



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____

March 29, 2011

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$9,096,167 for the year ended June 30, 2010, which included \$517,520 in tax credits from the state. The County forwarded \$6,745,906 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,350,261 of the local tax revenue to finance County operations, a 6 percent increase over the prior year. Other revenues included charges for service of \$946,043, operating grants, contributions and restricted interest of \$2,609,949, capital grants, contributions and restricted interest of \$495, local option sales tax of \$340,386 and other general revenues of \$90,392.

Expenses for County operations totaled \$6,924,895, a 5.5 percent increase over the prior year. Expenses included \$2,914,165 for roads and transportation, \$1,116,735 for public safety and legal services and \$817,925 for physical health and social services.

A copy of the audit 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/1010-0093-B00F.pdf>.

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WAYNE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2010

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Wayne County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Donald Greenlee	Board of Supervisors	Jan 2011
Jerry O'Dell	Board of Supervisors	Jan 2011
Charles Horton	Board of Supervisors	(Resigned)
Duffy Kester (Appointed)	Board of Supervisors	Nov 2010
Sue Ruble	County Auditor	Jan 2013
Kim Swearingin	County Treasurer	Jan 2011
Angie Horton	County Recorder	Jan 2011
Keith Davis	County Sheriff	Jan 2013
Alan Wilson	County Attorney	Jan 2011
Kay Middlebrook	County Assessor	Jan 2016

Wayne County



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Independent Auditor's Report

To the Officials of Wayne County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Wayne County's management. Our responsibility is to express opinions on these financial statements based on our audit.

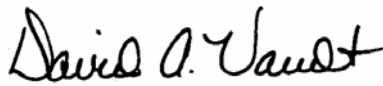
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 Wayne County at June 30, 2010, 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.

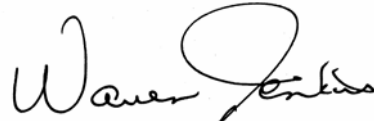
In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2011 on our consideration of Wayne County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 46 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne 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 nine years ended June 30, 2009 (which are not presented herein). We expressed unqualified opinions on the financial statements for the six years ended June 30, 2009. We expressed a qualified opinion on the financial statements for the year ended June 30, 2003 due to the omission of the materials and supplies inventories and we expressed qualified opinions on the financial statements for the two years ended June 30, 2002 due to the omission of the materials and supplies inventories and the general fixed assets account group. Other supplementary information included in Schedules 1 through 5 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

March 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wayne 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, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 18.2%, or approximately \$1,411,000, from fiscal year 2009 to fiscal year 2010. Capital grants, contributions and restricted interest decreased approximately \$1,169,000.
- Program expenses of the County's governmental activities were 5.5%, or approximately \$360,000, more in fiscal year 2010 than in fiscal year 2009.
- The County's net assets decreased 7.0%, or approximately \$587,000, from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wayne 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 Wayne 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 Wayne County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

The required financial statements for proprietary fund 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 emergency management services and the County Assessor, to name a few.

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

Reconciliations between the government-wide financial statements and the 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. Wayne County's net assets at the end of the fiscal year total approximately \$7.8 million. This compares to approximately \$8.3 million at the end of fiscal year 2009. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009
Current and other assets	\$ 6,543	6,306
Capital assets	8,568	8,450
Total assets	<u>15,111</u>	<u>14,756</u>
Long-term liabilities	4,046	3,649
Other liabilities	3,309	2,764
Total liabilities	<u>7,355</u>	<u>6,413</u>
Net assets:		
Invested in capital assets, net of related debt	5,129	5,172
Restricted	2,890	2,927
Unrestricted	(263)	244
Total net assets	<u>\$ 7,756</u>	<u>8,343</u>

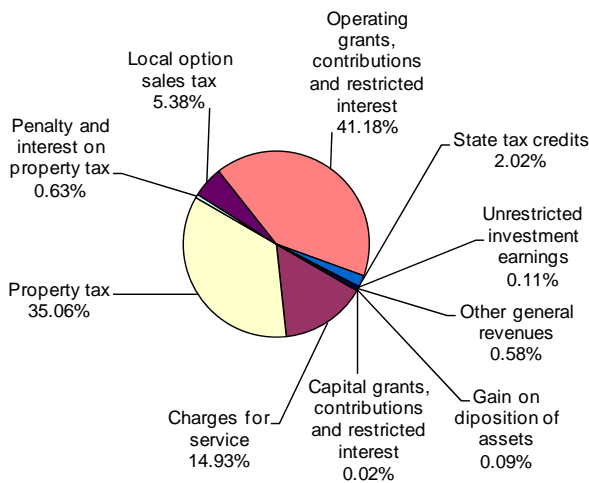
Net assets of Wayne County's governmental activities decreased 7.0% (approximately \$7.8 million compared to approximately \$8.3 million). The largest portion of the County's net assets is invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt. The debt related 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 208%, or from approximately \$244,000 to approximately \$(263,000).

This reduction of approximately \$507,000 in unrestricted net assets was a result of decreases in the unreserved General Fund and the Special Revenue, Rural Services Fund balances, an increase in the Special Revenue, Mental Health Fund deficit balance and the portion of the Series 2010 general obligation capital loan note proceeds which were issued for non-capital purposes. Restricted net assets decreased approximately \$37,000, primarily due to a decrease in the Special Revenue, Local Option Sales Tax Fund balance.

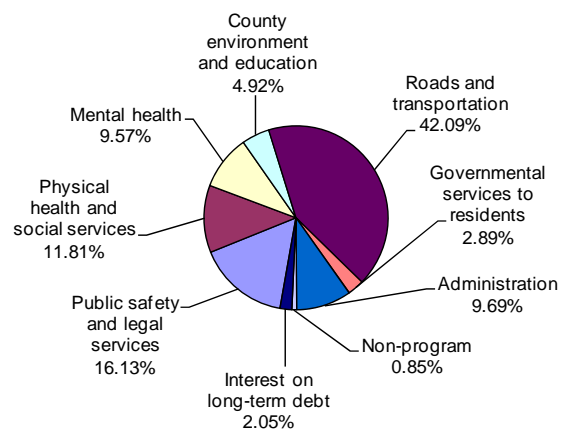
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2010	2009
Revenues:		
Program revenues:		
Charges for service	\$ 946	981
Operating grants, contributions and restricted interest	2,610	2,997
Capital grants, contributions and restricted interest	1	1,170
General revenues:		
Property tax	2,222	2,082
Penalty and interest on property tax	40	31
State tax credits	128	135
Local option sales tax	341	286
Unrestricted investment earnings	7	31
Other general revenues	37	36
Gain on disposition of assets	6	-
Total revenues	6,338	7,749
Program expenses:		
Public safety and legal services	1,117	867
Physical health and social services	818	830
Mental health	663	757
County environment and education	341	408
Roads and transportation	2,914	2,618
Governmental services to residents	200	208
Administration	671	696
Non-program	59	27
Interest on long-term debt	142	154
Total expenses	6,925	6,565
Change in net assets	(587)	1,184
Net assets beginning of year	8,343	7,159
Net assets end of year	\$ 7,756	8,343

Revenues by Source



Expenses by Program



Revenues for governmental activities decreased approximately \$1,411,000 from the prior year, primarily due to a decrease of approximately \$1,169,000 in capital grants, contributions and restricted interest. The decrease was a result of the County receiving contributed infrastructure assets from the Iowa Department of Transportation in the prior year. Overall, property tax revenue increased approximately \$140,000, or 6.7%.

