OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE May 22, 2019

Contact: Marlys Gaston
515/281-5834

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

The County had local tax revenue of $10,560,648 for the year ended June 30, 2018, which included $709,654 in tax credits from the state. The County forwarded $7,373,220 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $3,187,428 of the local tax revenue to finance County operations, a 15.7% decrease from the prior year. Other revenues included charges for service of $1,000,014, operating grants, contributions and restricted interest of $2,923,309, capital grants, contributions and restricted interest of $1,202,568, local option sales tax of $389,161, unrestricted investment earnings of $42,680 and other general revenues of $275,849. The decrease in local tax revenue is the result of a decrease in the general basic and rural basic property tax levy rates.

Expenses for County operations for the year ended June 30, 2018 totaled $8,538,259, a 7.5% increase over the prior year. Expenses included $3,877,136 for roads and transportation, $1,765,344 for public safety and legal services and $1,091,362 for physical health and social services.

A copy of the audit report is available for review on the Auditor of State's web site at https://auditor.iowa.gov/reports/audit-reports/.

# # #

WAYNE COUNTY

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

JUNE 30, 2018

Wayne County

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

May 13, 2019

Officials of Wayne County
Corydon, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Wayne County for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa, and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

Rob Sand
Auditor of State

Table of Contents

Wayne County

Officials

Name	Title	Term Expires
David Dotts	Board of Supervisors	Jan 2019
John Sellers, Jr.	Board of Supervisors	Jan 2019
Duffy Kester	Board of Supervisors	Jan 2021
Tammy Clark	County Auditor	Jan 2021
Kim Swearingin	County Treasurer	Jan 2019
Angie Horton	County Recorder	Jan 2019
Keith Davis	County Sheriff	Jan 2021
Alan Wilson	County Attorney	Jan 2019
Brandon Carpenter	County Assessor	Jan 2022

Wayne County

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Rob Sand
Auditor of State

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, 2018, 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, 2018, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, Wayne County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 9 through 15 and 50 through 59 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, 2017 (which are not presented herein) and expressed unmodified 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 May 13, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Wayne County's internal control over financial reporting and compliance.

MARLYS K. GASTON, CPA
Deputy Auditor of State

May 13, 2019

Wayne County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of 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, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by $119,798 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

- Revenues of the County's governmental activities decreased 4.8%, or approximately $455,000, from fiscal year 2017 to fiscal year 2018. The decrease was primarily due to the decrease in property tax of approximately $531,000.

- Program expenses for fiscal year 2018 of the County's governmental activities increased 7.5% or approximately $594,000 from fiscal year 2017 to fiscal year 2018. Roads and transportation expenses increased approximately $288,000, physical health and social services increased approximately $277,000 and public safety and legal services increased approximately $185,000. Mental health expenses decreased approximately $187,000.

- The County's net position at June 30, 2018 increased 2.8%, or approximately $483,000, over the restated June 30, 2017 balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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 financial statements provide 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, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental and the individual 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, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, 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 and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. 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 combined net position increased from approximately $17.2 million to approximately $17.6 million. The analysis that follows focuses on the changes in the net position of governmental activities before restatement.

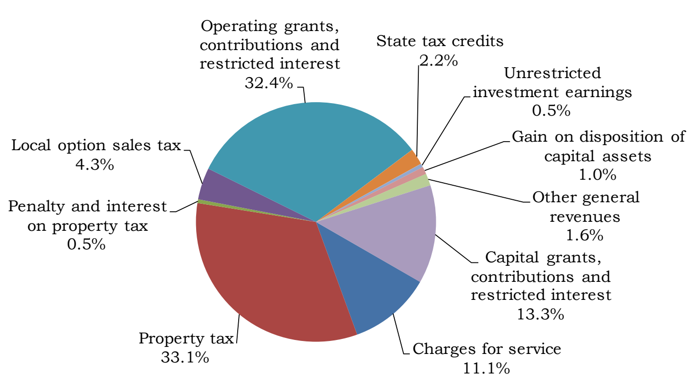
Net Position of Governmental Activities
(Expressed in Thousands)

