



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 6, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Wayne County, Iowa.

The County had local tax revenue of \$9,385,203 for the year ended June 30, 2013, which included \$538,652 in tax credits from the state. The County forwarded \$6,125,644 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,259,559 of the local tax revenue to finance County operations, a less than 1% decrease from the prior year. Other revenues included charges for service of \$1,112,435, operating grants, contributions and restricted interest of \$2,820,526, local option sales tax of \$353,423, other general revenues of \$225,583 and unrestricted investment earnings of \$10,991.

Expenses for County operations for the year ended June 30, 2013 totaled \$7,398,833, a 1.7% increase from the prior year. Expenses included \$3,255,731 for roads and transportation, \$1,278,569 for public safety and legal services and \$1,078,879 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/1310-0093-B00F.pdf>.

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WAYNE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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Wayne County

Officials

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Duffy Kester	Board of Supervisors	Jan 2013
Billy Joe Alley	Board of Supervisors	Jan 2015
Amy Sinclair	Board of Supervisors	(Resigned January 2013)
Sue Ruble	County Auditor	Jan 2013
Kim Swearingin	County Treasurer	Jan 2015
Angie Horton	County Recorder	Jan 2015
Keith Davis	County Sheriff	Jan 2013
Alan Wilson	County Attorney	Jan 2015
Kay Middlebrook	County Assessor	Jan 2016

(After January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Sellers (Appointed Jan 2013)	Board of Supervisors	Nov 2014
Billy Joe Alley	Board of Supervisors	Jan 2015
Duffy Kester	Board of Supervisors	Jan 2017
Sue Ruble	County Auditor	Jan 2017
Kim Swearingin	County Treasurer	Jan 2015
Angie Horton	County Recorder	Jan 2015
Keith Davis	County Sheriff	Jan 2017
Alan Wilson	County Attorney	Jan 2015
Kay Middlebrook	County Assessor	Jan 2016

Wayne County



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Independent Auditor's Report

To the Officials of Wayne County:

Report on the Financial Statements

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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2014 on our consideration of Wayne County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 in considering Wayne County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 27, 2014

Wayne County

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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 16.3%, or approximately \$1,519,000, from fiscal year 2012 to fiscal year 2013. Property tax decreased approximately \$65,000, operating grants, contributions and restricted interest decreased approximately \$76,000 and capital grants, contributions and restricted interest decreased approximately \$1,474,000.
- Program expenses of the County's governmental activities were 1.7%, or approximately \$121,000, more in fiscal year 2013 than in fiscal year 2012. Mental health expenses decreased approximately \$465,000, roads and transportation expenses increased approximately \$262,000 and physical health and social services expenses increased \$178,000.
- The County's net position increased 3.3%, or approximately \$383,000, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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 financial 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.

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

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

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, 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 two 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, and 3) the Debt Service 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) 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Wayne County's net position at the end of the fiscal year totaled approximately \$12 million. This compares to approximately \$11.6 million at the end of fiscal year 2012. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
Current and other assets	\$ 12,092	11,589
Capital assets	9,905	10,130
Total assets	<u>21,997</u>	<u>21,719</u>
Long-term liabilities	6,347	6,547
Other liabilities	3,650	3,555
Total liabilities	<u>9,997</u>	<u>10,102</u>
Net position:		
Net investment in capital assets	6,567	6,577
Restricted	4,246	4,262
Unrestricted	1,187	778
Total net position	<u>\$ 12,000</u>	<u>11,617</u>

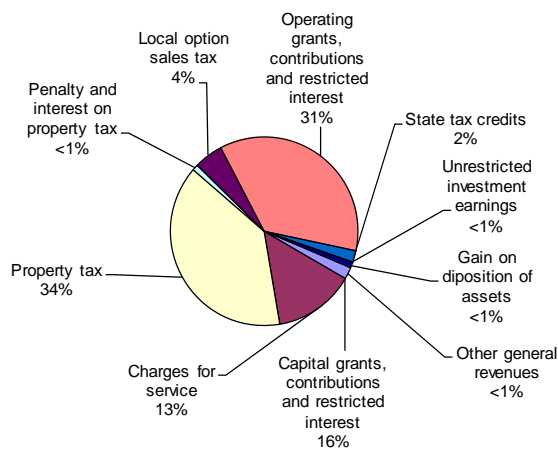
Net position of Wayne County's governmental activities increased 3.3% (approximately \$12 million compared to approximately \$11.6 million). The largest portion of the County's net position is invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from approximately \$778,000 to approximately \$1,187,000 at the end of this year, an increase of 52.6%.

The increase of approximately \$409,000 in unrestricted net position was primarily a result of the excess of revenues over expenditures in the General Fund. Restricted net position decreased approximately \$16,000, primarily due to an increase in rural services expenses.

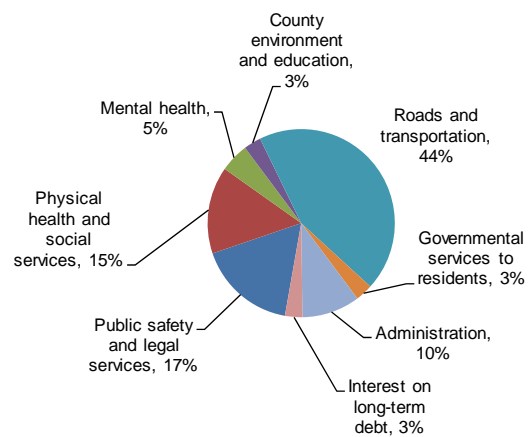
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 1,112	1,186
Operating grants, contributions and restricted interest	2,821	2,897
Capital grants, contributions and restricted interest	-	1,474
General revenues:		
Property tax	3,083	3,148
Penalty and interest on property tax	47	43
State tax credits	177	143
Local option sales tax	353	326
Unrestricted investment earnings	11	5
Gain on disposition of assets	39	43
Other general revenues	140	37
Total revenues	7,783	9,302
Program expenses:		
Public safety and legal services	1,279	1,182
Physical health and social services	1,079	901
Mental health	393	858
County environment and education	228	254
Roads and transportation	3,256	2,994
Governmental services to residents	227	201
Administration	726	652
Non-program	13	28
Interest on long-term debt	199	208
Total expenses	7,400	7,278
Increase in net position	383	2,024
Net position beginning of year	11,617	9,593
Net position end of year	\$ 12,000	11,617

Revenues by Source



Expenses by Program



Revenues of governmental activities decreased approximately \$1,519,000 from the prior year, primarily due to a decrease of approximately \$1,474,000 in capital grants, contributions and restricted interest. The decrease was a result of the County not using its Farm-to-Market funds during the current fiscal year. Overall, operating grants, contributions, and restricted interest decreased approximately \$76,000, or 2.6%, and charges for service decreased approximately \$74,000, or 6.2%.