The cost of all governmental activities this year was approximately \$6.9 million compared to approximately \$6.6 million last year, a 5.5% increase. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$3.4 million because some of the cost was paid by those directly benefited from the programs (approximately \$946,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$2,610,000).

INDIVIDUAL MAJOR FUND ANALYSIS

As Wayne County completed the year, its governmental funds reported a combined fund balance of approximately \$3.2 million, a decrease of approximately \$300,000 from last year's total of approximately \$3.5 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance increased \$1,533, or 5.7%, to \$(25,260). Revenues increased \$60,625, or 2.6%, and expenditures increased \$102,288, or 4.0%. The increase in expenditures was primarily due to increases in the public safety and legal services function.
- The Mental Health Fund balance decreased \$111,715 from the prior year. Revenues decreased \$45,439, or 7.8%, from the prior year due to a reduction in State funding. Expenditures decreased \$97,954, or 13.1% as a result of the County's portion of cost which decreased during the year because of the increased federal Medicaid match paid directly by the State of Iowa.
- The Rural Services Fund balance decreased \$36,054 from the prior year. Revenues increased \$45,605 while expenditures and transfers out increased \$11,915.
- The Secondary Roads Fund balance increased \$43,087, or 1.9%, to \$2,306,174. Revenues decreased \$347,849 from the prior year and expenditures increased \$253,590 over the prior year. The decrease in revenues was due to FEMA funding received in the previous year. The increase in expenditures is a result of the increased fuel cost and road maintenance cost due to the severe winter.
- The Capital Projects Fund balance decreased \$120,769. Revenues decreased \$32,546 from the prior year and expenditures decreased \$2,817,450. The decrease in expenditures was due to the completion of the new jail.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wayne County amended its budget one time. The amendment was made in May 2010 and increased budgeted disbursements \$143,635, \$95,100, \$12,000 and \$6,400 in the physical health and social services, mental health, county environment and education and administration functions, respectively. The increases were for costs associated with public health grant disbursements and unforeseen expenses.

The County's receipts were \$1,167,555 less than budgeted, a variance of 15.5%. Property and other county tax was \$527,232 less than budgeted due to the County inadvertently budgeting local option sales tax twice. Intergovernmental receipts were \$546,863 less than budgeted due to the County budgeting based on a 3 year average of revenue but not accounting for the one time FEMA funds received in the prior years. Use of money and property receipts were \$110,087 less than budgeted due to the continued decrease in cash reserves and interest rates.

Total disbursements were \$427,296, or 5.5%, less than the amended budget. The County exceeded the budget in the roads and transportation and capital projects functions. Actual disbursements for the county environment and education, administration and debt service functions were \$222,328, \$106,584 and \$140,815, respectively, less than budgeted. Actual costs in these areas were less than originally expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, Wayne County had approximately \$8.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$119,000, or 1.4%, over last year. This increase was due to completion of the jail project.

The County had depreciation expense of \$511,718 in fiscal year 2010 and total accumulated depreciation of \$4,650,878 at June 30, 2010. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2010, the County had \$3,880,000 in general obligation bonds/notes and other debt outstanding, compared to \$3,540,000 at June 30, 2009. During the year, the County paid \$135,000 of principal on the general obligation bonds and issued \$475,000 of general obligation notes.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Wayne County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16.3 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Wayne County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Wayne County Board of Supervisors is committed to limiting expenditure increases and reducing funding to non-mandated programs to provide essential services for the citizens of Wayne County.

The fiscal year 2011 county-wide levy increased from \$6.92256 per \$1,000 of taxable valuation to \$8.73392 per \$1,000 of taxable valuation, while the rural services levy increased from \$4.17357 per \$1,000 of taxable valuation to \$5.10704 per \$1,000 of taxable valuation. The fiscal year 2010 taxable valuations for incorporated areas and rural areas increased 7.1% and 6.2%, respectively, over the prior year.

Budgeted disbursements in the fiscal year 2011 operating budget are \$7,097,963, a decrease of 8.8% from the final fiscal year 2010 budget. The decrease is mainly due to construction of the jail being completed in fiscal year 2010. Wayne County added no new programs to the fiscal year 2011 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Wayne 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 Wayne County Auditor's Office, 100 N. Lafayette, Corydon, Iowa, 50060.

Wayne County

Basic Financial Statements

Wayne County
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments:	
County Treasurer	\$ 2,996,615
Component units	6,899
Receivables:	
Property tax:	
Delinquent	10,500
Succeeding year	3,005,000
Interest and penalty on property tax	24,153
Accounts	18,191
Accrued interest	389
Due from other governments	241,788
Inventories	177,679
Prepaid insurance	60,974
Capital assets (net of accumulated depreciation)	8,568,326
Total assets	<u>15,110,514</u>
Liabilities	
Accounts payable	96,577
Accrued interest payable	12,532
Salaries and benefits payable	72,985
Due to other governments	121,867
Deferred revenue - succeeding year property tax	3,005,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	135,000
Compensated absences	79,621
Portion due or payable after one year:	
General obligation bonds/notes	3,745,000
Compensated absences	48,384
Net OPEB liability	37,839
Total liabilities	<u>7,354,805</u>
Net Assets	
Invested in capital assets, net of related debt	5,129,104
Restricted for:	
Supplemental levy purposes	272,878
Conservation purposes	330,802
Secondary roads purposes	2,219,326
Debt service	35,640
Other purposes	31,487
Unrestricted	(263,528)
Total net assets	<u>\$ 7,755,709</u>

See notes to financial statements.

