



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

_____ May 14, 2007 _____

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 \$23,304,355 for the year ended June 30, 2006, which included \$1,169,409 in tax credits from the state. The County forwarded \$16,952,982 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,351,373 of the local tax revenue to finance County operations, a seven percent increase over the prior year. Other revenues included charges for service of \$1,381,723, operating grants, contributions and restricted interest of \$4,165,531, capital grants, contributions and restricted interest of \$9,257,239, local option sales and services tax of \$668,312, unrestricted investment earnings of \$243,570 and other general revenues of \$186,707.

Expenses for County operations totaled \$19,369,744, a 35 percent increase over the prior year. Expenses included \$5,667,216 for roads and transportation, and \$4,656,045 for non-program and \$2,647,183 for public safety and legal services.

The increase in expenses was due primarily to the payment of tax increment financing (TIF) bond proceeds to the City of Riverside to provide resources for a water and sewer infrastructure project.

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>.

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WASHINGTON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006

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Washington County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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



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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, 2006, 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.

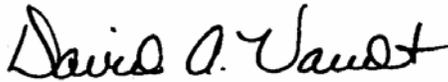
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2006, 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.

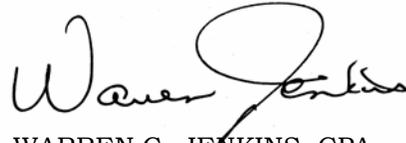
In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2007 on our consideration of Washington County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 14 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 performed 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 six years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 2, 2007

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, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 43%, or approximately \$6,674,000, from fiscal 2005 to fiscal 2006. Property tax increased approximately \$433,000, operating grants, contributions and restricted interest decreased approximately \$195,000 and capital grants, contributions and restricted interest increased approximately \$6,239,000.
- Program expenses were 34.6%, or approximately \$4,974,000, more in fiscal 2006 than in fiscal 2005. A large portion of this increase is attributable to expenses directly related to the Riverside infrastructure projects.
- The County's net assets increased 7.3%, or approximately \$2,885,000 from June 30, 2005 to June 30, 2006.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Internal Service and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

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. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads and City of Riverside TIF, 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 \$2,884,711 over a year ago from \$39,389,694 to \$42,274,405. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2006	2005
Current and other assets	\$ 13,277,602	11,296,649
Capital assets	41,781,222	35,151,996
Total assets	<u>55,058,824</u>	<u>46,448,645</u>
Long-term liabilities	4,956,838	349,184
Other liabilities	7,827,581	6,709,767
Total liabilities	<u>12,784,419</u>	<u>7,058,951</u>
Net assets:		
Invested in capital assets, net of related debt	41,727,827	35,035,753
Restricted	3,354,328	2,843,728
Unrestricted	(2,807,750)	1,510,213
Total net assets	<u>\$ 42,274,405</u>	<u>39,389,694</u>

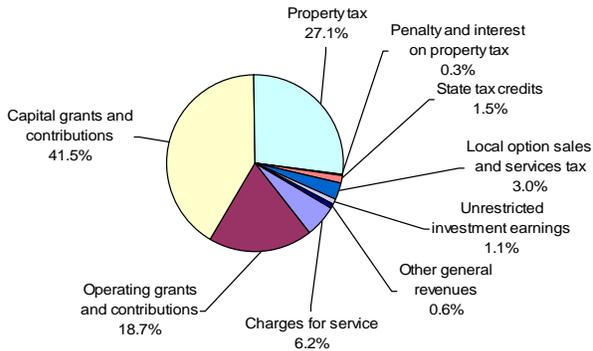
The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with resources other than capital assets. Restricted net assets represent resources 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—decreased from approximately \$1,510,000 at June 30, 2005 to approximately (\$2,808,000) at the end of this year, a decrease of 286%.

This decrease of approximately \$4,318,000 in unrestricted net assets was a result of receiving \$4.6 million in TIF revenue bond proceeds for the City of Riverside for which the offsetting assets are not the County's. The County increased its investment in roadway equipment and road construction by approximately \$6.6 million over the prior year. The County has adopted a five year plan to replace aging equipment.

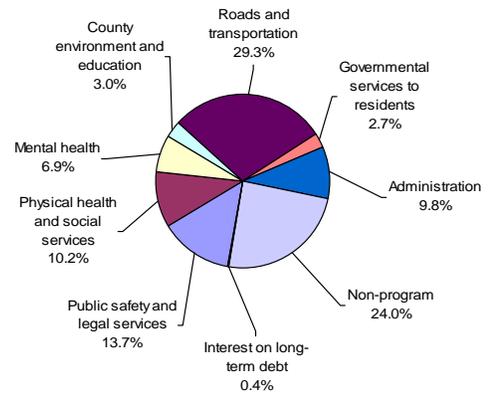
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 1,381,723	1,195,154
Operating grants and contributions	4,165,531	4,360,902
Capital grants and contributions	9,257,239	3,018,727
General revenues:		
Property tax	6,025,973	5,593,044
Penalty and interest on property tax	63,726	59,045
State tax credits	325,400	321,435
Local option sales and services tax	668,312	748,083
Unrestricted investment earnings	243,570	127,878
Other general revenues	122,981	156,566
Total revenues	22,254,455	15,580,834
Program expenses:		
Public safety and legal services	2,647,183	2,850,885
Physical health and social services	1,978,775	1,896,547
Mental health	1,338,955	1,368,798
County environment and education	579,465	576,615
Roads and transportation	5,667,216	5,590,338
Governmental services to residents	529,668	480,354
Administration	1,891,609	1,591,885
Non-program	4,656,045	31,990
Interest on long-term debt	80,828	8,250
Total expenses	19,369,744	14,395,662
Increase in net assets	2,884,711	1,185,172
Net assets beginning of year	39,389,694	38,204,522
Net assets end of year	\$ 42,274,405	39,389,694

Revenue by Source



Expenses by Program



Washington County's net assets of governmental activities increased approximately \$2,885,000 during the year. Revenues for governmental activities (a major portion from capital grants) increased approximately \$6,674,000 over the prior year, with property tax revenue up from the prior year approximately \$433,000, or 8%.