The cost of all governmental activities this year was approximately \$7.4 million compared to approximately \$7.28 million last year, a 1.7% increase. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$3.5 million because some of the cost was paid by those directly benefited from the programs (approximately \$1.1 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$2,821,000). Overall, the County's government program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2013 from approximately \$5,557,000 to approximately \$3,933,000, principally due to a decrease in contributed capital for road projects from the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Wayne County completed the year, its governmental funds reported a combined fund balance of approximately \$8.2 million, an increase of approximately \$.5 million from last year's total of approximately \$7.7 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 \$483,189, or 35.3%, to \$1,853,006. Revenues decreased \$26,559, or .8%. The decrease was due to a decrease in property tax revenue. Expenditures increased \$426,914, or 16.7%, due to hiring additional employees in the Sheriff's department and the Board of Health, salary increases in the Auditor's office and Treasurer's office, maintenance costs of approximately \$47,000 for Tyler Technologies (the County's accounting software system) and allocations to Wayne County Fair projects of approximately \$30,000.
- The Special Revenue, Mental Health Fund balance decreased \$23,739 from the prior year to a deficit balance of (\$62,624). Revenues decreased \$454,684, or 56%, from the prior year, primarily due to the statewide mental health redesign which shifts Medicaid funding to the regional level and away from the county level. In addition, less "local purchase" funds were received as a result of the closure of the Rathbun Area Mental Health Center. Expenditures decreased \$464,275, or 54.9%, primarily due to the County no longer being responsible for Medicaid bills as a result of the change in funding noted above.
- The Special Revenue, Rural Services Fund balance decreased \$87,113 from the prior year to \$518,116. Revenues increased \$159,068 due to an increase in property tax revenue. Expenditures increased \$69,556 over the prior year due to the purchase of vehicles and an increase in wages for uniform patrol officers as a result of moving part time employees to full time.
- The Special Revenue, Secondary Roads Fund balance increased \$67,863, or 2.6%, to \$2,686,429. Revenues decreased \$117,897 from the prior year and expenditures increased \$213,664 from the prior year. The decrease in revenues is primarily due to a decrease in Federal Emergency Management Agency (FEMA) funding. The increase in expenditures is primarily due to an increase in equipment purchases of approximately \$133,000, hiring an additional employee and hiring a licensed engineer to oversee projects.

- The Special Revenue, Local Option Sales Tax Fund balance decreased \$22,661, or 0.8%, to \$2,867,866. Revenues increased \$37,527 from the prior year to \$365,398, primarily due to an increase in local option sales tax revenue during fiscal year 2013. The remaining increase in revenues was the result of a greater amount of interest being earned on the U.S. securities held in escrow as result of the crossover refunding occurring in the prior year. This fund also reported expenditures of \$388,059 representing the current year's debt service payments for the 2008 general obligation bonds and the 2012 refunding bonds, as well as \$58,777 for capital project costs for the jail project.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wayne County amended its budget one time. The amendment was made in May 2013 and included increased budgeted disbursements of \$14,460, \$153,890, \$13,000, \$200,000 and \$91,000 for the public safety and legal services, physical health and social services, county environment and education, roads and transportation and capital projects functions, respectively. The increases were necessary to prevent various departments from over spending budgeted amounts due to unanticipated expenses.

The County's receipts were \$496,530 more than budgeted, a variance of 6.5%. Miscellaneous receipts were \$164,977 more than budgeted, primarily due to insurance reimbursements from the Iowa Communities Assurance Pool for damage in the Secondary Roads Department. Charges for service receipts were \$144,326 more than budgeted due to unanticipated prisoner care fees and nursing fees received during the year.

Total disbursements were \$796,700, or 9.7%, less than the amended budget. The County exceeded the budget in the public safety and legal services, county environment and education and debt service functions by \$31,511, \$51,081 and \$56,279, respectively, due to jail expansion project expenses being coded to the public safety and legal services, county environment and debt service functions but being budgeted in the capital projects function. Actual disbursements for the mental health and roads and transportation functions were \$268,082 and \$265,435, respectively, less than budgeted. Actual costs in these areas were less than originally expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Wayne County had approximately \$9.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$226,000, or 2.2%, under last year.

The County had depreciation expense of \$626,751 in fiscal year 2013 and total accumulated depreciation of \$5,893,160 at June 30, 2013. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2013, the County had \$5,985,000 of general obligation bonds/notes outstanding, compared to \$6,245,000 at June 30, 2012. The County paid \$260,000 of principal on the general obligation bonds/notes during the year ended June 30, 2013.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Wayne County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$13 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Wayne County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 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 2014 county-wide levy increased from \$9.38883 per \$1,000 of taxable valuation to \$9.64071 per \$1,000 of taxable valuation while the rural services levy decreased from \$4.30842 per \$1,000 of taxable valuation to \$4.15765 per \$1,000 of taxable valuation. The fiscal year 2014 taxable valuations for incorporated areas and rural areas increased 5.1% and 5.6%, respectively, from the prior year.

Budgeted disbursements in the fiscal year 2014 operating budget are \$8,289,910, an increase of .67% from the final fiscal year 2013 budget. The increase of approximately \$55,000 is mainly due to additional expenditures in the administration function.