Wayne County

Statement of Activities

Year ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,116,735	56,904	64,108	495	(995,228)
Physical health and social services	817,925	551,270	206,549	-	(60,106)
Mental health	662,700	46,869	244,456	-	(371,375)
County environment and education	341,518	37,186	22,304	-	(282,028)
Roads and transportation	2,914,165	80,848	2,072,520	-	(760,797)
Governmental services to residents	200,225	121,170	2	-	(79,053)
Administration	671,117	17,616	-	-	(653,501)
Non-program	58,898	34,180	-	-	(24,718)
Interest on long-term debt	141,612	-	10	-	(141,602)
Total	\$ 6,924,895	946,043	2,609,949	495	(3,368,408)
General Revenues:					
Property and other county tax levied for general purposes					2,222,396
Penalty and interest on property tax					40,417
State tax credits					127,865
Local option sales tax					340,386
Unrestricted investment earnings					7,234
Gain on disposition of assets					6,250
Miscellaneous					36,491
Total general revenues					2,781,039
Change in net assets					(587,369)
Net assets beginning of year					8,343,078
Net assets end of year					\$ 7,755,709

See notes to financial statements.

Wayne County
Balance Sheet
Governmental Funds

June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments:				
County Treasurer	\$ 353,055	6,640	29,990	2,040,513
Component units	-	-	-	-
Receivables:				
Property tax:				
Delinquent	7,847	1,535	1,118	-
Succeeding year	1,839,000	241,000	925,000	-
Interest and penalty on property tax	24,153	-	-	-
Accounts	12,954	3,648	-	1,299
Accrued interest	369	-	-	-
Advances to other funds	75,000	-	430,000	-
Due from other governments	94,754	1,809	2,375	115,820
Inventories	-	-	-	177,679
Prepaid insurance	38,212	-	-	22,762
Total assets	\$ 2,445,344	254,632	1,388,483	2,358,073
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 38,832	17,239	8,225	22,873
Salaries and benefits payable	35,338	2,141	6,746	28,760
Advance from other funds	430,000	75,000	-	-
Due to other governments	70,937	50,664	-	266
Deferred revenue:				
Succeeding year property tax	1,839,000	241,000	925,000	-
Other	56,497	1,535	1,118	-
Total liabilities	2,470,604	387,579	941,089	51,899
Fund balances:				
Reserved for:				
Capital projects	41,678	-	-	-
Supplemental levy purposes	273,863	-	-	-
Advances to other funds	75,000	-	430,000	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	(415,801)	-	-	-
Special revenue funds	-	(132,947)	17,394	2,306,174
Capital projects fund	-	-	-	-
Total fund balances	(25,260)	(132,947)	447,394	2,306,174
Total liabilities and fund balances	\$ 2,445,344	254,632	1,388,483	2,358,073

See notes to financial statements.

Capital Projects	Nonmajor	Total
174,697	381,723	2,986,618
-	6,899	6,899
-	-	10,500
-	-	3,005,000
-	-	24,153
-	290	18,191
-	20	389
-	-	505,000
-	27,030	241,788
-	-	177,679
-	-	60,974
174,697	415,962	7,037,191
-	5,501	92,670
-	-	72,985
-	-	505,000
-	-	121,867
-	-	3,005,000
-	-	59,150
-	5,501	3,856,672
-	-	41,678
-	-	273,863
-	-	505,000
-	48,172	48,172
-	-	(415,801)
-	362,289	2,552,910
174,697	-	174,697
174,697	410,461	3,180,519
174,697	415,962	7,037,191

Wayne County

Wayne County

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

June 30, 2010

Total governmental fund balances (page 19) \$ 3,180,519

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 governmental funds. The cost of assets is \$13,219,204 and the accumulated depreciation is \$4,650,878. 8,568,326

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 59,150

The Internal Service Fund is used by management to charge the costs of the County's health insurance benefit plan to individual departments and funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net assets. 6,090

Long-term liabilities, including general obligation bonds/notes payable, other postemployment benefits payable, accrued interest payable and compensated absences payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (4,058,376)

Net assets of governmental activities (page 16) \$ 7,755,709

See notes to financial statements.

Wayne County

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

Year ended June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,280,241	235,361	703,383	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	32,241	-	-	-
Intergovernmental	748,350	255,835	103,588	2,125,707
Licenses and permits	-	-	6,985	783
Charges for service	218,532	46,869	-	-
Use of money and property	27,259	-	-	-
Miscellaneous	66,097	2,788	761	80,066
Total revenues	<u>2,372,720</u>	<u>540,853</u>	<u>814,717</u>	<u>2,206,556</u>
Expenditures:				
Operating:				
Public safety and legal services	767,939	-	251,924	-
Physical health and social services	820,346	-	23,040	-
Mental health	-	652,568	-	-
County environment and education	175,520	-	114,806	-
Roads and transportation	-	-	-	2,621,430
Governmental services to residents	188,171	-	3,040	-
Administration	656,154	-	-	-
Non-program	25,813	-	-	-
Debt service	-	-	-	-
Capital projects	31,085	-	-	-
Total expenditures	<u>2,665,028</u>	<u>652,568</u>	<u>392,810</u>	<u>2,621,430</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(292,308)</u>	<u>(111,715)</u>	<u>421,907</u>	<u>(414,874)</u>
Other financing sources (uses):				
Operating transfers in	293,841	-	-	457,961
Operating transfers out	-	-	(457,961)	-
General obligation notes issued	-	-	-	-
Premium on general obligation notes	-	-	-	-
Total other financing sources (uses)	<u>293,841</u>	<u>-</u>	<u>(457,961)</u>	<u>457,961</u>
Net change in fund balances	1,533	(111,715)	(36,054)	43,087
Fund balances beginning of year	<u>(26,793)</u>	<u>(21,232)</u>	<u>483,448</u>	<u>2,263,087</u>
Fund balances end of year	<u>\$ (25,260)</u>	<u>(132,947)</u>	<u>447,394</u>	<u>2,306,174</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	-	2,218,985
-	340,386	340,386
-	-	32,241
-	13,361	3,246,841
-	-	7,768
-	9,079	274,480
495	8,927	36,681
-	10,448	160,160
495	382,201	6,317,542

-	7,562	1,027,425
-	-	843,386
-	-	652,568
-	24,684	315,010
-	-	2,621,430
-	2,561	193,772
-	4,332	660,486
-	-	25,813
-	275,815	275,815
295,961	143,480	470,526
295,961	458,434	7,086,231

(295,466)	(76,233)	(768,689)
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-	-	751,802
(293,841)	-	(751,802)
462,444	12,556	475,000
6,094	-	6,094
174,697	12,556	481,094

(120,769)	(63,677)	(287,595)
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295,466	474,138	3,468,114
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174,697	410,461	3,180,519
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Wayne County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2010

Net change in fund balances - Total governmental funds (page 23) \$ (287,595)

**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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 624,157	
Depreciation expense	(511,718)	112,439

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase financial resources. 6,250

Because some 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, as follows:

Property tax	3,411	
Other	(29,951)	(26,540)

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

Issued	(475,000)	
Repaid	135,000	(340,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(19,377)	
Other postemployment benefits	(37,839)	
Interest on long-term debt	(797)	(58,013)

The Internal Service Fund is used by management to charge the costs of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 6,090

Change in net assets of governmental activities (page 17) \$ (587,369)

See notes to financial statements.