The County decreased property tax rates by \$.08706 per \$1,000 of taxable valuation in the rural levy and increased property tax rates by \$.53380 per \$1,000 of taxable valuation in the countywide levy. The rural property valuation increased \$6,865,696 and the countywide property valuation increased \$10,675,975. Local option sales and services tax decreased \$79,771 during the fiscal year.

The cost of all governmental activities this year was \$19,369,744 compared to \$14,395,662 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$4,565,251, as \$1,381,723 of the cost was paid by those directly benefiting from the programs and \$13,422,770 of the cost was paid by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, increased in 2006 from \$8,574,783 to \$14,804,493, principally due to Secondary Roads' Farm to Market reimbursements. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6,700,000 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 \$5,198,982, an increase of \$867,127 from last year's total of \$4,331,855. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$819,000 and expenditures increased approximately \$47,000 from 2005. The ending fund balance increased \$274,783 over the prior year, from \$2,217,435 to \$2,492,218.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,338,000, a decrease of 2.2% from the prior year. The Mental Health Fund balance at year ended decreased approximately \$63,000 from the prior year.
- The Rural Services Fund balance decreased from \$443,673 at the end of fiscal 2005 to \$264,535 at the end of fiscal 2006, due in part to decreased local option sales and services tax receipts and the County's public safety communications assessment being paid from the Rural Services Fund instead of the General Fund. The levy rate decreased from \$2.05211 per \$1,000 of taxable valuation in fiscal 2005 to \$1.96505 per \$1,000 of taxable valuation in fiscal 2006.
- Secondary Roads Fund expenditures increased approximately \$1,540,000 and revenues increased approximately \$2,077,000 over the prior year. These increases resulted in an increase in the Secondary Roads Fund ending balance of approximately \$796,000, or 134%.
- In FY 2006, the City of Riverside TIF Fund was created. Since the fund was created this fiscal year, no comparative data is shown here. The fund reports the TIF revenue bond proceeds and the amounts paid to the City of Riverside for infrastructure improvements and interest payments on the debt.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.
- The Capital Projects Fund ended fiscal 2006 with a \$69,159 balance compared to the prior year balance of \$31,871.

Budgetary Highlights

Over the course of the year, Washington County amended its certified budget three (3) times. The first amendment was made in December 2005 for unanticipated expenses related to road construction, Conservation's Clemens Creek project and Public Health grants. The second amendment was made in February 2006 for new election equipment, a Conservation Trees Forever grant, the City of Riverside infrastructure project and new jail bond fees. The third amendment was made in May 2006 for conservation land and additional FEMA funds received.

Actual net receipts for fiscal year 2006 were \$16,317,118, which was \$372,337 less than budgeted, due primarily to decreases in intergovernmental receipts for contributions and medicare/medicaid reimbursements. Total net disbursements for the year were \$19,615,319, which was \$5,715,992 under budgeted disbursements. Within non-program, approximately \$6,800,000 was budgeted for TIF payments to the City of Riverside. However, due to project delays, only approximately \$4,300,000 was paid to the City in fiscal year 2006. Also, a capital project budgeted for a county jail project for \$1,300,000 was not undertaken until fiscal year 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2006, Washington County had approximately \$41.8 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges, computers and audio-visual equipment, transportation equipment and administrative offices. This is a net increase of \$6,629,226 from fiscal 2005.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2006	2005
Land	\$ 580,172	580,172
Construction in progress	1,381,864	45,749
Buildings and improvements	2,854,185	3,055,015
Equipment and vehicles	2,627,576	2,262,532
Infrastructure	34,337,425	29,208,528
Total	\$ 41,781,222	35,151,996
This year's major additions included:		
Infrastructure		\$ 5,719,750
Construction in progress		1,381,864
Equipment and vehicles		912,304
Total		\$ 8,013,918

Washington County had depreciation expense of \$1,362,526 in fiscal 2006 and total accumulated depreciation of \$12,924,973 on June 30, 2006.

The County's fiscal year 2006 capital budget included \$3,823,600 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 2006, Washington County had \$53,395 in general obligation notes outstanding compared to \$116,243 at the end of fiscal 2005. The County also has \$4,658,776 in TIF revenue bonds outstanding at June 30, 2006.

General obligation debt decreased as a result of general obligation note payments on the communication equipment note. The County has not had a current general obligation bond rating assigned by national rating agencies to the County's debt since 1995. 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 \$56,167,320. The County is anticipating the sale of a \$4.6 million general obligation correctional facility bond anticipation project note for its new jail project at the beginning of this coming fiscal year. In addition, the County continues to draw down the proceeds of the \$9.4 million TIF revenue bonds committed to in mid-year for the Riverside infrastructure projects. 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 2007 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Washington County's unemployment rate has decreased by 0.7% this past year, and the prospects for it remaining low are favorable with the construction of a multimillion dollar land based casino in the County that will purportedly employ 650 people. Two new biodiesel plants are also scheduled for construction this summer. Unemployment in the County now stands at 2.9% versus 3.6% a year ago, compared with the State's unemployment rate of 3.7% and the national rate of 4.6% for the same period ending June 30, 2006.