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

Exhibit A

Wayne County
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 5,196,798
Component units	11,984
U.S. Treasury securities on deposit with escrow agent	2,647,830
Receivables:	
Property tax:	
Delinquent	15,495
Succeeding year	3,277,000
Interest and penalty on property tax	31,634
Accounts	253,724
Accrued interest	849
Due from other governments	347,245
Inventories	250,751
Prepaid insurance	59,204
Capital assets, net of accumulated depreciation	9,904,658
Total assets	<u>21,997,172</u>
Liabilities	
Accounts payable	107,956
Accrued interest payable	15,541
Salaries and benefits payable	97,121
Due to other governments	152,795
Deferred revenue - succeeding year property tax	3,277,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	270,000
Compensated absences	90,460
Portion due or payable after one year:	
General obligation bonds/notes	5,715,000
Compensated absences	114,597
Net OPEB liability	156,415
Total liabilities	<u>9,996,885</u>
Net Position	
Net investment in capital assets	6,567,488
Restricted for:	
Supplemental levy purposes	453,519
Rural services purposes	518,116
Secondary roads purposes	2,756,011
Conservation purposes	297,337
Debt service	205,247
Other purposes	15,697
Unrestricted	1,186,872
Total net position	<u>\$ 12,000,287</u>

See notes to financial statements.

Wayne County
Statement of Activities
Year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	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	\$ 1,278,569	171,903	63,056	-	(1,043,610)
Physical health and social services	1,078,879	617,022	254,657	-	(207,200)
Mental health	392,945	46,106	57,476	-	(289,363)
County environment and education	228,393	34,498	36,569	-	(157,326)
Roads and transportation	3,255,731	85,146	2,367,154	-	(803,431)
Governmental services to residents	226,812	137,408	-	-	(89,404)
Administration	725,643	20,352	29,639	-	(675,652)
Non-program	12,581	-	-	-	(12,581)
Interest and fees on long-term debt	199,280	-	11,975	-	(187,305)
Total	\$ 7,398,833	1,112,435	2,820,526	-	(3,465,872)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,964,549
Debt service					118,257
Penalty and interest on property tax					47,217
State tax credits					176,753
Local option sales tax					353,423
Unrestricted investment earnings					10,991
Gain on disposition of assets					38,695
Miscellaneous					139,671
Total general revenues					3,849,556
Change in net position					383,684
Net position beginning of year					11,616,603
Net position end of year					\$ 12,000,287

See notes to financial statements.

Wayne County
Balance Sheet
Governmental Funds

June 30, 2013

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 2,195,202	59,847	180,678	2,303,151
Component units	-	-	-	-
U.S. Treasury securities on deposit with escrow agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	12,133	1,502	1,117	-
Succeeding year	2,107,000	239,000	811,000	-
Interest and penalty on property tax	31,634	-	-	-
Accounts	16,064	-	-	237,660
Accrued interest	848	-	-	-
Advance to other funds	-	-	350,000	-
Due from other governments	81,194	567	-	208,651
Inventories	-	-	-	250,751
Prepaid insurance	37,336	-	-	21,868
Total assets	\$ 4,481,411	300,916	1,342,795	3,022,081
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 23,510	18,687	3,821	61,938
Salaries and benefits payable	48,041	4,409	8,741	35,930
Advance from other funds	350,000	-	-	-
Due to other governments	52,729	99,942	-	124
Deferred revenue:				
Succeeding year property tax	2,107,000	239,000	811,000	-
Other	47,125	1,502	1,117	237,660
Total liabilities	2,628,405	363,540	824,679	335,652
Fund balances:				
Nonspendable:				
Inventories	-	-	-	250,751
Prepaid insurance	37,336	-	-	21,868
Advance to other funds	-	-	350,000	-
Restricted for:				
Supplemental levy purposes	456,228	-	-	-
Rural services purposes	-	-	168,116	-
Secondary roads purposes	-	-	-	2,413,810
Conservation land acquisition	6,341	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Conservation educational services	29,639	-	-	-
Park enhancements	34,872	-	-	-
Hardware and software enhancements	27,041	-	-	-
Courthouse maintenance	47,208	-	-	-
Assigned for promotion of public health	41,082	-	-	-
Unassigned	1,173,259	(62,624)	-	-
Total fund balances	1,853,006	(62,624)	518,116	2,686,429
Total liabilities and fund balances	\$ 4,481,411	300,916	1,342,795	3,022,081

See notes to financial statements.

Local Option Sales Tax	Nonmajor	Total
163,202	294,718	5,196,798
-	11,984	11,984
2,647,830	-	2,647,830
-	743	15,495
-	120,000	3,277,000
-	-	31,634
-	-	253,724
1	-	849
-	-	350,000
56,833	-	347,245
-	-	250,751
-	-	59,204
2,867,866	427,445	12,442,514
-	-	107,956
-	-	97,121
-	-	350,000
-	-	152,795
-	120,000	3,277,000
-	743	288,147
-	120,743	4,273,019
-	-	250,751
-	-	59,204
-	-	350,000
-	-	456,228
-	-	168,116
-	-	2,413,810
-	290,996	297,337
2,867,866	9	2,867,875
-	15,697	15,697
-	-	29,639
-	-	34,872
-	-	27,041
-	-	47,208
-	-	41,082
-	-	1,110,635
2,867,866	306,702	8,169,495
2,867,866	427,445	12,442,514

Wayne County

Wayne County
 Reconciliation of the Balance Sheet -
 Governmental Funds to the Statement of Net Position

June 30, 2013

Total governmental fund balances (page 21)	\$ 8,169,495
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
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 \$15,797,818 and the accumulated depreciation is \$5,893,160.	9,904,658
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	288,147
Long-term liabilities, including general obligation bonds/notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(6,362,013)
Net position of governmental activities (page 18)	<u><u>\$ 12,000,287</u></u>

See notes to financial statements.

