| Compensated absences | - | - | 4,282 | - | - |
| Total liabilities | \$ 54,679 | 158,609 | 405,057 | 9,773,839 | 489,074 |

See accompanying independent auditor's report.

| Corporations | Townships | Public Safety Commission | Auto License and Use Tax | Other | Total |
|------------------|----------------|--------------------------|--------------------------|------------------|-------------------|
| 57,139 | 3,762 | 101,490 | 347,768 | 392,882 | 1,165,725 |
| - | - | - | - | - | 54,679 |
| 6,054 | 138 | - | - | 875 | 19,962 |
| 4,165,000 | 230,000 | - | - | 698,000 | 15,644,000 |
| - | - | - | - | 59,111 | 59,111 |
| - | - | - | - | 18,404 | 18,404 |
| - | - | - | - | 20,645 | 20,645 |
| 4,228,193 | 233,900 | 101,490 | 347,768 | 1,189,917 | 16,982,526 |
| - | - | 539 | - | 6,796 | 7,413 |
| - | - | 6,265 | - | 2,246 | 12,594 |
| 4,228,193 | 233,900 | 80,638 | 347,768 | 1,158,420 | 16,884,108 |
| - | - | - | - | 22,455 | 60,081 |
| - | - | 14,048 | - | - | 18,330 |
| 4,228,193 | 233,900 | 101,490 | 347,768 | 1,189,917 | 16,982,526 |

Washington County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges | Corpora- tions |
|------------------------------------|-------------------|--|--------------------|------------|-----------------------|-------------------|
| Assets and Liabilities | | | | | | |
| Balances beginning of year | \$ 49,830 | 151,944 | 394,421 | 9,604,645 | 491,886 | 4,263,558 |
| Additions: | | | | | | |
| Property and other county tax | - | 156,323 | 305,087 | 9,632,143 | 482,473 | 4,118,777 |
| E911 surcharge | - | - | - | - | - | - |
| State tax credits | - | 8,455 | 16,190 | 533,953 | 26,027 | 228,340 |
| State allocation | - | - | - | - | - | - |
| Office fees and collections | 401,422 | - | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - | - |
| Assessments | - | - | - | - | - | - |
| Trusts | 155,049 | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total additions | 556,471 | 164,778 | 321,277 | 10,166,096 | 508,500 | 4,347,117 |
| Deductions: | | | | | | |
| Agency remittances: | | | | | | |
| To other funds | 160,447 | - | - | - | - | - |
| To other governments | 235,700 | 158,113 | 310,641 | 9,996,902 | 511,312 | 4,382,482 |
| Trusts paid out | 155,475 | - | - | - | - | - |
| Total deductions | 551,622 | 158,113 | 310,641 | 9,996,902 | 511,312 | 4,382,482 |
| Balances end of year | \$ 54,679 | 158,609 | 405,057 | 9,773,839 | 489,074 | 4,228,193 |

See accompanying independent auditor's report.

| Townships | Public Safety Commission | Auto License and Use Tax | Other | Total |
|-----------|--------------------------------|-----------------------------------|-----------|------------|
| 220,608 | 109,474 | 389,188 | 1,276,706 | 16,952,260 |
| 233,026 | - | - | 698,642 | 15,626,471 |
| - | - | - | 192,884 | 192,884 |
| 11,774 | - | - | 38,832 | 863,571 |
| - | - | - | 147,178 | 147,178 |
| - | - | - | 154,601 | 556,023 |
| - | - | 4,463,035 | 90,344 | 4,553,379 |
| - | - | - | 24,556 | 24,556 |
| - | - | - | 229,489 | 384,538 |
| - | 558,324 | - | 106,181 | 664,505 |
| 244,800 | 558,324 | 4,463,035 | 1,682,707 | 23,013,105 |
| - | - | 180,178 | 72 | 340,697 |
| 231,508 | 566,308 | 4,324,277 | 1,551,216 | 22,268,459 |
| - | - | - | 218,208 | 373,683 |
| 231,508 | 566,308 | 4,504,455 | 1,769,496 | 22,982,839 |
| 233,900 | 101,490 | 347,768 | 1,189,917 | 16,982,526 |