Inflation in the State continues to be lower than the national Consumer Price Index increase. The State's CPI increase was 3.4% for fiscal year 2006 compared with the national rate of 3.6%. Inflation, although increasing in relation to the past couple of years, has been modest here despite a continuing increase in the County's residential housing market and significant increases in energy prices in 2005-2006. The population of the County has increased 3.8% since the last decennial census. The State's modest financial condition continues to improve 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 2007 cash operating budget are \$23,660,841, an increase in the amount budgeted for 2006, and an increase of 20.62% over actual final 2006 cash expenditures (due in a large part to the planned construction of a new \$5.1 million County jail facility). 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 \$3.90 per \$1,000 of taxable valuation (exceeding the statutory maximum of \$3.50 per \$1,000 of taxable valuation) will be somewhat offset by anticipated decreases 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 2007 disbursements, over what was actually spent in 2006, are expected to rise by approximately \$4,041,000. Increased wage and cost of living adjustments, increased insurance costs and the new County correctional project represent the largest increases. The County has added no other major new programs or initiatives to the 2007 budget, but continues to fund the City of Riverside sanitary and water infrastructure projects that were approved mid-year, as well as the new County correctional facility.

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.

Basic Financial Statements

Exhibit A

Washington County
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,625,017
Receivables:	
Property tax:	
Delinquent	8,020
Succeeding year	6,543,000
Interest and penalty on property tax	100
Accounts	460,871
Accrued interest	3,045
Due from other governments	366,408
Inventories	243,956
Prepaid insurance	27,185
Capital assets (net of accumulated depreciation)	<u>41,781,222</u>
Total assets	<u>55,058,824</u>
Liabilities	
Accounts payable	563,575
Accrued interest payable	208
Salaries and benefits payable	129,145
Due to other governments	591,653
Deferred revenue:	
Succeeding year property tax	6,543,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	53,395
Compensated absences	182,482
Portion due or payable after one year:	
TIF revenue bonds	4,658,776
Compensated absences	<u>62,185</u>
Total liabilities	<u>12,784,419</u>
Net Assets	
Invested in capital assets, net of related debt	41,727,827
Restricted for:	
Supplemental levy purposes	482,866
Mental health purposes	764,548
Secondary roads purposes	1,334,878
Debt service	17,963
Capital projects	69,159
Other purposes	684,914
Unrestricted	<u>(2,807,750)</u>
Total net assets	<u>\$ 42,274,405</u>

See notes to financial statements.

Washington County
Statement of Activities
Year ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,647,183	147,497	159,054	-	(2,340,632)
Physical health and social services	1,978,775	354,563	736,825	-	(887,387)
Mental health	1,338,955	2,770	694,727	-	(641,458)
County environment and education	579,465	41,720	1,544	6,264	(529,937)
Roads and transportation	5,667,216	194,925	2,357,793	9,105,096	5,990,598
Governmental services to residents	529,668	354,984	22,980	145,879	(5,825)
Administration	1,891,609	159,158	31,995	-	(1,700,456)
Non-program	4,656,045	126,106	160,613	-	(4,369,326)
Interest on long-term debt	80,828	-	-	-	(80,828)
Total	\$ 19,369,744	1,381,723	4,165,531	9,257,239	(4,565,251)
General Revenues:					
Property and other county tax levied for general purposes					6,025,973
Penalty and interest on property tax					63,726
State tax credits					325,400
Local option sales and services tax					668,312
Unrestricted investment earnings					243,570
Miscellaneous					122,981
Total general revenues					7,449,962
Change in net assets					2,884,711
Net assets beginning of year					39,389,694
Net assets end of year					\$ 42,274,405

See notes to financial statements.

Washington County

Balance Sheet
Governmental Funds

June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,492,896	968,111	195,671	1,333,863
Receivables:				
Property tax:				
Delinquent	5,823	687	1,095	-
Succeeding year	4,665,000	550,000	985,000	-
Interest and penalty on property tax	100	-	-	-
Accounts	55,991	10	464	6,776
Accrued interest	3,045	-	-	-
Due from other funds	87	-	-	4,936
Due from other governments	92,726	2,215	83,180	187,651
Inventories	-	-	-	243,956
Prepaid insurance	27,185	-	-	-
Total assets	\$ 7,342,853	1,521,023	1,265,410	1,777,182
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 81,963	9,325	9,122	354,918
Salaries and benefits payable	92,223	2,302	5,650	28,970
Due to other funds	4,936	-	8	79
Due to other governments	1,085	192,051	-	817
Deferred revenue:				
Succeeding year property tax	4,665,000	550,000	985,000	-
Other	5,428	640	1,095	-
Total liabilities	4,850,635	754,318	1,000,875	384,784
Fund balances:				
Reserved for:				
Supplemental levy purposes	522,651	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,969,567	-	-	-
Special revenue funds	-	766,705	264,535	1,392,398
Capital projects fund	-	-	-	-
Total fund balances	2,492,218	766,705	264,535	1,392,398
Total liabilities and fund balances	\$ 7,342,853	1,521,023	1,265,410	1,777,182

See notes to financial statements.

City of Riverside TIF	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
-	17,755	85,851	199,918	5,294,065
-	415	-	-	8,020
-	343,000	-	-	6,543,000
-	-	-	-	100
397,630	-	-	-	460,871
-	-	-	-	3,045
-	-	-	-	5,023
-	-	-	636	366,408
-	-	-	-	243,956
-	-	-	-	27,185
397,630	361,170	85,851	200,554	12,951,673
-	-	16,692	4,300	476,320
-	-	-	-	129,145
-	-	-	-	5,023
397,630	-	-	70	591,653
-	343,000	-	-	6,543,000
-	387	-	-	7,550
397,630	343,387	16,692	4,370	7,752,691
-	-	-	-	522,651
-	17,783	-	-	17,783
-	-	-	-	1,969,567
-	-	-	196,184	2,619,822
-	-	69,159	-	69,159
-	17,783	69,159	196,184	5,198,982
397,630	361,170	85,851	200,554	12,951,673

Washington County

Washington County

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

June 30, 2006

Total governmental fund balances (page 19) \$ 5,198,982

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 \$54,706,195 and the accumulated depreciation is \$12,924,973. 41,781,222

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 7,550

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. 243,697

Long-term liabilities, including general obligation notes payable, TIF revenue bonds 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. (4,957,046)

Net assets of governmental activities (page 16) \$ 42,274,405

See notes to financial statements.