		June 30,	
		2018	2017 (Not Restated)
Current and other assets	$	11,247	10,743
Capital assets		14,816	13,916
Total assets		26,063	24,659
Deferred outflows of resources		877	767
Long-term liabilities		5,177	5,158
Other liabilities		235	147
Total liabilities		5,412	5,305
Deferred inflows of resources		3,920	2,876
Net position:			
Net investment in capital assets		12,481	11,366
Restricted		6,016	5,996
Unrestricted		(889)	(117)
Total net position	$	17,608	17,245

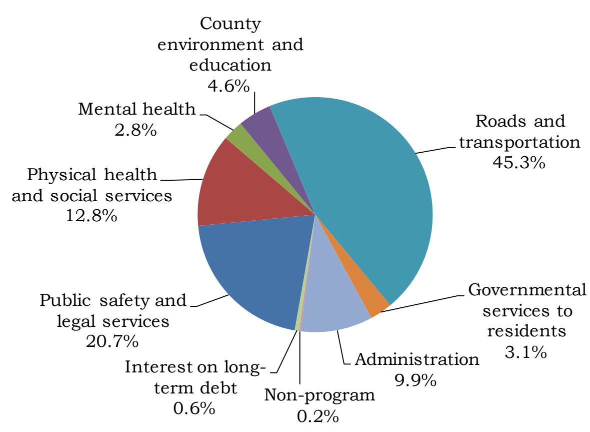
Prior to restatement, net position of Wayne County's governmental activities increased 2.1% (approximately $17.608 million compared to approximately $17.245 million). The largest portion of the County's net position is invested in capital assets (e.g., infrastructure, buildings and equipment), less the 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 – decreased from a deficit of approximately $117,000 to a deficit of approximately $889,000 at the end of this year, a decrease of 659.8%. The decrease is primarily due to implementation of GASB Statement No. 75, an increase in the County's net pension liability over the prior year amount and decreased funds available in the General Fund at year end.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2018	2017 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	$ 1,000	1,130
Operating grants, contributions and restricted interest	2,923	3,122
Capital grants, contributions and restricted interest	1,203	889
General revenues:		
Property tax	2,991	3,522
Penalty and interest on property tax	41	50
State tax credits	196	259
Local option sales tax	389	385
Unrestricted investment earnings	43	25
Gain on disposition of capital assets	92	-
Other general revenues	143	94
Total revenues	9,021	9,476
Program expenses:		
Public safety and legal services	1,765	1,580
Physical health and social services	1,091	814
Mental health	235	422
County environment and education	393	396
Roads and transportation	3,877	3,589
Governmental services to residents	266	253
Administration	845	819
Non-program	13	16
Interest on long-term debt	53	55
Total expenses	8,538	7,944
Change in net position	483	1,532
Net position beginning of year, as restated	17,125	15,713
Net position end of year	$ 17,608	17,245

Revenues by Source



Expenses by Program



Revenues for governmental activities decreased approximately $445,000 from the prior year, primarily due to a decrease of approximately $542,000 in property tax. The General Fund (general basic) property tax rate decreased from $5.08134 per $1,000 of taxable valuation in fiscal year 2017 to $3.50000 per $1,000 of taxable valuation in fiscal year 2018. In addition, the rural basic property tax rate decreased from $5.20260 per $1,000 of taxable valuation in fiscal year 2017 to $3.95000 per $1,000 of taxable valuation in fiscal year 2018.

The cost of all governmental activities this year was approximately $8.538 million compared to approximately $7.944 million last year, a 7.5% increase. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately $3.4 million because some of the cost was paid by those directly benefited from the programs (approximately $1.00 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately $4.13 million). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal year 2018 from approximately $5,141,000 to approximately $5,126,000.

INDIVIDUAL MAJOR FUND ANALYSIS

As Wayne County completed the year, its governmental funds reported a combined fund balance of approximately $7.3 million, a decrease of approximately $494,000 from last year's total of approximately $7.8 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 decreased $316,270, or 11.8%, to $2,365,884. Revenues decreased $479,292 or 12.9%, primarily due to a decrease in property tax. Expenditures increased only $56,287, or 1.6%.