Wayne County

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

Year ended June 30, 2013

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,932,289	239,206	795,957	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	46,640	-	-	-
Intergovernmental	897,932	71,605	139,099	2,377,586
Licenses and permits	-	-	8,115	435
Charges for service	390,150	46,105	8,025	5
Use of money and property	46,054	-	-	-
Miscellaneous	160,537	-	1,878	84,711
Total revenues	3,473,602	356,916	953,074	2,462,737
Expenditures:				
Operating:				
Public safety and legal services	891,171	-	292,455	-
Physical health and social services	1,033,419	-	34,774	-
Mental health	-	380,655	-	-
County environment and education	115,587	-	98,045	-
Roads and transportation	-	-	-	3,006,788
Governmental services to residents	218,280	-	2,999	-
Administration	718,625	-	-	-
Non-program	12,581	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	2,989,663	380,655	428,273	3,006,788
Excess (deficiency) of revenues over (under) expenditures	483,939	(23,739)	524,801	(544,051)
Other financing sources (uses):				
Operating transfers in	-	-	-	611,914
Operating transfers out	(750)	-	(611,914)	-
Total other financing sources (uses)	(750)	-	(611,914)	611,914
Change in fund balances	483,189	(23,739)	(87,113)	67,863
Fund balances beginning of year	1,369,817	(38,885)	605,229	2,618,566
Fund balances end of year	\$ 1,853,006	(62,624)	518,116	2,686,429

See notes to financial statements.

Local Option Sales Tax	Nonmajor	Total
-	118,237	3,085,689
353,423	-	353,423
-	-	46,640
-	15,472	3,501,694
-	-	8,550
-	1,836	446,121
11,975	1,516	59,545
-	12,310	259,436
365,398	149,371	7,761,098
-	7,256	1,190,882
-	-	1,068,193
-	-	380,655
-	2,778	216,410
-	-	3,006,788
-	1,797	223,076
-	-	718,625
-	-	12,581
329,282	126,038	455,320
58,777	-	58,777
388,059	137,869	7,331,307
(22,661)	11,502	429,791
-	750	612,664
-	-	(612,664)
-	750	-
(22,661)	12,252	429,791
2,890,527	294,450	7,739,704
2,867,866	306,702	8,169,495

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, 2013

Change in fund balances - Total governmental funds (page 25) \$ 429,791

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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 361,934	
Depreciation expense	(626,751)	(264,817)

In the Statement of Activities, the gain on the disposition of assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.	38,695
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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	(2,902)	
Other	(14,374)	(17,276)

Repayment of long-term liabilities is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	260,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(15,876)	
Other postemployment benefits	(42,873)	
Interest on long-term debt	(3,960)	(62,709)

Change in net position of governmental activities (page 19) \$ 383,684

See notes to financial statements.

Wayne County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 659,478
Other County officials	19,251

Receivables:

Property tax:	
Delinquent	50,009
Succeeding year	5,790,000

Accounts	21,199
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Total assets	6,539,937
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Liabilities

Accounts payable	4,302
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Salaries and benefits payable	10,589
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Due to other governments	6,503,775
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Trusts payable	10,883
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Compensated absences	10,388
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Total liabilities	6,539,937
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Net position	\$ -
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See notes to financial statements.

Wayne County

Notes to Financial Statements

June 30, 2013

(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 is included 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 is included 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 Position (previously referred to as 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 Position presents the County’s nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

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

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 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, intellectual disabilities and developmental disabilities services.

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax revenues used in the funding of the general obligation bonds issued for the acquisition and construction of the jail.

Additionally, the County reports the following funds:

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 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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balances and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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 and 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 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 Position. 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, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Infrastructure	30 - 60
Buildings and improvements	20 - 50
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 unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position 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, sick leave 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, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety and legal services, county environment and education and debt service functions. In addition, disbursements in certain departments exceeded the amounts appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2013 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 \$2,434,371 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes. Also, at June 30, 2013, an escrow agent held U.S. Treasury notes for the County with a carrying amount and fair value of \$2,647,830 which mature December 1, 2013 through June 1, 2016.

(3) Advances To and From Other Funds

The detail of advances to/from other funds at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Rural Services	General	\$ 350,000

In a prior year, the County approved a loan from the Special Revenue, Rural Services Fund 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 year. During the year ended June 30, 2013, the County repaid \$40,000.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 611,914
Debt Service Total	General	750
		<u>\$ 612,664</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, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Infrastructure, road network	\$ 254,209	-	-	254,209
Construction in progress	-	58,777	-	58,777
Total capital assets not being depreciated	<u>254,209</u>	<u>58,777</u>	<u>-</u>	<u>312,986</u>
Capital assets being depreciated:				
Buildings	4,781,761	-	-	4,781,761
Improvements other than buildings	113,439	-	-	113,439
Equipment and vehicles	4,189,911	361,246	(107,323)	4,443,834
Infrastructure, road network	6,145,798	-	-	6,145,798
Total capital assets being depreciated	<u>15,230,909</u>	<u>361,246</u>	<u>(107,323)</u>	<u>15,484,832</u>
Less accumulated depreciation for:				
Buildings	882,192	89,766	-	971,958
Improvements other than buildings	18,403	3,782	-	22,185
Equipment and vehicles	3,192,606	195,903	(87,929)	3,300,580
Infrastructure, road network	1,261,137	337,300	-	1,598,437
Total accumulated depreciation	<u>5,354,338</u>	<u>626,751</u>	<u>(87,929)</u>	<u>5,893,160</u>
Total capital assets being depreciated, net	<u>9,876,571</u>	<u>(265,505)</u>	<u>(19,394)</u>	<u>9,591,672</u>
Governmental activities capital assets, net	<u>\$10,130,780</u>	<u>(206,728)</u>	<u>(19,394)</u>	<u>9,904,658</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 111,062
Physical health and social services	1,150
Mental health	6,535
County environment and education	20,164
Roads and transportation	482,220
Governmental services to residents	2,420
Administration	3,200
Total depreciation expense - governmental activities	<u><u>\$ 626,751</u></u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 52,729
Special Revenue:		
Mental Health	Services	99,942
Secondary Roads	Services	124
		<u>100,066</u>
Total for governmental funds		<u><u>\$ 152,795</u></u>
Agency:		
County Offices	Collections	\$ 8,368
Agricultural Extension Education		79,042
County Assessor		282,957
Schools		3,593,334
Community Colleges		208,304
Corporations and Special Assessments		838,303
Townships		151,308
Auto License and Use Tax		136,239
County Hospital		948,917
Other		257,003
Total for agency funds		<u><u>\$ 6,503,775</u></u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	General Obligation Bonds/Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 6,245,000	189,181	113,542	6,547,723
Increases	-	121,431	51,970	173,401
Decreases	260,000	105,555	9,097	374,652
Balance end of year	<u>\$ 5,985,000</u>	<u>205,057</u>	<u>156,415</u>	<u>6,346,472</u>
Due within one year	<u>\$ 270,000</u>	<u>90,460</u>	<u>-</u>	<u>360,460</u>