Wayne County
Statement of Net Assets
Proprietary Fund
June 30, 2010

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 9,997
Liabilities	
Accounts payable	<u>3,907</u>
Net Assets	
Unrestricted	<u><u>\$ 6,090</u></u>

See notes to financial statements.

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

Year ended June 30, 2010

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 156,644
Reimbursements from employees and others		<u>33,566</u>
Total operating revenues		190,210
Operating expenses:		
Insurance premiums	\$ 166,085	
Medical claims	10,535	
Administrative fees	<u>7,500</u>	<u>184,120</u>
Operating income		6,090
Net assets beginning of year		<u>-</u>
Net assets end of year		<u><u>\$ 6,090</u></u>

See notes to financial statements.

Wayne County
 Statement of Cash Flows
 Proprietary Fund
 Year ended June 30, 2010

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 156,644
Cash received from employees and others	33,566
Cash paid to suppliers for services	(180,213)
Net cash provided by operating activities	9,997
Cash and cash equivalents beginning of year	-
Cash and cash equivalents end of year	\$ 9,997
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 6,090
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	3,907
Net cash provided by operating activities	\$ 9,997

See notes to financial statements.

Wayne County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

Assets

Cash and pooled investments:

County Treasurer	\$ 672,768
Other County officials	14,309

Receivables:

Property tax:

Delinquent	47,775
Succeeding year	6,389,000

Accounts	446
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Total assets	<u>7,124,298</u>
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Liabilities

Accounts payable	1,669
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Salaries and benefits payable	3,005
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Due to other governments	7,090,919
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Trusts payable	21,213
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Compensated absences	7,492
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Total liabilities	<u>7,124,298</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Wayne County

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Wayne 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, 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, Wayne 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 Wayne County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Wayne County Sheriff's Canine has been incorporated under Chapter 504A of the Code of Iowa to receive donations to aid the Wayne County Sheriff's Office. These donations are to be used to fund the training and care of a canine for law enforcement use. The financial activity of the component unit has been displayed as a Special Revenue Fund of the County.

Wayne County Sheriff's Reserve has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Wayne County Sheriff's Office. These donations are to be used to fund the reserve officers who assist the County Sheriff, as requested. The financial activity of this component unit has been displayed as a Special Revenue Fund of the County.

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: Wayne County Assessor’s Conference Board, Wayne County Emergency Management Commission and the Wayne 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: Wayne, Ringgold and Decatur County Solid Waste Commission, Ten Fifteen Regional Transit Agency Board, South Iowa Area Crime Commission, Wayne County Development Corporation Board, Chariton Valley Rural Economic Development Incorporated Board, Southeast Iowa Case Management Board, Wayne County Empowerment Board and Southeast Iowa Response Group.

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 units. 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 the following 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 Capital Projects Fund is used to account for resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the

current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 fund of the County applies 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 Fund 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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.

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account for governmental funds which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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, intangibles and infrastructure assets acquired after July 1, 2003 (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	\$ 60,000
Intangibles	50,000
Land and buildings	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 and improvements	20 - 50
Infrastructure	30 - 60
Intangibles	5 - 20
Equipment	2 - 20
Vehicles	2 - 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of 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 compensatory time and vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide 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, 2010. 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 applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the roads and transportation and capital projects functions. In addition, disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 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 \$2,831,647 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated.

(3) Advances To and From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ 75,000
Special Revenue: Rural Services	General	<u>430,000</u>
Total		<u>\$ 505,000</u>

During the year ended June 30, 2010, the County approved an advancement to/from other funds for a loan of \$75,000 from the General Fund to the Special Revenue, Mental Health Fund. In a prior year, the County approved a loan from the Special Revenue, Rural Services Fund revenues to supplement General Fund operations. The County has approved a schedule to repay the borrowing from the Special Revenue, Rural Services Fund at a minimum of \$15,000 each fiscal year. During the current fiscal year, the repayment was \$35,000.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects	\$ 293,841
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>457,961</u>
Total		<u>\$ 751,802</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, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Intangibles, road network	\$ 254,209	-	-	254,209
Construction in progress, other	3,368,889	462,677	3,831,566	-
Total capital assets not being depreciated	3,623,098	462,677	3,831,566	254,209
Capital assets being depreciated:				
Buildings	950,195	3,831,566	-	4,781,761
Improvements other than buildings	78,939	34,500	-	113,439
Equipment and vehicles	3,775,064	133,230	9,000	3,899,294
Infrastructure, road network	4,170,501	-	-	4,170,501
Total capital assets being depreciated	8,974,699	3,999,296	9,000	12,964,995
Less accumulated depreciation for:				
Buildings	582,402	101,574	-	683,976
Improvements other than buildings	7,060	3,781	-	10,841
Equipment and vehicles	3,024,181	167,112	9,000	3,182,293
Infrastructure, road network	534,517	239,251	-	773,768
Total accumulated depreciation	4,148,160	511,718	9,000	4,650,878
Total capital assets being depreciated, net	4,826,539	3,487,578	-	8,314,117
Governmental activities capital assets, net	\$ 8,449,637	3,950,255	3,831,566	8,568,326

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 105,495
Physical health and social services	1,150
Mental health	6,383
County environment and education	24,373
Roads and transportation	360,487
Governmental services to residents	5,820
Administration	8,010
Total depreciation expense - governmental activities	<u>\$ 511,718</u>

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Right of way totaling \$254,209 which was previously reported as land, road network was reclassified as intangibles, road network. Restatement of the beginning net assets and capital assets for governmental activities was not necessary because right of way has an indefinite useful life and, therefore, is not subject to amortization.