- The Special Revenue, Mental Health Fund balance increased $22,615 over the prior year balance to $353,567. Revenues decreased $5,016, or 2.0%, from the prior year. Expenditures increased $32,938, or 16.8%, primarily due to an increase in services to persons with mental illness.

- The Special Revenue, Rural Services Fund balance decreased $90,840 from the prior year to $1,079,763. Revenues decreased $221,294, primarily due to a decrease in property tax. Expenditures increased $72,200 or 16.5%, primarily due to an increase in public safety and legal services for the purchase of a Sheriff's vehicle.

- The Special Revenue, Secondary Roads Fund balance decreased $163,243, or 5.4%, to $2,833,764. Revenues decreased $388,232 from the prior year and expenditures decreased $365,815 from the prior year. The decrease in revenues is primarily due to a decrease in the amount of bridge replacement funds received. The decrease in expenditures is primarily due to a decreased amount of work on culverts, crossings, and bridges compared to the prior year.

- The Special Revenue, Local Option Sales Tax Fund balance increased $91,650 to a balance of $558,640. Revenues increased $8,103, or 2.1%, over the prior year and expenditures increased $21,239 over the prior year. The increase in expenditures is primarily due to an increase in public safety and legal services for the purchase of software and equipment for the Sheriff's office and an increase in debt service payments for the County's general obligation bonds.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wayne County amended its budget two times. The first amendment was made in November 2017 and resulted in an increase in budgeted disbursements for the physical health and social services function and a decrease in budgeted disbursements in the mental health function. The amendment was to correct the budget service area for group home services. The second amendment was made on May 22, 2018. This amendment was made to provide for additional disbursements in certain County departments.

The County's receipts were $305,486 more than budgeted, a variance of 4%. Intergovernmental receipts were $291,005 more than budgeted, primarily due to receipt of more federal bridge project reimbursements than anticipated.

Total disbursements were $1,001,934 or 11%, less than the amended budget. Actual disbursements for public safety and legal services, capital projects and administration were $202,832, $229,597 and $148,261, respectively, less than budgeted as actual costs in these areas were less than originally expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Wayne County had approximately $14.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This is a net increase (including additions and deletions) of $899,693, or 6.1%, over last year.

The County had depreciation expense of $839,039 in fiscal year 2018 and total accumulated depreciation of $7,655,327 at June 30, 2018. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2018, the County had $2,335,000 of general obligation bonds outstanding, compared to $2,550,000 at June 30, 2017. The County paid $215,000 of principal on the general obligation bonds during the year ended June 30, 2018.

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 $26.6 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Wayne County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 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 2019 county-wide property tax levy increased from $7.74144 per $1,000 of taxable valuation to $8.39218 per $1,000 of taxable valuation while the rural services property tax levy increased from $3.95 per $1,000 of taxable valuation to $4.29782 per $1,000 of taxable valuation. The fiscal year 2019 taxable valuations for incorporated areas and rural areas increased 11.79% and 14.91%, respectively, over the prior year.

Budgeted disbursements in the fiscal year 2019 operating budget are $10,411,182, an increase of 11.67% over the final fiscal year 2018 budget. The increase of $1,088,394 is mainly due to increased expenditures in the capital projects and physical health and social services functions.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Wayne County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Wayne County Auditor's Office, 100 N. Lafayette, Corydon, Iowa, 50060.

Wayne County

Basic Financial Statements

Wayne County

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and pooled investments:	
County Treasurer	$ 6,630,569
Cash held by health plan trustee	53,056
Component units	20,529
Receivables:	
Property tax:	
Delinquent	9,838
Succeeding year	3,679,000
Interest and penalty on property tax	16,132
Accounts	22,861
Accrued interest	6,656
Due from other governments	438,202
Inventories	311,849
Prepaid insurance	58,693
Capital assets, net of accumulated depreciation	14,815,963
Total assets	26,063,348
Deferred Outflows of Resources	
Pension related deferred outflows	860,086
OPEB related deferred outflows	16,790
Total deferred outflows of resources	876,876
Liabilities	
Current liabilities:	
Accounts payable	184,553
Accrued interest payable	4,166
Salaries and benefits payable	43,466
Due to other governments	2,684
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	215,000
Compensated absences	100,571
Portion due or payable after one year:	
General obligation bonds	2,120,000
Compensated absences	94,944
Net pension liability	2,296,277
Total OPEB liability	350,293
Total liabilities	5,411,954
Deferred Inflows of Resources	
Unavailable property tax revenue	3,679,000
Pension related deferred inflows	103,113
OPEB related deferred inflows	137,958
Total deferred inflows of resources	3,920,071
Net Position	
Net investment in capital assets	12,480,963
Restricted for:	
Supplemental levy purposes	1,170,134
Mental health purposes	352,146
Rural services purposes	1,080,414
Secondary roads purposes	2,715,907
Conservation purposes	102,153
Debt service	554,778
Other purposes	40,938
Unrestricted	(889,234)
Total net position	$ 17,608,199