Bonds/Notes Payable

A summary of the County's June 30, 2013 general obligation bond/note indebtedness is as follows:

Year Ending June 30,	General Obligation Local Option Sales and Services Tax Bonds			
	Issued June 15, 2008			
	Interest Rates	Principal	Interest	Total
2014	3.50%	\$ 150,000	123,580	273,580
2015	3.65	155,000	118,330	273,330
2016	3.80	160,000	112,672	272,672
2017	3.90	165,000	106,593	271,593
2018	4.00	175,000	100,158	275,158
2019-2023	4.05-4.30	980,000	388,463	1,368,463
2024-2028	4.30-4.40	1,200,000	161,990	1,361,990
Total		\$2,985,000	1,111,786	4,096,786

Year Ending June 30,	General Obligation Notes			
	Issued June 24, 2010			
	Interest Rates	Principal	Interest	Total
2014	3.00%	\$ 120,000	7,663	127,663
2015	3.25	125,000	4,063	129,063
2016		-	-	-
2017		-	-	-
2019-2023		-	-	-
2024-2028		-	-	-
Total		\$ 245,000	11,726	256,726

Year Ending June 30,	General Obligation Local Option Sales and Services Tax Refunding Bonds					Total	
	Issued June 15, 2012						
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2014		\$ -	55,242	55,242	270,000	186,485	456,485
2015		-	55,242	55,242	280,000	177,635	457,635
2016		-	55,242	55,242	160,000	167,914	327,914
2017	1.20%	205,000	55,243	260,243	370,000	161,836	531,836
2018	1.30	215,000	52,783	267,783	390,000	152,940	542,940
2019-2023	1.55-2.05	1,110,000	213,080	1,323,080	2,090,000	601,543	2,691,543
2024-2028	2.10-2.75	1,225,000	94,938	1,319,938	2,425,000	256,928	2,681,928
Total		\$2,755,000	581,770	3,336,770	5,985,000	1,705,281	7,690,281

On June 15, 2012, the County issued \$2,755,000 of general obligation refunding bonds for a crossover advance refunding of \$2,520,000 of general obligation local option sales and services tax bonds dated June 15, 2008. The bonds bear interest at 1.20% to 2.75% per annum and mature June 1, 2028. The crossover refunding date is June 1, 2016.

For the crossover advance refunding, the County entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities, along with additional cash, were placed with an escrow agent to pay the principal and interest on the refunding general obligation bonds (new debt) until the crossover refunding date. On the crossover refunding date of June 1, 2016, the refunded general obligation bonds (old debt) will be paid using the amounts held by the escrow agent. From that point forward, the local option sales tax revenue will be used to pay the refunding general obligation bonds (new debt). The transactions and balances of the escrow account are recorded by the County since the refunded debt is not considered extinguished.

During the year ended June 30, 2013, the County retired \$260,000 of general obligation bonds.

(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 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$232,331, \$206,701 and \$185,919, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 76 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, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 51,767
Interest on net OPEB obligation	4,542
Adjustment to annual required contribution	(4,339)
Annual OPEB cost	<u>51,970</u>
Contributions made	(9,097)
Increase in net OPEB obligation	<u>42,873</u>
Net OPEB obligation beginning of year	113,542
Net OPEB obligation end of year	<u><u>\$ 156,415</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, 2013.

For the year ended June 30, 2013, the County contributed \$9,097 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 40,760	11.9%	\$ 73,765
2012	51,785	23.2	113,542
2013	51,970	17.5	156,415

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$397,291, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$397,291. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,558,000 and the ratio of the UAAL to covered payroll was 15.5%. As of June 30, 2013, 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 for the Retiree Health Plan, 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, 2011 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 9.5%. 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 \$1,058 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 of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 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 at a level determined by the Board not to exceed 300% of 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, 2013 were \$116,854

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. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 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, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty 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) Financial Condition

The Special Revenue, Mental Health Fund had an unassigned deficit fund balance of \$62,624 at June 30, 2013. The County plans to eliminate this deficit 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, 2013

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 3,435,162	-	3,435,162
Interest and penalty on property tax	46,640	-	46,640
Intergovernmental	3,819,275	-	3,819,275
Licenses and permits	8,550	-	8,550
Charges for service	474,656	-	474,656
Use of money and property	59,313	-	59,313
Miscellaneous	283,687	12,310	271,377
Total receipts	<u>8,127,283</u>	<u>12,310</u>	<u>8,114,973</u>
Disbursements:			
Public safety and legal services	1,197,628	7,256	1,190,372
Physical health and social services	1,027,523	-	1,027,523
Mental health	477,270	-	477,270
County environment and education	281,341	-	281,341
Roads and transportation	3,014,294	-	3,014,294
Governmental services to residents	223,245	-	223,245
Administration	756,155	-	756,155
Non-program	12,581	-	12,581
Debt service	455,317	-	455,317
Capital projects	-	-	-
Total disbursements	<u>7,445,354</u>	<u>7,256</u>	<u>7,438,098</u>
Excess (deficiency) of receipts over (under) disbursements	681,929	5,054	676,875
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	681,929	5,054	676,875
Balance beginning of year	7,174,683	6,930	7,167,753
Balance end of year	<u>\$ 7,856,612</u>	<u>11,984</u>	<u>7,844,628</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
3,462,269	3,462,269	(27,107)
-	-	46,640
3,468,493	3,683,114	136,161
5,830	5,830	2,720
330,330	330,330	144,326
30,500	30,500	28,813
30,450	106,400	164,977
<u>7,327,872</u>	<u>7,618,443</u>	<u>496,530</u>
1,144,401	1,158,861	(31,511)
950,276	1,104,166	76,643
745,352	745,352	268,082
217,260	230,260	(51,081)
3,079,729	3,279,729	265,435
243,785	243,785	20,540
799,407	799,407	43,252
33,200	33,200	20,619
399,038	399,038	(56,279)
150,000	241,000	241,000
<u>7,762,448</u>	<u>8,234,798</u>	<u>796,700</u>
(434,576)	(616,355)	1,293,230
-	77,187	(77,187)
(434,576)	(539,168)	1,216,043
1,881,058	1,881,058	5,286,695
<u>1,446,482</u>	<u>1,341,890</u>	<u>6,502,738</u>