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	General Obligation Bonds/Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 3,540,000	108,628	-	3,648,628
Increases	475,000	121,285	37,839	634,124
Decreases	135,000	101,908	-	236,908
Balance end of year	\$ 3,880,000	128,005	37,839	4,045,844
Due within one year	\$ 135,000	79,621	-	214,621

Bonds/Notes Payable

A summary of the County's June 30, 2010 general obligation bond/note indebtedness is as follows:

Year Ending June 30,	General Obligation Bonds Issued June 15, 2008			
	Interest Rates	Principal	Interest	Total
2011	3.00%	\$ 135,000	136,968	271,968
2012	3.20	140,000	132,917	272,917
2013	3.35	145,000	128,438	273,438
2014	3.50	150,000	123,580	273,580
2015	3.65	155,000	118,330	273,330
2016-2020	3.80-4.10	870,000	498,448	1,368,448
2021-2025	4.15-4.35	1,060,000	304,667	1,364,667
2026-2028	4.35-4.40	750,000	66,760	816,760
Total		\$ 3,405,000	1,510,108	4,915,108

Year Ending June 30,	General Obligation Notes Issued June 24, 2010				Total		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2011		-	12,891	12,891	135,000	149,859	284,859
2012	2.50%	\$ 115,000	13,413	128,413	255,000	146,330	401,330
2013	2.50	115,000	10,536	125,536	260,000	138,974	398,974
2014	3.00	120,000	7,663	127,663	270,000	131,243	401,243
2015	3.25	125,000	4,063	129,063	280,000	122,393	402,393
2016-2020		-	-	-	870,000	498,448	1,368,448
2021-2025		-	-	-	1,060,000	304,667	1,364,667
2026-2028		-	-	-	750,000	66,760	816,760
Total		\$ 475,000	48,566	523,566	\$ 3,880,000	1,558,674	5,438,674

During the year ended June 30, 2010, the County issued \$475,000 of general obligation capital loan notes and retired \$135,000 of bonds.

(7) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 70,937
Special Revenue:		
Mental Health	Services	50,664
Secondary Roads	Services	266
		<u>50,930</u>
Total for governmental funds		<u>\$ 121,867</u>
Agency:		
County Offices	Collections	\$ 7,053
Agricultural Extension Education		69,786
County Assessor		249,328
Schools		4,115,216
Community Colleges		220,444
Corporations and Special Assessments		828,989
Townships		142,971
Auto License and Use Tax		150,229
County Hospital		1,015,636
Other		291,267
Total for agency funds		<u>\$ 7,090,919</u>

(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 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$167,399, \$148,738 and \$136,419, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 74 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 40,382
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>40,382</u>
Contributions made	<u>(2,543)</u>
Increase in net OPEB obligation	37,839
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 37,839</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$2,543 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended <u>June 30,</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 40,382	6.3%	\$ 37,839

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$305,633, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$305,633. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,389,000 and the ratio of the UAAL to covered payroll was 12.8%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial

value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality Table projected to 2010 using Scale AA. Projected claim costs of the medical plan are \$850 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The 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 whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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 200 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, 2010 were \$120,279.

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 \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

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, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, 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.

(11) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the premiums and 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 Auxiant. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual deduction limitations of \$3,000.

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 Auxiant from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2010 was \$156,644.

Amounts payable from the Employee Group Health Fund at June 30, 2010 total \$3,907 which is for incurred but not reported (IBNR) and reported but not paid claims. The County was not required to obtain an actuarial report for the period ended June 30, 2010 since its plan qualifies as a “mini plan.” The net assets of the Employee Group Health Fund was \$6,090 at June 30, 2010 and is reported as a designation for anticipated future catastrophic losses of the County. 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. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ -
Incurred claims (including claims incurred but not reported as of June 30, 2010)	10,535
Payments on claims during the fiscal year	<u>(6,628)</u>
Unpaid claims end of year	<u><u>\$ 3,907</u></u>

(12) Financial Condition

The General and Special Revenue, Mental Health Funds had unreserved deficit fund balances of \$415,801 and \$132,947, respectively, at June 30, 2010. The County plans to eliminate these deficits by decreasing future expenditures.

Wayne County

Required Supplementary Information

Wayne 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, 2010

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 2,535,134	-	2,535,134
Interest and penalty on property tax	32,241	-	32,241
Intergovernmental	3,315,537	-	3,315,537
Licenses and permits	8,717	-	8,717
Charges for service	267,239	-	267,239
Use of money and property	37,583	-	37,583
Miscellaneous	155,325	6,799	148,526
Total receipts	<u>6,351,776</u>	<u>6,799</u>	<u>6,344,977</u>
Disbursements:			
Public safety and legal services	1,015,392	7,517	1,007,875
Physical health and social services	850,131	-	850,131
Mental health	680,724	-	680,724
County environment and education	304,091	-	304,091
Roads and transportation	2,662,471	-	2,662,471
Governmental services to residents	189,335	-	189,335
Administration	694,224	-	694,224
Non-program	25,812	-	25,812
Debt service	275,815	-	275,815
Capital projects	662,000	-	662,000
Total disbursements	<u>7,359,995</u>	<u>7,517</u>	<u>7,352,478</u>
Excess (deficiency) of receipts over (under) disbursements	(1,008,219)	(718)	(1,007,501)
Other financing sources, net	481,094	-	481,094
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(527,125)	(718)	(526,407)
Balance beginning of year	<u>3,520,642</u>	<u>7,617</u>	<u>3,513,025</u>
Balance end of year	<u>\$ 2,993,517</u>	<u>6,899</u>	<u>2,986,618</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
3,062,366	3,062,366	(527,232)
29,800	29,800	2,441
3,718,400	3,862,400	(546,863)
12,430	12,430	(3,713)
275,310	275,310	(8,071)
147,670	147,670	(110,087)
122,556	122,556	25,970
<u>7,368,532</u>	<u>7,512,532</u>	<u>(1,167,555)</u>
1,055,840	1,055,840	47,965
755,445	899,080	48,949
646,441	741,541	60,817
514,419	526,419	222,328
2,638,431	2,638,431	(24,040)
265,664	265,664	76,329
794,408	800,808	106,584
33,750	33,750	7,938
416,630	416,630	140,815
401,611	401,611	(260,389)
<u>7,522,639</u>	<u>7,779,774</u>	<u>427,296</u>
(154,107)	(267,242)	(740,259)
-	-	481,094
(154,107)	(267,242)	(259,165)
<u>2,262,877</u>	<u>2,262,877</u>	<u>1,250,148</u>
<u>2,108,770</u>	<u>1,995,635</u>	<u>990,983</u>

Wayne County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,351,776	(34,234)	6,317,542
Expenditures	7,359,995	(273,764)	7,086,231
Net	(1,008,219)	239,530	(768,689)
Other financing sources, net	481,094	-	481,094
Beginning fund balances	3,520,642	(52,528)	3,468,114
Ending fund balances	\$ 2,993,517	187,002	3,180,519

See accompanying independent auditor's report.

Wayne County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$257,135. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 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, 2010, disbursements exceeded the amounts budgeted in the roads and transportation and capital projects functions. In addition, disbursements in certain departments exceeded the amounts appropriated.