See notes to financial statements.

Wayne County

Statement of Activities

Year ended June 30, 2018

		Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 1,765,344	286,826	10,711	-	(1,467,807)
Physical health and social services	1,091,362	383,070	72,902	-	(635,390)
Mental health	235,055	77,940	-	-	(157,115)
County environment and education	392,827	51,120	35,745	-	(305,962)
Roads and transportation	3,877,136	55,858	2,803,951	1,202,568	185,241
Governmental services to residents	266,058	134,871	-	-	(131,187)
Administration	844,697	10,329	-	-	(834,368)
Non-program	12,730	-	-	-	(12,730)
Interest and fees on long-term debt	53,050	-	-	-	(53,050)
Total	$ 8,538,259	1,000,014	2,923,309	1,202,568	(3,412,368)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,991,328
Penalty and interest on property tax					40,794
State tax credits					196,100
Local option sales tax					389,161
Unrestricted investment earnings					42,680
Gain on disposition of capital assets					92,169
Miscellaneous					142,886
Total general revenues					3,895,118
Change in net position					482,750
Net position beginning of year, as restated					17,125,449
Net position end of year					$ 17,608,199

See notes to financial statements.

Wayne County

Balance Sheet
Governmental Funds

June 30, 2018

	General	Special: Mental Health	Special: Rural Services
Assets			
Cash and pooled investments:			
County Treasurer	$ 2,237,484	367,497	1,074,743
Cash held by health plan trustee	53,056	-	-
Component units	-	-	-
Receivables:			
Property tax:			
Delinquent	8,188	999	651
Succeeding year	2,384,000	238,000	1,057,000
Interest and penalty on property tax	16,132	-	-
Accounts	22,861	-	-
Accrued interest	5,999	-	-
Due from other governments	60,693	-	13,084
Inventories	-	-	-
Prepaid insurance	43,049	-	-
Total assets	$ 4,831,462	606,496	2,145,478
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 31,830	13,876	4,078
Salaries and benefits payable	19,557	-	3,986
Due to other governments	1,281	54	-
Total liabilities	52,668	13,930	8,064
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,384,000	238,000	1,057,000
Other	28,910	999	651
Total deferred inflows of resources	2,412,910	238,999	1,057,651
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	43,049	-	-
Restricted for:			
Supplemental levy purposes	1,132,960	-	-
Mental health purposes	-	353,567	-
Rural services purposes	-	-	1,079,763
Secondary roads purposes	-	-	-
Conservation purposes	8,789	-	-
Debt service	-	-	-
Other purposes	19,102	-	-
Committed for conservation educational services	14,099	-	-
Assigned for promotion of public health	21,082	-	-
Unassigned	1,126,803	-	-
Total fund balances	2,365,884	353,567	1,079,763
Total liabilities, deferred inflows of resources and fund balances	$ 4,831,462	606,496	2,145,478

See notes to financial statements.