Washington County

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

Year ended June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 4,676,383	527,226	1,432,547	-
Interest and penalty on property tax	63,726	-	-	-
Intergovernmental	1,656,191	745,539	78,002	5,743,139
Licenses and permits	50,678	-	-	-
Charges for service	637,285	2,770	3,511	231,425
Use of money and property	283,614	-	-	-
Miscellaneous	57,394	-	-	-
Total revenues	7,425,271	1,275,535	1,514,060	5,974,564
Expenditures:				
Operating:				
Public safety and legal services	2,479,710	-	178,450	-
Physical health and social services	1,995,740	-	-	-
Mental health	-	1,338,335	-	-
County environment and education	353,397	-	167,697	-
Roads and transportation	-	-	53,533	3,945,279
Governmental services to residents	621,542	-	3,302	-
Administration	1,247,345	-	-	-
Non-program	73,849	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	2,644,257
Total expenditures	6,771,583	1,338,335	402,982	6,589,536
Excess (deficiency) of revenues over (under) expenditures	653,688	(62,800)	1,111,078	(614,972)
Other financing sources (uses):				
Operating transfers in	-	-	-	1,411,121
Operating transfers out	(378,905)	-	(1,290,216)	-
Proceeds from TIF bonds issued	-	-	-	-
Total other financing sources (uses)	(378,905)	-	(1,290,216)	1,411,121
Net change in fund balances	274,783	(62,800)	(179,138)	796,149
Fund balances beginning of year	2,217,435	829,505	443,673	596,249
Fund balances end of year	\$ 2,492,218	766,705	264,535	1,392,398

See notes to financial statements.

City of Riverside TIF	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
-	28	-	-	6,636,184
-	-	-	-	63,726
-	-	-	17,305	8,240,176
-	-	-	-	50,678
-	-	250	44,311	919,552
-	744	17,400	13,803	315,561
-	68,254	50,000	3,549	179,197
-	69,026	67,650	78,968	16,405,074
-	-	-	2,704	2,660,864
-	-	-	8,649	2,004,389
-	-	-	-	1,338,335
-	-	-	4,684	525,778
-	-	-	-	3,998,812
-	-	-	15,935	640,779
-	-	-	-	1,247,345
4,583,110	-	-	-	4,656,959
75,666	68,254	-	-	143,920
-	-	268,362	66,923	2,979,542
4,658,776	68,254	268,362	98,895	20,196,723
(4,658,776)	772	(200,712)	(19,927)	(3,791,649)
-	-	238,000	20,000	1,669,121
-	-	-	-	(1,669,121)
4,658,776	-	-	-	4,658,776
4,658,776	-	238,000	20,000	4,658,776
-	772	37,288	73	867,127
-	17,011	31,871	196,111	4,331,855
-	17,783	69,159	196,184	5,198,982

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, 2006

Net change in fund balances - Total governmental funds (page 23) \$ 867,127

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	\$ 2,294,168	
Capital assets contributed by the Iowa Department of Transportation	5,719,749	
Depreciation expense	<u>(1,362,526)</u>	6,651,391

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. (22,165)

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. 1,076

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

Issued	(4,658,776)	
Repaid	<u>62,848</u>	(4,595,928)

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	(11,726)	
Interest on long-term debt	<u>241</u>	(11,485)

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. (5,305)

Change in net assets of governmental activities (page 17) \$ 2,884,711

See notes to financial statements.

Washington County
Statement of Net Assets
Proprietary Funds
June 30, 2006

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 330,952
Liabilities	
Accounts payable	<u>87,255</u>
Net Assets	
Unrestricted	<u><u>\$ 243,697</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, 2006

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 939,072
Reimbursements from employees		20,304
Reimbursements from agency funds		101,751
Contributions for flexible benefits		60,090
Total operating revenues		<u>1,121,217</u>
Operating expenses:		
Medical claims	\$ 764,356	
Administrative fees	308,100	
Flexible benefits claims	61,137	1,133,593
Operating loss		<u>(12,376)</u>
Non-operating revenues:		
Interest income		7,071
Net loss		<u>(5,305)</u>
Net assets beginning of year		<u>249,002</u>
Net assets end of year		<u><u>\$ 243,697</u></u>

See notes to financial statements.

Washington County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2006

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 939,072
Cash received from employees and others	82,534
Cash received from agency funds	101,751
Cash paid to suppliers for services	(1,114,968)
Net cash provided by operating activities	8,389
 Cash flows from investing activities:	
Interest on investments	7,071
Net increase in cash and cash equivalents	15,460
Cash and cash equivalents beginning of year	315,492
Cash and cash equivalents end of year	\$ 330,952
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (12,376)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	2,140
Increase in accounts payable	18,625
Net cash provided by operating activities	\$ 8,389

See notes to financial statements.

Washington County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,264,921
Other County officials	56,670
Receivables:	
Property tax:	
Delinquent	19,614
Succeeding year	16,141,000
Accounts	77,852
Special assessments	14,605
Due from other governments	26,907
Total assets	<u>17,601,569</u>

Liabilities

Accounts payable	11,417
Salaries and benefits payable	14,064
Due to other governments	17,517,865
Trusts payable	39,193
Compensated absences	19,030
Total liabilities	<u>17,601,569</u>

Net assets \$ -

See notes to financial statements.

Washington County

Notes to Financial Statements

June 30, 2006

(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 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 City of Riverside Tax Increment Financing Fund (TIF) is used to account for activity within an established TIF district.

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 financial statements:

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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, 2006, 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 acquired after July 1, 1980 (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, 2006. 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.