Wayne County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 306	306	0.00%	\$ 2,389	12.8%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Wayne County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2010

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Wetlands	Bobwhite State Park
Assets					
Cash and pooled investments:					
County Treasurer	\$ 299	4	39,803	37	11,901
Component units	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	290
Accrued interest	-	-	3	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 299	4	39,806	37	12,191
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	-	-	-	586
Fund balances:					
Reserved for debt service	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	299	4	39,806	37	11,605
Total fund balances	299	4	39,806	37	11,605
Total liabilities and fund balances	\$ 299	4	39,806	37	12,191

See accompanying independent auditor's report.

Special Revenue								
Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Foreiture	Local Option Sales Tax	Group Home	Conservation Land Acquisition	Debt Service	Total
269,332	-	-	1,937	13,150	22,353	10,016	12,891	381,723
-	689	6,210	-	-	-	-	-	6,899
-	-	-	-	-	-	-	-	290
5	-	-	-	10	-	1	1	20
-	-	-	-	27,030	-	-	-	27,030
269,337	689	6,210	1,937	40,190	22,353	10,017	12,892	415,962
-	-	-	5	-	-	-	4,910	5,501
-	-	-	-	40,190	-	-	7,982	48,172
269,337	689	6,210	1,932	-	22,353	10,017	-	362,289
269,337	689	6,210	1,932	40,190	22,353	10,017	7,982	410,461
269,337	689	6,210	1,937	40,190	22,353	10,017	12,892	415,962

Wayne County

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

Year ended June 30, 2010

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Wetlands	Bobwhite State Park
Revenues:					
Local option sales tax	\$ -	-	-	-	-
Intergovernmental	-	-	13,361	-	-
Charges for service	1,419	-	-	-	7,660
Use of money and property	2	-	50	-	-
Miscellaneous	-	-	-	-	3,315
Total revenues	1,421	-	13,411	-	10,975
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	-
County environment and education	-	-	10,550	1,836	11,214
Governmental services to residents	2,561	-	-	-	-
Administration	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	2,561	-	10,550	1,836	11,214
Excess (dericiency) of revenues over (under) expenditures	(1,140)	-	2,861	(1,836)	(239)
Other financing sources:					
General obligation notes issued	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,140)	-	2,861	(1,836)	(239)
Fund balances beginning of year	1,439	4	36,945	1,873	11,844
Fund balances end of year	\$ 299	4	39,806	37	11,605

See accompanying independent auditor's report.

Special Revenue								
Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Forfeiture	Local Option Sales Tax	Group Home	Conservation Land Acquisition	Debt Service	Total
-	-	-	-	340,386	-	-	-	340,386
-	-	-	-	-	-	-	-	13,361
-	-	-	-	-	-	-	-	9,079
8,850	1	-	-	10	-	13	1	8,927
-	135	6,663	-	-	-	-	335	10,448
8,850	136	6,663	-	340,396	-	13	336	382,201
-	-	7,517	45	-	-	-	-	7,562
1,084	-	-	-	-	-	-	-	24,684
-	-	-	-	-	-	-	-	2,561
-	-	-	-	-	4,332	-	-	4,332
-	-	-	-	275,815	-	-	-	275,815
-	-	-	-	138,570	-	-	4,910	143,480
1,084	-	7,517	45	414,385	4,332	-	4,910	458,434
7,766	136	(854)	(45)	(73,989)	(4,332)	13	(4,574)	(76,233)
-	-	-	-	-	-	-	12,556	12,556
7,766	136	(854)	(45)	(73,989)	(4,332)	13	7,982	(63,677)
261,571	553	7,064	1,977	114,179	26,685	10,004	-	474,138
269,337	689	6,210	1,932	40,190	22,353	10,017	7,982	410,461

Wayne County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,372	91,290	76,718	4,171
Other County officials	14,309	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	414	806	22,498	1,273
Succeeding year	-	68,000	167,000	4,016,000	215,000
Accounts	-	-	-	-	-
Total assets	\$ 14,309	69,786	259,096	4,115,216	220,444
Liabilities					
Accounts payable	\$ -	-	78	-	-
Salaries and benefits payable	-	-	2,560	-	-
Due to other governments	7,053	69,786	249,328	4,115,216	220,444
Trusts payable	7,256	-	-	-	-
Compensated absences	-	-	7,130	-	-
Total liabilities	\$ 14,309	69,786	259,096	4,115,216	220,444

See accompanying independent auditor's report.

Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
20,465	2,709	150,229	19,642	306,172	672,768
-	-	-	-	-	14,309
16,524	262	-	5,994	4	47,775
792,000	140,000	-	990,000	1,000	6,389,000
-	-	-	-	446	446
828,989	142,971	150,229	1,015,636	307,622	7,124,298
-	-	-	-	1,591	1,669
-	-	-	-	445	3,005
828,989	142,971	150,229	1,015,636	291,267	7,090,919
-	-	-	-	13,957	21,213
-	-	-	-	362	7,492
828,989	142,971	150,229	1,015,636	307,622	7,124,298

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

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 9,180	65,694	246,468	3,676,742	200,101
Additions:					
Property and other county tax	-	67,711	166,989	4,012,339	214,647
E911 surcharge	-	-	-	-	-
State tax credits	-	3,821	7,436	213,669	11,662
Office fees and collections	219,918	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Trusts	102,303	-	-	-	-
Miscellaneous	-	5	7,225	259	14
Total additions	322,221	71,537	181,650	4,226,267	226,323
Deductions:					
Agency remittances:					
To other funds	139,507	-	-	-	-
To other governments	76,223	67,445	169,022	3,787,793	205,980
Trusts paid out	101,362	-	-	-	-
Total deductions	317,092	67,445	169,022	3,787,793	205,980
Balances end of year	\$ 14,309	69,786	259,096	4,115,216	220,444

See accompanying independent auditor's report.

Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
734,122	137,255	127,954	937,048	318,623	6,453,187
796,864	138,869	-	958,174	658	6,356,251
-	-	-	-	47,255	47,255
59,750	7,210	-	86,068	39	389,655
-	-	-	-	4,212	224,130
-	-	1,537,377	-	-	1,537,377
4,797	-	-	-	-	4,797
-	-	-	-	31,336	31,336
-	-	-	-	163,002	265,305
211	-	-	63	223,065	230,842
861,622	146,079	1,537,377	1,044,305	469,567	9,086,948
-	-	63,777	-	-	203,284
766,755	140,363	1,451,325	965,717	316,404	7,947,027
-	-	-	-	164,164	265,526
766,755	140,363	1,515,102	965,717	480,568	8,415,837
828,989	142,971	150,229	1,015,636	307,622	7,124,298

Wayne County

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

For the Last Ten Years

	2010	2009	2008	2007	2006
Revenues:					
Property and other county tax	\$ 2,218,985	2,080,278	2,058,897	1,993,573	1,927,731
Local option sales tax	340,386	285,414	94,285	-	-
Interest and penalty on property tax	32,241	31,146	32,998	35,881	33,737
Intergovernmental	3,246,841	3,611,502	3,662,984	3,270,942	3,198,154
Licenses and permits	7,768	5,560	4,759	3,251	2,585
Charges for service	274,480	258,327	264,126	261,776	265,761
Use of money and property	36,681	97,522	139,552	142,835	138,985
Miscellaneous	160,160	213,100	130,519	75,924	137,495
Total	\$ 6,317,542	6,582,849	6,388,120	5,784,182	5,704,448
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,027,425	886,029	1,013,637	735,437	666,122
Physical health and social services	843,386	831,455	777,343	694,106	679,267
Mental health	652,568	750,522	699,214	753,824	768,428
County environment and education	315,010	410,099	455,226	350,741	258,890
Roads and transportation	2,621,430	2,367,802	2,473,899	2,296,227	2,476,437
Governmental services to residents	193,772	201,919	173,731	165,946	270,426
Administration	660,486	688,040	711,559	659,251	612,510
Non-program	25,813	26,891	16,142	27,352	30,993
Debt service	275,815	286,832	17,713	15,000	-
Capital projects	470,526	3,116,794	-	2,033	77,730
Total	\$ 7,086,231	9,566,383	6,338,464	5,699,917	5,840,803

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003	2002	2001
1,921,146	1,886,630	1,909,597	1,917,364	2,061,493
-	-	-	-	-
39,013	31,256	33,296	32,833	30,329
2,932,444	2,728,114	2,509,435	2,628,927	2,705,893
4,455	3,110	3,470	4,340	3,380
258,540	286,578	243,145	254,266	309,704
96,795	50,929	57,569	63,847	139,244
101,989	618,739	143,782	128,498	31,891
5,354,382	5,605,356	4,900,294	5,030,075	5,281,934
664,155	654,496	663,662	675,716	544,095
540,199	506,947	527,257	446,912	432,350
803,813	770,381	848,038	789,342	670,637
283,393	341,574	267,999	261,827	241,607
2,134,371	1,886,025	1,916,921	1,931,912	2,041,994
171,198	140,185	136,866	125,352	114,128
665,167	536,846	518,242	473,438	428,470
34,875	32,897	38,248	48,340	112,193
-	-	-	65,528	65,527
102,234	98,469	131,915	151,487	289,535
5,399,405	4,967,820	5,049,148	4,969,854	4,940,536

Wayne 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 Wayne County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2011. 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 Wayne County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Wayne County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wayne County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the internal control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described the accompanying Schedule of Findings as items (C) through (I) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne 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 which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 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.

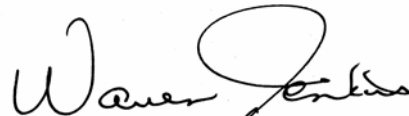
Wayne County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Wayne County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wayne County and other parties to whom Wayne County may report and 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 Wayne 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

March 15, 2011

Wayne County

Schedule of Findings

Year ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Collection and deposit preparation functions were not performed by an individual who does not record and account for cash receipts.	Treasurer, Recorder, Sheriff, Agricultural Extension, County Care Facility
(2) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared and forwarded to the accounting personnel for processing.	Recorder, Agricultural Extension
(3) The listing of cash and checks received by mail was not compared to the cash receipt records by an independent person.	Sheriff
(4) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. Monthly reviews of bank reconciliations by an independent person were not documented.	Treasurer, Recorder, Agricultural Extension, County Care Facility
(5) The person who signs checks was not independent of the person preparing the checks, approving disbursements and recording cash receipts.	Recorder, County Care Facility

Responses –

Treasurer – At this time we are doing everything we can for having only three employees. We will document the Deputy Treasurer’s review of the monthly bank reconciliations.

Recorder – Given the situation of only two employees in this office, it is hard to segregate duties. We do the best we can to check each other’s figures for accuracy. We will work to find ways to segregate duties, but it is impossible when one of us is on vacation or sick.

Wayne County

Schedule of Findings

Year ended June 30, 2010

Sheriff – Attempts have been made each year to improve on this issue and we feel we have made improvements. The Wayne County Sheriff's Office does not currently have a staffing level to accommodate this concern without difficulty. Three out of three employees either sign checks or open the mail and record the checks and all work the same shift. We feel we have adequate checks and balances in place at this time but will take your recommendation under advisement. Efforts will be made to improve but employee job functions and responsibilities limit the ability to do this. A review will be made of procedures to compare the receipts with deposits to maximize internal control as much as possible under the circumstances.

County Care Facility – We will review internal controls and determine if additional segregated duties can be attained.

Agricultural Extension – Agricultural Extension segregates duties as much as possible but will use Council Members to review accounts when possible. In addition, staff with limited accounting exposure will be instructed to open all incoming mail. The Council Treasurer will review bank reconciliations.

Conclusions – Responses accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of payables, receivables and capital asset additions not properly recorded in the County's financial statements. In addition, the general obligation note proceeds were included in miscellaneous receipts rather than other financing sources. Adjustments were subsequently made by the County to properly record the transactions in the financial statements.

Recommendation – The County should implement procedures to ensure payables, receivables, capital asset additions and debt proceeds are properly recorded in the County's financial statements.

Responses –

Auditor – We will implement procedures to ensure accruals are accurate and debt proceeds and capital assets are reported properly.

Treasurer – We will continue to watch the fiscal year cut off closer and get receivables recorded correctly.

Conclusions – Responses accepted.

- (C) County Sheriff – Certain expenditures were paid from the County Sheriff's commissary account but were not included in the County's budget or annual financial reports.

Recommendation – Commissary profits in excess of those needed to purchase resale items for the Commissary should be remitted to the County Treasurer and included in the County's annual budget and financial statements. All expenditures for the County Sheriff's Office should be paid by claims approved by the Board of Supervisors and reflected in the County's accounting system, County budget and annual financial statements.

Wayne County

Schedule of Findings

Year ended June 30, 2010

Response – Recommendation taken under advisement. Expenditures are for items for the jail using profits from the commissary. Discussion with the Board of Supervisors will be held to determine what will work best for our situation. The concern is being able to have funds available to purchase the resale commissary items. The expenditures made from the commissary have been for needed items only.

Conclusion – Response acknowledged. To strengthen internal control and accountability over public funds, the County Sheriff should remit Commissary profits to the County Treasurer and include expenditures made from the profits in the County budget. In addition, Chapter 331.552(2) requires the County Treasurer to disburse money owed or payable by the County on warrants or checks.