Revenue			
Secondary Roads	Local Option Sales Tax	Nonmajor	Total
2,339,390	515,705	95,750	6,630,569
-	-	-	53,056
-	-	20,529	20,529
-	-	-	9,838
-	-	-	3,679,000
-	-	-	16,132
-	-	-	22,861
-	603	54	6,656
321,789	42,636	-	438,202
311,849	-	-	311,849
15,644	-	-	58,693
2,988,672	558,944	116,333	11,247,385
134,769	-	-	184,553
19,923	-	-	43,466
216	-	1,133	2,684
154,908	-	1,133	230,703
-	-	-	3,679,000
-	304	-	30,864
-	304	-	3,709,864
311,849	-	-	311,849
15,644	-	-	58,693
-	-	-	1,132,960
-	-	-	353,567
-	-	-	1,079,763
2,506,271	-	-	2,506,271
-	-	93,364	102,153
-	558,640	-	558,640
-	-	21,836	40,938
-	-	-	14,099
-	-	-	21,082
-	-	-	1,126,803
2,833,764	558,640	115,200	7,306,818
2,988,672	558,944	116,333	11,247,385

Wayne County

Wayne County

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

June 30, 2018

Total governmental fund balances (page 21)		$ 7,306,818
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is $22,471,290 and the accumulated depreciation is $7,655,327.		14,815,963
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		30,864
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 876,876	
Deferred inflows of resources	(241,071)	635,805
Long-term liabilities, including general obligation bonds payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(5,181,251)
Net position of governmental activities (page 18)		$ 17,608,199

See notes to financial statements.

Wayne County

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

Year ended June 30, 2018

	General	Special: Mental Health	Special: Rural Services
Revenues:			
Property and other county tax	$ 1,916,601	233,955	840,130
Local option sales tax	-	-	-
Interest and penalty on property tax	35,630	-	-
Intergovernmental	551,364	17,201	104,694
Licenses and permits	1,008	-	8,548
Charges for service	547,658	-	1,750
Use of money and property	157,364	-	-
Miscellaneous	32,844	13	1,904
Total revenues	3,242,469	251,169	957,026
Expenditures:			
Operating:			
Public safety and legal services	1,203,051	-	364,531
Physical health and social services	1,032,880	-	58,324
Mental health	218	228,554	-
County environment and education	231,326	-	82,075
Roads and transportation	-	-	-
Governmental services to residents	253,898	-	3,820
Administration	814,277	-	-
Non-program	12,730	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	3,548,380	228,554	508,750
Excess (deficiency) of revenues over (under) expenditures	(305,911)	22,615	448,276
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(10,359)	-	(539,116)
Total other financing sources (uses)	(10,359)	-	(539,116)
Change in fund balances	(316,270)	22,615	(90,840)
Fund balances beginning of year	2,682,154	330,952	1,170,603
Fund balances end of year	$ 2,365,884	353,567	1,079,763

See notes to financial statements.

Revenue			
Secondary Roads	Local Option Sales Tax	Nonmajor	Total
-	-	-	2,990,686
-	388,857	-	388,857
-	-	-	35,630
2,932,395	-	8,832	3,614,486
1,910	-	-	11,466
10	-	1,342	550,760
-	5,590	1,231	164,185
138,360	-	6,497	179,618
3,072,675	394,447	17,902	7,935,688
-	34,514	12,200	1,614,296
-	-	615	1,091,819
-	-	-	228,772
-	-	51,646	365,047
3,409,233	-	-	3,409,233
-	-	1,530	259,248
-	-	-	814,277
-	-	-	12,730
-	268,283	-	268,283
365,801	-	-	365,801
3,775,034	302,797	65,991	8,429,506
(702,359)	91,650	(48,089)	(493,818)
539,116	-	10,359	549,475
-	-	-	(549,475)
539,116	-	10,359	-
(163,243)	91,650	(37,730)	(493,818)
2,997,007	466,990	152,930	7,800,636
2,833,764	558,640	115,200	7,306,818

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, 2018

Change in fund balances - Total governmental funds (page 25)		$ (493,818)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 564,906	
Capital assets contributed by the Iowa Department of Transportation	1,081,657	
Depreciation expense	(839,039)	807,524
In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		92,169
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:		
Property tax	642	
Other	10,058	10,700
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		215,000
The current year County IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.		281,588
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	(16,170)	
Pension expense	(376,938)	
OPEB expense	(37,538)	
Interest on long-term debt	233	(430,413)
Change in net position of governmental activities (page 19)		$ 482,750

See notes to financial statements.