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, 2006, disbursements did not exceed the amounts budgeted or the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 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 \$1,312,696 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, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Rural Services	\$ 8
	Secondary Roads	79
Special Revenue: Secondary Roads	General	4,936
Total		<u>\$ 5,023</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, 2006 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	General	\$ 238,000
Special Revenue: Secondary Roads	General	120,905
	Special Revenue: Rural Services	1,290,216
Conservation Land Acquisition	General	20,000
Total		<u>\$ 1,669,121</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, 2006 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	45,749	1,381,864	(45,749)	1,381,864
Total capital assets not being depreciated	625,921	1,381,864	(45,749)	1,962,036
Capital assets being depreciated:				
Buildings	5,656,123	-	-	5,656,123
Equipment and vehicles	6,161,313	912,304	(422,857)	6,650,759
Infrastructure, road network	34,671,778	5,765,499	-	40,437,277
Total capital assets being depreciated	46,489,214	6,677,803	(422,857)	52,744,159
Less accumulated depreciation for:				
Buildings	2,601,108	200,830	-	2,801,938
Equipment and vehicles	3,898,781	525,094	(400,692)	4,023,183
Infrastructure, road network	5,463,250	636,602	-	6,099,852
Total accumulated depreciation	11,963,139	1,362,526	(400,692)	12,924,973
Total capital assets being depreciated, net	34,526,075	5,315,277	(22,165)	39,819,186
Governmental activities capital assets, net	\$ 35,151,996	6,697,141	(67,914)	41,781,222

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 138,420
Physical health and social services	17,118
County environment and education	4,955
Roads and transportation	971,899
Governmental services to residents	13,560
Administration	216,574
Total depreciation expense - governmental activities	\$ 1,362,526

(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:

Fund	Description	Amount
General	Services	\$ 1,085
Special Revenue:		
Mental Health	Services	192,051
Secondary Roads	Services	817
City of Riverside TIF	Bond Proceeds	397,630
FEMA	Services	70
		<u>590,568</u>
Total for governmental funds		<u>\$ 591,653</u>
Agency:		
County Assessor	Collections	\$ 416,532
Schools		10,055,707
Community Colleges		662,279
Corporations		4,244,948
Auto License and Use Tax		372,826
All other		1,765,573
Total for agency funds		<u>\$ 17,517,865</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Riverside			Total
	General Obligation Notes	TIF Revenue Bonds	Compen- sated Absences	
Balance beginning of year	\$ 116,243	-	232,941	349,184
Increases		4,658,776	277,632	4,936,408
Decreases	62,848	-	265,906	328,754
Balance end of year	<u>\$ 53,395</u>	<u>4,658,776</u>	<u>244,667</u>	<u>4,956,838</u>
Due within one year	<u>\$ 53,395</u>	<u>-</u>	<u>182,482</u>	<u>235,877</u>

Notes Payable

A summary of the County's June 30, 2006 general obligation note indebtedness is as follows:

<u>Year ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.65%	\$ 53,395	2,482	55,877

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, 2006, the County retired note principal of \$62,848.

Tax Increment Urban Renewal Revenue Bonds

On April 3, 2006, the County issued \$9,400,000 of TIF revenue bonds on behalf of the City of Riverside. The bonds bear interest at 5.95% per annum with final maturity on June 1, 2017. The first payment on the bonds is due December 1, 2008. The bonds were purchased by Dubuque Bank and Trust, which also retains the bond proceeds. As needed, the County draws down the proceeds from Dubuque Bank and Trust and forwards them to the City of Riverside to pay for expenditures incurred in conjunction with the City's Water and Sewer Infrastructure Project. As of June 30, 2006, the County has drawn down \$4,658,776 in bond proceeds.

Since repayment of the bonds is dependent upon the amount of tax increment financing revenues collected each year, a formal repayment schedule has not been established for the TIF revenue bonds. Interest is due and payable from tax increment financing revenues on June 1, 2006 and semi-annually thereafter until final maturity on June 1, 2017.

The bonds are not general obligations of the County. However, the debt is subject to the constitutional debt limitation of the County.

(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 annual covered payroll. 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, 2006, 2005 and 2004 were \$291,249, \$276,062 and \$268,739, 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 531 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, 2006 were \$150,677.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 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, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, 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, 2006 was \$939,072.

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$87,255, 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 \$237,369 at June 30, 2006 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	\$ 68,630
Incurred claims (including claims incurred but not reported at June 30, 2006)	764,356
Payments	<u>(745,731)</u>
Unpaid claims end of year	<u>\$ 87,255</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, 2006:

Additions:		
Contributions from governmental units:		
Washington County	\$	171,207
City of Washington		184,321
Other cities		103,813
Reimbursement from Joint E-911 Service Board		68,254
Miscellaneous		982
		<u> </u>
		\$ 528,577
Deductions:		
Salaries		332,920
Benefits		58,890
Office supplies		2,316
Uniforms		1,694
Postage and mailing		133
Travel		1,589
Telephone and fax services		7,665
Training		1,235
Professional services		1,015
Equipment maintenance		10,907
Radio equipment maintenance		41,496
Office equipment and furniture		509
Other machinery and equipment		3,382
Distribution to Debt Service Fund		68,254
Miscellaneous		3,292
		<u> </u>
		535,297
Net		(6,720)
Balance beginning of year		<u>101,490</u>
Balance end of year		<u><u>\$ 94,770</u></u>

(14) Subsequent Event

In August 2006, 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.