Wayne County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,127,283	(366,185)	7,761,098
Expenditures	7,445,354	(114,047)	7,331,307
Net	681,929	(252,138)	429,791
Other financing sources, net	-	-	-
Beginning fund balances	7,174,683	565,021	7,739,704
Ending fund balances	\$ 7,856,612	312,883	8,169,495

See accompanying independent auditor's report.

Wayne County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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 the blended component units 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 and the Debt Service 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 \$472,350. 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, 2013, disbursements exceeded the amounts budgeted in the public safety and legal services, county environment and education and debt service 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	0.0%	\$ 2,389	12.8%
2011	Jul 1, 2009	-	306	306	0.0	2,432	12.6
2012	Jul 1, 2011	-	397	397	0.0	2,396	16.6
2013	Jul 1, 2011	-	397	397	0.0	2,558	15.5

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.

See accompanying independent auditor's report.

Supplementary Information

Wayne County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2013

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Resource Enhancement and Protection
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 1,725	4	26,624
Component units	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Total assets	\$ 1,725	4	26,624
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	-	-
Other	-	-	-
Fund balances:			
Restricted for:			
Conservation purposes	-	-	26,624
Debt service	-	-	-
Other purposes	1,725	4	-
Total fund balances	1,725	4	26,624
Total liabilities and fund balances	\$ 1,725	4	26,624

See accompanying independent auditor's report.

Revenue					
Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Foreiture	Debt Service	Total
264,372	-	-	1,984	9	294,718
-	4,553	7,431	-	-	11,984
-	-	-	-	743	743
-	-	-	-	120,000	120,000
264,372	4,553	7,431	1,984	120,752	427,445
-	-	-	-	120,000	120,000
-	-	-	-	743	743
-	-	-	-	120,743	120,743
264,372	-	-	-	-	290,996
-	-	-	-	9	9
-	4,553	7,431	1,984	-	15,697
264,372	4,553	7,431	1,984	9	306,702
264,372	4,553	7,431	1,984	120,752	427,445

Wayne County

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

Year ended June 30, 2013

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Resource Enhancement and Protection
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	8,488
Charges for service	1,836	-	-
Use of money and property	-	-	3
Miscellaneous	-	-	-
Total revenues	<u>1,836</u>	<u>-</u>	<u>8,491</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	2,778
Governmental services to residents	1,797	-	-
Debt service	-	-	-
Total expenditures	<u>1,797</u>	<u>-</u>	<u>2,778</u>
Excess (deficiency) of revenues over (under) expenditures	39	-	5,713
Other financing sources:			
Operating transfers in	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	39	-	5,713
Fund balances beginning of year	1,686	4	20,911
Fund balances end of year	<u>\$ 1,725</u>	<u>4</u>	<u>26,624</u>

See accompanying independent auditor's report.

Revenue					
Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Forfeiture	Debt Service	Total
-	-	-	-	118,237	118,237
-	-	-	-	6,984	15,472
-	-	-	-	-	1,836
1,506	-	-	-	7	1,516
-	7,453	4,857	-	-	12,310
1,506	7,453	4,857	-	125,228	149,371
-	4,682	2,574	-	-	7,256
-	-	-	-	-	2,778
-	-	-	-	-	1,797
-	-	-	-	126,038	126,038
-	4,682	2,574	-	126,038	137,869
1,506	2,771	2,283	-	(810)	11,502
-	-	-	-	750	750
1,506	2,771	2,283	-	(60)	12,252
262,866	1,782	5,148	1,984	69	294,450
264,372	4,553	7,431	1,984	9	306,702

Wayne County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	1,577	126,773	75,998
Other County officials	19,251	-	-	-
Receivables:				
Property tax:				
Delinquent	-	465	924	22,336
Succeeding year	-	77,000	168,000	3,495,000
Accounts	-	-	-	-
Total assets	\$ 19,251	79,042	295,697	3,593,334
Liabilities				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	2,352	-
Due to other governments	8,368	79,042	282,957	3,593,334
Trusts payable	10,883	-	-	-
Compensated absences	-	-	10,388	-
Total liabilities	\$ 19,251	79,042	295,697	3,593,334

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
4,097	44,511	2,153	136,239	20,792	247,338	659,478
-	-	-	-	-	-	19,251
1,207	18,792	155	-	6,125	5	50,009
203,000	775,000	149,000	-	922,000	1,000	5,790,000
-	-	-	-	-	21,199	21,199
208,304	838,303	151,308	136,239	948,917	269,542	6,539,937
-	-	-	-	-	4,302	4,302
-	-	-	-	-	8,237	10,589
208,304	838,303	151,308	136,239	948,917	257,003	6,503,775
-	-	-	-	-	-	10,883
-	-	-	-	-	-	10,388
208,304	838,303	151,308	136,239	948,917	269,542	6,539,937

Wayne County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 21,164	76,055	283,242	3,726,516
Additions:				
Property and other county tax	-	76,890	166,871	3,472,953
E911 surcharge	-	-	-	-
State tax credits	-	4,358	8,671	211,541
Drivers license fees	-	-	-	-
Office fees and collections	392,932	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	122,100	-	-	-
Miscellaneous	-	12	7,468	596
Total additions	515,032	81,260	183,010	3,685,090
Deductions:				
Agency remittances:				
To other funds	246,253	-	-	-
To other governments	148,367	78,273	170,555	3,818,272
Trusts paid out	122,325	-	-	-
Total deductions	516,945	78,273	170,555	3,818,272
Balances end of year	\$ 19,251	79,042	295,697	3,593,334