- (D) County Engineer – Certain Secondary Roads employees have vacation balances exceeding the allowable hours per the County employee handbook and the Secondary Roads union agreement. Per the County employee handbook, department heads may allow employees to carry over a maximum of one year's vacation accrual. Per the Secondary Roads union agreement, all vacation time accumulated on an employee's anniversary date must be used within one year following the anniversary date or it will be forfeited.

Recommendation – The Engineer should ensure vacation balances do not exceed allowable limits in accordance with County policy and the union agreement.

Response – Our understanding of Section 14.2 of the union agreement is all vacation time the employee has accumulated on his/her anniversary date not used within one year following the anniversary date will be forfeited. We interpret this to mean an employee may on the day prior to their second anniversary date have vacation accrual from the prior year plus vacation accrual from the current year. On the second anniversary date the employee will forfeit any vacation hours in excess of the prior year and current year.

Conclusion – Response acknowledged. The Engineer should consult legal counsel for determining the allowable carryover of vacation hours in accordance with the union agreement.

- (E) Information Systems – The County does not have written policies for:

- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Requiring passwords remain confidential between department heads and staff.
- Requiring passwords to be a minimum of six characters.

The County does not have a lockout function in place if an incorrect password is entered multiple times.

Wayne County

Schedule of Findings

Year ended June 30, 2010

Recommendation – The County should develop written policies addressing the above items and a lockout function should be in place to improve the County’s control over computer based systems.

Response – The County will contact our technology provider to establish the recommended safeguards in our computer systems.

Conclusion – Response accepted.

- (F) Capital Assets – Capital assets are not tested periodically by an independent person to determine the assets exist and all assets are included on the capital asset listing.

Recommendation – A person who does not have responsibility for capital assets should periodically test capital assets to ensure the accuracy of the capital asset listing.

Response – The Board of Supervisors has scheduled a visual inventory of capital assets for September of each year to verify the listings.

Conclusion – Response accepted.

- (G) Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions should be maintained. This record should include the investment number, purchase date, redemption date, interest rate and interest received.

Response – I will begin a complete record of investments as of the first of December and will go back and pick up all the information needed.

Conclusion – Response accepted.

- (H) Accounts Receivable Reconciliation – The County Public Health Office’s monthly billings, collections and unpaid accounts were not reconciled throughout the year.

Recommendation – The County Public Health Office should reconcile monthly billings, collections and unpaid accounts for each billing period.

Response – Public Health will work to reconcile all accounts for the upcoming fiscal year.

Conclusion – Response accepted.

Wayne County

Schedule of Findings

Year ended June 30, 2010

- (I) Tax Increment Financing – The County Auditor does not prepare a reconciliation of tax increment financing revenue (TIF) remittances with the amount of debt certified.

Recommendation – The County should prepare a reconciliation for each TIF district within each City to reconcile the yearly TIF tax remitted with the amount of debt certified.

Response – At this time, the County no longer has cities with active TIF districts. In the future, the County Auditor will prepare a reconciliation report for all cities with TIF certifications.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Wayne County

Schedule of Findings

Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements for the year ended June 30, 2010 exceeded the amounts budgeted in the roads and transportation and capital projects functions. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Response – In future, budget amendments will be made to ensure the functions and appropriations are not exceeded.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Kenny Holmes, Conservation Board Member, owner of Holmes Tiling, Inc.	Snow removal - Group Home Well closings – Sanitation Department	\$ 510 6,000
Dale Housh, Conservation Board Member, owner of Lockridge, Inc.	Supplies – Conservation Department Supplies – Other County departments	953 2,594
Kay Middlebrook, County Assessor, husband is owner of Middlebrook Amoco		
Melinda Middlebrook, County CPC Administrator, father-in-law is owner of Middlebrook Amoco	Fuel, service and repairs – Assessor Fuel, service and repairs – Mental Health Fuel, service and repairs – other County departments	822 106 1,115

Wayne County

Schedule of Findings

Year ended June 30, 2010

The transactions with Holmes Tiling, Inc. for snow removal and well closings, the transactions with Lockridge, Inc. for supplies for other County departments and the transactions with Middlebrook Amoco for other County departments do not appear to represent conflicts of interest in accordance with Chapter 331.342(4) since the Conservation Board Members', County Assessor's and CPC Administrator's employment are not directly affected as a result of the contracts and the duties of employment do not directly involve procurement or preparation of any part of the contracts.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Lockridge, Inc. for supplies for the Conservation Department and the transactions with Middlebrook Amoco for the County Assessor and the Mental Health Department do not appear to represent conflicts of interest since the total transactions with each vendor were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) 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.
- (8) 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).
- (9) Financial Condition – Although the General Fund and the Special Revenue, Mental Health Fund had positive cash balances at June 30, 2010, on a modified accrual basis, unreserved fund balance deficits of \$415,801 and \$132,947 were reported in the General and the Special Revenue, Mental Health Funds, respectively.

During fiscal year 1998, the Board approved a \$550,000 interfund loan from the Special Revenue, Rural Services Fund to the General Fund. While the Board has established a repayment schedule for the loan, the \$430,000 balance of the loan at June 30, 2010 will not be fully repaid until the year 2039 if the minimum annual repayment of \$15,000 is made on the loan.

Recommendation – The County should continue to investigate alternatives to eliminate the deficit balances in order to return the General Fund and the Special Revenue, Mental Health Fund to sound financial positions. In addition, since it is unlawful, in accordance with Chapter 331.432 of the Code of Iowa, to make permanent transfers of money between the General Fund and the Special Revenue, Rural Services Fund, the County should continue to make the annual scheduled payments on the loan.

Wayne County

Schedule of Findings

Year ended June 30, 2010

Response – The County will work on cost-saving measures to eliminate the deficit balances in the General and Special Revenue, Mental Health Funds to gain sound financial position. Additionally, we will continue to make annual scheduled payments on the debt at no less than the established amount and more when the financial position allows.

Conclusion – Response accepted.

- (10) Issuance of Warrants – The warrant listing did not contain the signature of the County Treasurer as required by Chapter 331.506(b) of the Code of Iowa.

Recommendation – The County should ensure the warrant listing contains the County Treasurer’s signature as required by the Code of Iowa.

Response – This was brought to our attention the first of September and we have since been receiving a warrants listing from the County Auditor for my signature.

Conclusion – Response accepted.

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

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

Wayne County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Timothy D. Houlette, CPA, Senior Auditor II
Reza Sepehri, Staff Auditor
Gabriel M. Stafford, CPA, Staff Auditor
Nicole R. Williams, Assistant Auditor
Lynne A. Westlund, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State