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, 2006

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 6,662,362	-	6,662,362
Interest and penalty on property tax	63,905	-	63,905
Intergovernmental	8,251,879	-	8,251,879
Licenses and permits	52,168	-	52,168
Charges for service	723,774	-	723,774
Use of money and property	310,588	-	310,588
Miscellaneous	255,991	3,549	252,442
Total receipts	16,320,667	3,549	16,317,118
Disbursements:			
Public safety and legal services	2,667,905	-	2,667,905
Physical health and social services	2,006,789	-	2,006,789
Mental health	1,351,775	-	1,351,775
County environment and education	568,397	4,684	563,713
Roads and transportation	4,058,850	-	4,058,850
Governmental services to residents	638,130	-	638,130
Administration	1,248,316	-	1,248,316
Non-program	4,339,568	-	4,339,568
Debt service	68,254	-	68,254
Capital projects	2,672,009	-	2,672,009
Total disbursements	19,619,993	4,684	19,615,309
Deficiency of receipts under disbursements	(3,299,326)	(1,135)	(3,298,191)
Other financing sources, net	4,398,371	-	4,398,371
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,099,045	(1,135)	1,100,180
Balance beginning of year	4,195,020	20,636	4,174,384
Balance end of year	\$ 5,294,065	19,501	5,274,564

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
6,716,207	6,716,207	(53,845)
53,000	53,000	10,905
6,439,139	8,827,054	(575,175)
41,740	41,740	10,428
623,829	623,829	99,945
173,155	173,155	137,433
232,970	254,470	(2,028)
14,280,040	16,689,455	(372,337)
2,813,922	2,841,122	173,217
2,198,725	2,272,497	265,708
1,699,500	1,699,500	347,725
528,888	621,388	57,675
4,574,000	4,714,000	655,150
561,796	736,231	98,101
1,456,060	1,456,060	207,744
62,500	6,892,150	2,552,582
68,253	274,753	206,499
1,104,100	3,823,600	1,151,591
15,067,744	25,331,301	5,715,992
(787,704)	(8,641,846)	5,343,655
1,534,534	11,774,340	(7,375,969)
746,830	3,132,494	(2,032,314)
4,195,020	4,195,020	(20,636)
4,941,850	7,327,514	(2,052,950)

Washington County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 16,320,667	84,407	16,405,074
Expenditures	19,619,993	576,730	20,196,723
Net	(3,299,326)	(492,323)	(3,791,649)
Other financing sources, net	4,398,371	260,405	4,658,776
Beginning fund balances	4,195,020	136,835	4,331,855
Ending fund balances	\$ 5,294,065	(95,083)	5,198,982

See accompanying independent auditor's report.

Washington County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

Formal and legal budgetary control is based upon 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, three budget amendments increased budgeted disbursements by \$10,263,557. 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, 2006, disbursements did not exceed the amounts budgeted or the amounts appropriated.

Washington County

Other Supplementary Information

Washington County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2006

	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	\$ 25,235	321	50,579	15,688
Due from other governments	636	-	-	-
Total assets	\$ 25,871	321	50,579	15,688
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	3,793	-
Due to other governments	-	-	-	-
Total liabilities	-	-	3,793	-
Fund equity:				
Unreserved fund balance	25,871	321	46,786	15,688
Total liabilities and fund equity	\$ 25,871	321	50,579	15,688

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
4,956	1,208	502	81,928	19,501	199,918
-	-	-	-	-	636
4,956	1,208	502	81,928	19,501	200,554
-	488	-	19	-	4,300
-	70	-	-	-	70
-	558	-	19	-	4,370
4,956	650	502	81,909	19,501	196,184
4,956	1,208	502	81,928	19,501	200,554

Washington County

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

Year ended June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhance- ment and Protection	Law Enforcement County Attorney
Revenues:				
Intergovernmental	\$ -	-	6,265	-
Charges for service	5,900	-	-	76
Use of money and property	247	21	1,101	-
Miscellaneous	-	-	-	-
Total revenues	6,147	21	7,366	76
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	-
County environment and education	-	-	-	-
Governmental services to residents	4,877	11,058	-	-
Capital projects	-	-	30,318	-
Total expenditures	4,877	11,058	30,318	-
Excess (deficiency) of revenues over (under) expenditures	1,270	(11,037)	(22,952)	76
Other financing sources:				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,270	(11,037)	(22,952)	76
Fund balances beginning of year	24,601	11,358	69,738	15,612
Fund balances end of year	\$ 25,871	321	46,786	15,688

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
-	9,496	-	1,544	-	17,305
271	-	-	38,064	-	44,311
-	-	-	12,434	-	13,803
-	-	-	-	3,549	3,549
271	9,496	-	52,042	3,549	78,968
2,704	-	-	-	-	2,704
-	8,649	-	-	-	8,649
-	-	-	-	4,684	4,684
-	-	-	-	-	15,935
-	-	-	36,605	-	66,923
2,704	8,649	-	36,605	4,684	98,895
(2,433)	847	-	15,437	(1,135)	(19,927)
-	-	-	20,000	-	20,000
(2,433)	847	-	35,437	(1,135)	73
7,389	(197)	502	46,472	20,636	196,111
4,956	650	502	81,909	19,501	196,184

Schedule 3

Washington County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2006

	Employee Group Health	Flexible Benefits	Total
Assets			
Cash and pooled investments	\$ 324,624	6,328	330,952
Liabilities			
Accounts payable	87,255	-	87,255
Net Assets			
Unrestricted	\$ 237,369	6,328	243,697

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, 2006

	Employee Group Health	Flexible Benefits	Total
Operating revenues:			
Reimbursements from operating funds	\$ 939,072	-	939,072
Reimbursements from employees	20,304	-	20,304
Reimbursements from agency funds	101,751	-	101,751
Withholdings from employees	-	60,090	60,090
	<u>1,061,127</u>	<u>60,090</u>	<u>1,121,217</u>
Operating expenses:			
Medical claims	764,356	-	764,356
Administrative fees	308,100	-	308,100
Flexible benefits claims	-	61,137	61,137
Total operating expenses	<u>1,072,456</u>	<u>61,137</u>	<u>1,133,593</u>
Operating loss	(11,329)	(1,047)	(12,376)
Non-operating revenues:			
Interest on investments	7,071	-	7,071
Net loss	(4,258)	(1,047)	(5,305)
Net assets beginning of year	241,627	7,375	249,002
Net assets end of year	<u>\$ 237,369</u>	<u>6,328</u>	<u>243,697</u>

See accompanying independent auditor's report.