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
199,045	807,934	145,819	130,462	1,006,469	395,888	6,792,594
201,799	778,621	148,028	-	917,779	804	5,763,745
-	-	-	-	-	83,361	83,361
11,324	60,775	7,729	-	57,453	48	361,899
-	-	-	-	-	32,238	32,238
-	-	-	-	-	1,798	394,730
-	-	-	1,761,104	-	-	1,761,104
-	13,470	-	-	-	-	13,470
-	-	-	-	-	190,861	312,961
32	586	-	-	165	254,578	263,437
213,155	853,452	155,757	1,761,104	975,397	563,688	8,986,945
-	-	-	69,588	-	-	315,841
203,896	823,083	150,268	1,685,739	1,032,949	481,528	8,592,930
-	-	-	-	-	208,506	330,831
203,896	823,083	150,268	1,755,327	1,032,949	690,034	9,239,602
208,304	838,303	151,308	136,239	948,917	269,542	6,539,937

Wayne County

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

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 3,085,689	3,142,670	3,003,146	2,218,985
Local option sales tax	353,423	326,157	374,505	340,386
Interest and penalty on property tax	46,640	41,645	42,202	32,241
Intergovernmental	3,501,694	3,974,740	3,704,021	3,246,841
Licenses and permits	8,550	11,657	13,053	7,768
Charges for service	446,121	450,496	360,917	274,480
Use of money and property	59,545	28,585	25,483	36,681
Miscellaneous	259,436	192,717	58,192	160,160
Total	<u>\$ 7,761,098</u>	<u>8,168,667</u>	<u>7,581,519</u>	<u>6,317,542</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,190,882	1,062,720	1,021,037	1,027,425
Physical health and social services	1,068,193	893,116	839,343	843,386
Mental health	380,655	844,930	687,820	652,568
County environment and education	216,410	237,934	245,213	315,010
Roads and transportation	3,006,788	2,793,124	2,781,392	2,621,430
Governmental services to residents	223,076	196,679	200,742	193,772
Administration	718,625	551,179	661,985	660,486
Non-program	12,581	23,092	31,092	25,813
Debt service	455,320	420,931	285,108	275,815
Capital projects	58,777	110,221	20,741	470,526
Total	<u>\$ 7,331,307</u>	<u>7,133,926</u>	<u>6,774,473</u>	<u>7,086,231</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
2,080,278	2,058,897	1,993,573	1,927,731	1,921,146	1,886,630
285,414	94,285	-	-	-	-
31,146	32,998	35,881	33,737	39,013	31,256
3,611,502	3,662,984	3,270,942	3,198,154	2,932,444	2,728,114
5,560	4,759	3,251	2,585	4,455	3,110
258,327	264,126	261,776	265,761	258,540	286,578
97,522	139,552	142,835	138,985	96,795	50,929
213,100	130,519	75,924	137,495	101,989	618,739
6,582,849	6,388,120	5,784,182	5,704,448	5,354,382	5,605,356
886,029	1,013,637	735,437	666,122	664,155	654,496
831,455	777,343	694,106	679,267	540,199	506,947
750,522	699,214	753,824	768,428	803,813	770,381
410,099	455,226	350,741	258,890	283,393	341,574
2,367,802	2,473,899	2,296,227	2,476,437	2,134,371	1,886,025
201,919	173,731	165,946	270,426	171,198	140,185
688,040	711,559	659,251	612,510	665,167	536,846
26,891	16,142	27,352	30,993	34,875	32,897
286,832	17,713	15,000	-	-	-
3,116,794	-	2,033	77,730	102,234	98,469
9,566,383	6,338,464	5,699,917	5,840,803	5,399,405	4,967,820

Wayne County



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Mary Mosiman, CPA
Auditor of State

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 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, the 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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wayne County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wayne County's internal control. Accordingly, we do not express an opinion on the effectiveness of Wayne County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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

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 in the accompanying Schedule of Findings as items (B) through (G) 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, 2013 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 the Findings


Wayne County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Wayne County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 27, 2014

Wayne County

Schedule of Findings

Year ended June 30, 2013

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 more 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 and 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
(3) The listing of cash and checks received by mail was not regularly prepared or compared to cash receipt records or bank deposits.	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 and 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, Sheriff and County Care Facility
(6) Accounting procedures manuals should be developed to aid in training additional or replacement personnel, achieve uniformity in accounting and in the application of policies and procedures and save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.	Auditor, Treasurer and Recorder
(7) Journal entries should be reviewed and approved by an independent individual not responsible for making the entry.	Treasurer

Wayne County

Schedule of Findings

Year ended June 30, 2013

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Officials should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Responses –

Treasurer – (1), (4), (6) and (7) - Due to a very small office it's hard to segregate duties. We try to have things double checked. We have a procedure manual for most items. I am in the process of working on one for the Eden software system.

Recorder – (1), (2), (4) and (5) - There are only two people who work in this office. It is impossible to segregate duties due to this fact. (6) - I will work on a procedures manual.

Sheriff – (1) and (5) – A review will be made of procedures and the office will obtain the maximum internal control possible under the circumstances to compare the receipts with deposits. The office is currently reviewing bank reconciliations at the time the monthly report to the Wayne County Board of Supervisors is completed and has done so in the past. The Sheriff and Chief Deputy initial and date the bank statement at the time of review to certify the review. It was our understanding this was acceptable. An additional office employee will be asked to review the statements. (3) - 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 the staffing level to accommodate this concern without difficulty. All 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.

Auditor – The Auditor's Office uses the Uniform Chart of Accounts for all budget, financial report, expenditures and revenues. We work within the request of the State Auditor's Office and work with the GAAP requirements. We do have a book guide-lining the requirements and brief job descriptions on the duties relating to the Auditor's Office.

County Care Facility – (1), (4) and (5) – With only four other staff, it's difficult to segregate these duties given their work schedules. We will have someone else review the bank statements every month.

Wayne County

Schedule of Findings

Year ended June 30, 2013

Conclusions –

Treasurer – Response accepted.