Schedule 8

Washington County

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

For the Last Six Years

| | Modified Accrual Basis | | | | | |
|--------------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
| Revenues: | | | | | | |
| Property and other county tax | \$ 6,339,731 | 6,241,554 | 5,984,992 | 5,615,499 | 5,542,139 | 4,397,020 |
| Interest and penalty on property tax | 59,045 | 53,893 | 54,570 | 61,136 | 48,799 | 47,863 |
| Intergovernmental | 6,161,660 | 5,083,478 | 5,450,236 | 5,474,357 | 5,189,339 | 5,045,627 |
| Licenses and permits | 50,816 | 49,619 | 53,794 | 46,699 | 40,097 | 37,370 |
| Charges for service | 649,381 | 686,167 | 617,076 | 533,446 | 444,212 | 433,562 |
| Use of money and property | 206,180 | 171,402 | 183,428 | 309,182 | 549,223 | 284,635 |
| Fines, forfeitures and defaults | - | 3,116 | 8,106 | 2,465 | 11,339 | 2,793 |
| Miscellaneous | 419,137 | 384,648 | 725,576 | 311,702 | 180,510 | 135,947 |
| Total | \$ 13,885,950 | 12,673,877 | 13,077,778 | 12,354,486 | 12,005,658 | 10,384,817 |
| Expenditures: | | | | | | |
| Operating: | | | | | | |
| Public safety and legal services | \$ 2,781,551 | 2,575,845 | 2,658,121 | 2,340,040 | 2,311,759 | 2,006,692 |
| Physical health and social services | 1,900,854 | 1,906,677 | 1,825,272 | 1,716,620 | 1,596,445 | 1,361,236 |
| Mental health | 1,368,581 | 1,379,236 | 1,524,813 | 1,573,706 | 1,745,113 | 1,604,335 |
| County environment and education | 540,426 | 478,857 | 411,633 | 372,007 | 328,888 | 278,301 |
| Roads and transportation | 4,109,636 | 3,766,210 | 3,566,052 | 3,321,231 | 3,076,050 | 3,192,729 |
| Governmental services to residents | 474,804 | 465,193 | 480,007 | 441,334 | 458,178 | 402,906 |
| Administration | 1,224,129 | 1,293,299 | 1,133,910 | 1,041,540 | 997,963 | 955,311 |
| Non-program | 63,080 | 86,951 | 327,280 | 67,589 | 481,519 | 106,112 |
| Debt service | 136,507 | 68,254 | 138,675 | 138,835 | 73,645 | 76,611 |
| Capital projects | 1,045,744 | 1,305,961 | 1,833,034 | 838,276 | 710,471 | 1,106,836 |
| Total | \$ 13,645,312 | 13,326,483 | 13,898,797 | 11,851,178 | 11,780,031 | 11,091,069 |

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Washington County:

We have audited 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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 16, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Washington County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe any of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Washington County and other parties to whom Washington County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 16, 2006

Washington County
Schedule of Findings
Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

- (A) Information Systems – During our review of internal control, the existing control activities in the County’s computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County’s computer based systems were noted:

The County does not have written policies for:

- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Ensuring only software licensed to the County is installed on computers.

Also, the County does not have a written disaster recovery plan and does not utilize a lock out function to prevent unauthorized access.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems. A written disaster recovery plan should be developed and a lock out function should be utilized to protect against unauthorized access.

Response – Passwords are changed periodically, users are not authorized to install unlicensed software on computers and disaster recovery is addressed in our maintenance agreement. However, a written policy will be developed to include these concerns. Also, the installation of a lock out function will be researched and possibly implemented.

Conclusion – Response accepted.

- (B) County Auditor – Invoices and supporting documentation were not always stamped paid and canceled to prevent re-use and duplicate payment. Out of 69 invoices tested, nine were not canceled to prevent re-use.

Recommendation – All invoices and supporting documentation should be properly canceled to help prevent re-use.

Response – Cancellation of invoices is a standard procedure and policy of the County. Failure to cancel sampled invoices was an oversight. Additional care will be taken to avoid reoccurrence.

Conclusion – Response accepted.

Washington County

Schedule of Findings

Year ended June 30, 2005

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted. Disbursements in one department exceeded the amount appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – Appropriations for the fiscal year were initially approved by the Board of Supervisors, by resolution, at 75% of approved budgeted expenditure amounts, in order for the Board to analyze the County's financial situation prior to final authorization of total expenditures.

A majority of disbursements for economic development (grants) are made quarterly. The third quarter allocation of these grants caused disbursements to slightly exceed the 75% appropriation amount prior to Board action to approve the remaining 25%.

The County Auditor's office will closely monitor all disbursements to insure against a reoccurrence of this event.

Conclusion – Response accepted.

- (3) 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.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, minutes are required to be submitted for publication within seven days of a board meeting by Chapter 349.18 of the Code of Iowa. Certain minutes were not submitted for publication in a timely manner.

Washington County

Schedule of Findings

Year ended June 30, 2005

Recommendation – Minutes should be typed, signed and submitted for publication in a timely manner to ensure compliance with the Code of Iowa.

Response – A concerted effort will be made to rearrange scheduling to allow for the timely completion and publication of Board minutes.

Conclusion – Response accepted.

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Code of Ordinances – The County has not compiled a code of ordinances containing all of the County ordinances in effect as required by Chapter 331.302(9) of the Code of Iowa.

Recommendation – The County should compile a code of ordinances containing all of the County ordinances in effect as required by Chapter 331.302(9) of the Code of Iowa.

Response – The County is currently in the process of updating its Code of Ordinances. Special attention will be given to completion of the project.

Conclusion – Response accepted.

- (11) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

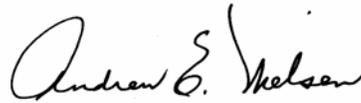
Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

Washington County

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
Steven O. Fuqua, CPA, Senior Auditor
Jeffrey L. Lenhart, Staff Auditor
Philip J. Cloos, Assistant Auditor
Jennifer S. Reynolds, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State