Washington County

Washington County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2006

	Employee Group Health	Flexible Benefits	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 939,072	-	939,072
Cash received from others	20,304	62,230	82,534
Cash received from agency funds	101,751	-	101,751
Cash paid to suppliers for services	(1,053,831)	(61,137)	(1,114,968)
Net cash provided by operating activities	7,296	1,093	8,389
Cash flows from investing activities:			
Interest on investments	7,071	-	7,071
Net increase in cash and cash equivalents	14,367	1,093	15,460
Cash and cash equivalents at beginning of year	310,257	5,235	315,492
Cash and cash equivalents at end of year	\$ 324,624	6,328	330,952
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (11,329)	(1,047)	(12,376)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Changes in assets and liabilities:			
Decrease in accounts receivable	-	2,140	2,140
Increase in accounts payable	18,625	-	18,625
Net cash provided by operating activities	\$ 7,296	1,093	8,389

See accompanying independent auditor's report.

Washington County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,873	96,859	177,869	8,499
Other County officials	56,670	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	203	410	12,838	780
Succeeding year	-	163,000	329,000	9,865,000	653,000
Accounts	-	-	24	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 56,670	166,076	426,293	10,055,707	662,279
Liabilities					
Accounts payable	\$ -	-	486	-	-
Salaries and benefits payable	-	-	4,842	-	-
Due to other governments	17,477	166,076	416,532	10,055,707	662,279
Trusts payable	39,193	-	-	-	-
Compensated absences	-	-	4,433	-	-
Total liabilities	\$ 56,670	166,076	426,293	10,055,707	662,279

See accompanying independent auditor's report.

Corporations	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
68,737	4,167	93,839	360,595	451,483	1,264,921
-	-	-	-	-	56,670
4,211	224	-	-	948	19,614
4,172,000	233,000	-	-	726,000	16,141,000
-	-	-	-	77,828	77,852
-	-	-	-	14,605	14,605
-	-	931	12,231	13,745	26,907
4,244,948	237,391	94,770	372,826	1,284,609	17,601,569
-	-	2,835	-	8,096	11,417
-	-	7,612	-	1,610	14,064
4,244,948	237,391	69,726	372,826	1,274,903	17,517,865
-	-	-	-	-	39,193
-	-	14,597	-	-	19,030
4,244,948	237,391	94,770	372,826	1,284,609	17,601,569

Washington County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 54,679	158,609	405,057	9,773,839	489,074
Additions:					
Property and other county tax	-	163,533	329,084	9,875,079	654,442
E911 surcharge	-	-	-	-	-
State tax credits	-	8,480	16,525	525,924	24,957
State allocation	-	-	-	-	-
Office fees and collections	456,856	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	162,938	-	-	-	-
Miscellaneous	10,992	-	250	-	-
Total additions	630,786	172,013	345,859	10,401,003	679,399
Deductions:					
Agency remittances:					
To other funds	192,811	-	-	-	-
To other governments	263,445	164,546	324,623	10,119,135	506,194
Trusts paid out	172,539	-	-	-	-
Total deductions	628,795	164,546	324,623	10,119,135	506,194
Balances end of year	\$ 56,670	166,076	426,293	10,055,707	662,279

See accompanying independent auditor's report.

Corpora- tions	Townships	Public Safety Commission	Auto License and Use Tax	Other	Total
4,228,193	233,900	101,490	347,768	1,189,917	16,982,526
4,125,651	235,119	-	-	726,065	16,108,973
-	-	-	-	195,949	195,949
217,860	12,044	-	-	38,219	844,009
-	-	-	-	236,723	236,723
-	-	-	-	218,231	675,087
-	-	-	4,375,576	55,752	4,431,328
-	-	-	-	29,338	29,338
-	-	-	-	228,402	391,340
-	-	528,577	-	111,708	651,527
4,343,511	247,163	528,577	4,375,576	1,840,387	23,564,274
-	-	-	174,631	73	367,515
4,326,756	243,672	535,297	4,175,887	1,517,220	22,176,775
-	-	-	-	228,402	400,941
4,326,756	243,672	535,297	4,350,518	1,745,695	22,945,231
4,244,948	237,391	94,770	372,826	1,284,609	17,601,569

Schedule 8

Washington County

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

For the Last Seven Years

	Modified Accrual Basis						
	2006	2005	2004	2003	2002	2001	2000
Revenues:							
Property and other county tax	\$ 6,636,184	6,339,731	6,241,554	5,984,992	5,615,499	5,542,139	4,397,020
Interest and penalty on property tax	63,726	59,045	53,893	54,570	61,136	48,799	47,863
Intergovernmental	8,240,176	6,161,660	5,083,478	5,450,236	5,474,357	5,189,339	5,045,627
Licenses and permits	50,678	50,816	49,619	53,794	46,699	40,097	37,370
Charges for service	919,552	649,381	686,167	617,076	533,446	444,212	433,562
Use of money and property	315,561	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	179,197	419,137	384,648	725,576	311,702	180,510	135,947
Total	\$ 16,405,074	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	\$ 2,660,864	2,781,551	2,575,845	2,658,121	2,340,040	2,311,759	2,006,692
Physical health and social services	2,004,389	1,900,854	1,906,677	1,825,272	1,716,620	1,596,445	1,361,236
Mental health	1,338,335	1,368,581	1,379,236	1,524,813	1,573,706	1,745,113	1,604,335
County environment and education	525,778	540,426	478,857	411,633	372,007	328,888	278,301
Roads and transportation	3,998,812	4,109,636	3,766,210	3,566,052	3,321,231	3,076,050	3,192,729
Governmental services to residents	640,779	474,804	465,193	480,007	441,334	458,178	402,906
Administration	1,247,345	1,224,129	1,293,299	1,133,910	1,041,540	997,963	955,311
Non-program	4,656,959	63,080	86,951	327,280	67,589	481,519	106,112
Debt service	143,920	136,507	68,254	138,675	138,835	73,645	76,611
Capital projects	2,979,542	1,045,744	1,305,961	1,833,034	838,276	710,471	1,106,836
Total	\$ 20,196,723	13,645,312	13,326,483	13,898,797	11,851,178	11,780,031	11,091,069

See accompanying independent auditor's report.