Recorder – (6) - Response accepted. (1), (2), (4) and (5) - Responses acknowledged. To strengthen controls, officials should review the operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Sheriff - Response accepted.

Auditor - Response acknowledged. Accounting procedures should be developed to achieve the benefits noted.

County Care Facility - (1), (4) and (5) - Responses acknowledged. To strengthen controls, officials should review the operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

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

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, budget and annual financial statements.

Response – This recommendation is taken under advisement. Expenditures are made on items for the jail with proceeds from the commissary. Discussion with the Board of Supervisors was 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 for the jail 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.

- (C) County Engineer – Certain Secondary Roads Department employees have vacation balances exceeding the allowable hours per the County's employee handbook and the Secondary Roads union agreement. Per the County's 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.

Wayne County

Schedule of Findings

Year ended June 30, 2013

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

Response – It is the opinion of the County Engineer that the employee handbook as well as the union agreement read that a Secondary Road’s employee may carry over one year’s vacation while still earning the prescribed vacation of the current year, thereby allowing the employee to accumulate a maximum of two year’s vacation time. Therefore, no action will be taken and the Secondary Roads Department will continue to operate under the current policies and procedures.

Conclusion – Response acknowledged. The Secondary Roads union agreement does not state a maximum of two years vacation time is allowed beyond the employee’s anniversary date. The County should consult legal counsel to determine the allowable carryover of vacation hours in accordance with the union agreement.

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

The County does not have written policies for:

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

In addition, the County does not have a lockout function in place if an incorrect password is entered multiple times or an off-site backup of the Eden software system.

Recommendation – The County should develop written policies addressing the above items. In addition, a lockout function should be implemented to improve the County’s control over their computer system and the Eden software system should be backed up and maintained offsite.

Response – Most of the computers are shut down at night and there is always someone in the offices, so they are never left unattended. With each staff member working on various projects, it is not always easy to complete one task at a time and it becomes a problem if the system is locked and costs time to re-enter and sometimes start over. We will visit with our software provider and work on changing the way it currently is being done. The Board of Supervisors is looking into other ways of storing the back-ups.

Conclusion – Response accepted.

Wayne County

Schedule of Findings

Year ended June 30, 2013

- (E) Capital Assets – Test counts of capital assets are not conducted periodically by an independent person to determine the assets exist and all assets are included in the capital asset listing.

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

Response – The Board of Supervisors will visit each Department and check on the capital assets at the end of each fiscal year and record our findings.

Conclusion – Response accepted.

- (F) Mental Health Program Coding – The County’s mental health expenditures related to the New Venture Group Home for county provided mental health services were not recorded to the proper program code in accordance with the Uniform Chart of Accounts for Iowa County Governments.

Recommendation – The County should record expenditures for county provided mental health services to the proper program code for appropriate accountability of mental health expenditures.

Response – We have made the necessary changes for the coding of County provided mental health services in regards to the Chart of Accounts.

Conclusion – Response accepted.

- (G) Tax Increment Financing – During the year ended June 30, 2011, the County remitted \$20,140 of tax increment financing to the City of Corydon. The City has represented it has no tax increment financing debt outstanding. According to the City’s Annual Financial Report, the City reported excess cash on hand in the Special Revenue, Tax Increment Financing Fund of approximately \$54,500 at June 30, 2013 for which the city has no associated debt.

Effective July 1, 2012, House File 2460 requires any balance remaining in a TIF Fund created under section 403.19 of the Code of Iowa to be transferred to the County for allocation to the funds of the respective taxing districts.

Recommendation – The County should work with the City of Corydon to recover the excess tax increment financing received by the City. The amount recovered should be reapportioned to the taxing authorities within the appropriate taxing district in the County.

Response – A member of the Board of Supervisors has visited several of the Corydon City Council meetings and requested the TIF dollars the City collected be returned to the County so they could be re-allocated to the various taxing authorities, including the share that would be allocated to the City of Corydon. The City has not responded to the requests.

Conclusion – Response accepted. The County should consult the County Attorney to determine the disposition of this matter.

Wayne County

Schedule of Findings

Year ended June 30, 2013

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Wayne County

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety and legal services, county environment and education and debt service functions. Also, 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 – The Board of Supervisors will review the budget expenditure reports and keep in contact with the various Departments in order to prevent this from happening in the future.

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
Kay Middlebrook, County Assessor, and Melinda Middlebrook, County CPC administrator, wife and daughter-in-law, respectively, of the owner of Middlebrook Amoco	Fuel, service and repair: Board of Supervisors	\$ 201
	County Assessor	543
	Mental Health Department	502
	General Services	142
	Sheriff	269
	Auditor	9
Teri Walker, Public Health employee, Mother of Jared Walker, independent contractor	Corydon Lake Park Disc Golf Improvements	1,500
Teri Walker, Public Health employee, Mother of Jonathan Walker, independent contractor	Corydon Lake Park Disc Golf Improvements	1,500

Wayne County

Schedule of Findings

Year ended June 30, 2013

Recommendation – The transactions with Middlebrook Amoco do not appear to represent a conflict of interest in accordance with Chapter 331.342(d) of the Code of Iowa since the County Assessor's and the County CPC administrator's employment are not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contracts.

The transactions with Jared and Jonathon Walker do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions did not exceed \$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 Special Revenue, Mental Health Fund had a positive cash balance at June 30, 2013, an unassigned fund balance deficit of \$62,624 on a modified accrual basis was reported in the Special Revenue, Mental Health Fund.

Recommendation – The County should continue to investigate alternatives to eliminate the deficit balance in order to return the Special Revenue, Mental Health Fund to a sound financial position

Response – The Board of Supervisors will continue to monitor the fund and budget balances in relationship to expenditures to help prevent this from happening as we move forward.

Conclusion – Response accepted.

- (10) 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, 2013 for the County Extension Office did not exceed the amount budgeted.

Wayne County

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Timothy D. Houlette, CPA, Manager
Brandon J. Vogel, Senior Auditor
Tiffany N. Aliprandi, Assistant Auditor
Ryan D. Baker, Assistant Auditor
Leslie M. Downing, Assistant Auditor
Melissa A. Hastert, 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