Washington County

Schedule 9

Washington County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Drug-Free Communities Support Program Grants	93.276	2002-JN-FX-0041	\$ 90,910
Total direct:			90,910
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		12,720
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Safety Incentive Grants for Use of Seatbelts	20.604		11,650
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Community-Based Family Resources and Support Grants	93.590		5,377
Washington County Community Empowerment Board:			
Temporary Assistance for Needy Families	93.558		10,623
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		15,356
			25,979
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,656
Foster Care - Title IV-E	93.658		7,914
Adoption Assistance	93.659		1,940
Medical Assistance Program	93.778		20,412
Social Services Block Grant	93.667		10,078
Social Services Block Grant	93.667		73,107
			83,185
Iowa Department of Public Health:			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program	93.919	5886NB23	41,244
Johnson County Department of Public Health:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5886TB04	350

Washington County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Immunization Grants	93.268	5885I451	1,289
Immunization Grants	93.268	5886I451	5,570
			6,859
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	5886EHC8	10,000
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	5886BT94	35,749
			45,749
Maternal and Child Health Services Block Grant to the States	93.994	5886DH05	12,000
Maternal and Child Health Services Block Grant to the States	93.994	5885MC11	7,371
Maternal and Child Health Services Block Grant to the States(\$39,978 provided to subrecipient)	93.994	5886MH30	55,895
			75,266
U.S. Election Assistance Commission			
Iowa Secretary of State:			
Help America Vote Act	90.401	06-HAVA-92-100	143,382
Help America Vote Act Pass Through	93.617	06-HAVA-92-100	7,623
			151,005
Department of Homeland Security:			
United Way of America:			
Emergency Food and Shelter National Board Program	97.024		8,649
Total indirect			501,955
Total			\$ 592,865

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Washington County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Washington County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Officials of Washington County:

We have audited 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, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 2, 2007. 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 Part II of the accompanying Schedule of Findings and Questioned Costs.

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.

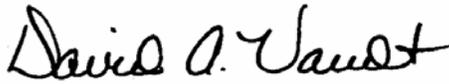
Compliance and Other Matters

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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

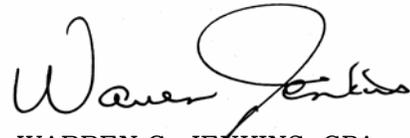
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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, including Federal awarding agencies and pass-through entities. 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 2, 2007



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133

To the Officials of Washington County:

Compliance

We have audited the compliance of Washington County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Washington County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Washington County's management. Our responsibility is to express an opinion on Washington County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Washington County's compliance with those requirements.

In our opinion, Washington County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Washington County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Washington County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 non-compliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 2, 2007

Washington County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, which were not considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 90.401 – Help America Vote Act.
 - CFDA Number 93.276 – Drug-Free Communities Support Program Grants.
 - CFDA Number 93.994 – Material and Child Health Services Block Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Washington County did not qualify as a low-risk auditee.

Washington County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- II-A-06 Information Systems – The County does not have written policies to ensure 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 a written policy 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 – 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.

- II-B-06 Capital Assets Deletions – The Sheriff’s Office does not always process a “Fixed Assets Input Form” prior to the County Auditor’s Office deleting the asset but rather informs the County Auditor’s Office verbally to delete an asset. Three of six deletions tested were not supported by an approved “Fixed Assets Input Form”.

Recommendation – All deletions should be supported by an approved “Fixed Asset Input Form”. In addition, the County Auditor’s Office should not delete an asset without a properly approved “Fixed Asset Input Form”.

Response – The County Sheriff’s Department, and all other County Departments, are now filling out fixed asset forms prior to the County Auditor’s Office recording the deletion.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Washington County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over the major programs were noted.

Washington County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted or the amounts appropriated.
- IV-B-06 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.
- IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-06 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-06 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.
- IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, minutes are required by Chapter 349.18 of the Code of Iowa to be submitted for publication within seven days of a board meeting. Certain minutes were not submitted for publication in a timely manner.

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

Response – Increasing work loads and budget constraints that limit adding additional personnel have made it difficult to complete minutes in a timely fashion. The County’s Auditor’s Office continues to attempt to reallocate responsibilities and work loads to address this and other problems. The County Auditor’s Office will persistently pursue a solution to this issue.

Conclusion – Response accepted.

- IV-G-06 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.
- IV-H-06 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).

Washington County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

IV-I-06 Code of Ordinances – The County has not compiled a code of ordinances containing all 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 County ordinances in effect as required by Chapter 331.302(9) of the Code of Iowa.

Response – The County continues to work on updating its code of ordinances and will work toward completing this update this coming fiscal year.

Conclusion – Response accepted.

IV-J-06 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.

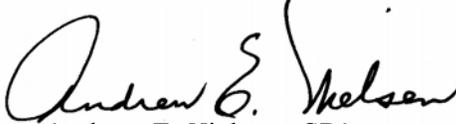
Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

Washington County

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
Steven O. Fuqua, CPA, Senior Auditor II
Philip J. Cloos, Staff Auditor
Aaron P. Wagner, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State