Wayne County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets		
Cash and pooled investments:		
County Treasurer	$	738,784
Other County officials		16,090
Receivables:		
Property tax:		
Delinquent		39,371
Succeeding year		6,413,000
Accounts		307
Assessments		22,094
Due from other funds		96,525
Total assets		7,326,171
Liabilities		
Accounts payable		905
Salaries and benefits payable		2,144
Due to other governments		7,304,971
Trusts payable		12,616
Compensated absences		5,535
Total liabilities		7,326,171
Net position	$	-

See notes to financial statements.

(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 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the 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, County Rural Offices of Social Services and Southeast Iowa Response Group.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental funds 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 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust and non-negotiable certificates of deposit which are stated at amortized 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 reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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

Due from 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, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s), which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the County after the measurement date but before the end of the County's reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused 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, 2018. 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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on Wayne County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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, 2018, disbursements exceeded the amounts budgeted in the physical health and social services function prior to the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of $996,642 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in the IPAIT is unrated.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	$ 539,116
Resource Enhancement and Protection	General	10,359
Total		$ 549,475

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Infrastructure, road network	$ -	192,606	-	192,606
Capital assets being depreciated:				
Buildings	5,055,814	29,200	-	5,085,014
Improvements other than buildings	113,439	-	-	113,439
Equipment and vehicles	4,779,471	248,454	(342,746)	4,685,179
Infrastructure, road network	11,119,543	1,275,509	-	12,395,052
Total capital assets being depreciated	21,068,267	1,553,163	(342,746)	22,278,684
Less accumulated depreciation for:				
Buildings	1,348,420	98,332	-	1,446,752
Improvements other than buildings	37,309	3,781	-	41,090
Equipment and vehicles	2,811,199	386,878	(335,709)	2,862,368
Infrastructure, road network	2,955,069	350,048	-	3,305,117
Total accumulated depreciation	7,151,997	839,039	(335,709)	7,655,327
Total capital assets being depreciated, net	13,916,270	714,124	(7,037)	14,623,357
Governmental activities capital assets, net	$ 13,916,270	906,730	(7,037)	14,815,963

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 154,854
Physical health and social services	2,998
Mental health	10,699
County environment and education	21,384
Roads and transportation	639,816
Administration	9,288
Total depreciation expense - governmental activities	$ 839,039

(5) 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, 2018 is as follows:

Fund	Description	Amount
General	Services	$ 1,281
Special Revenue:		
Mental health	Services	54
Secondary roads	Services	216
Resource enhancement and protection	Services	1,133
Total for governmental funds		$ 2,684
Agency:		
County Offices	Collections	$ 3,474
Agricultural Extension Education		101,655
County Assessor		374,083
Schools		3,614,377
Community Colleges		303,199
Corporations and Special Assessments		988,532
Townships		226,958
Auto License and Use Tax		161,014
County Hospital		1,153,825
Other		377,854
Total for agency funds		$ 7,304,971

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	General Obligation Bonds	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	$ 2,550,000	179,345	2,114,079	433,923	5,277,347
Increases	-	140,371	182,198	-	322,569
Decreases	215,000	124,201	-	83,630	422,831
Balance end of year	$ 2,335,000	195,515	2,296,277	350,293	5,177,085
Due within one year	$ 215,000	100,571	-	-	315,571

Bonds Payable

A summary of the County's June 30, 2018 general obligation bond indebtedness is as follows:

	Local Option Sales and Services Tax Refunding Bonds Issued June 15, 2012			
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2019	1.55%	$ 215,000	49,988	264,988
2020	1.70	220,000	46,655	266,655
2021	1.80	220,000	42,915	262,915
2022	1.95	225,000	38,955	263,955
2023	2.05	230,000	34,567	264,567
2024-2028	2.10-2.75	1,225,000	94,937	1,319,937
		$ 2,335,000	308,017	2,643,017

During the year ended June 30, 2018, the County retired $215,000 of general obligation bonds.

(7) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's or protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

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

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

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

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

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.38% of covered payroll for a total rate of 18.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2018 were $280,482.

<u>Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u> – At June 30, 2018, the County reported a liability of $2,296,277 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the County's proportion was 0.034472%, which was an increase of 0.000880% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of $376,938. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 28,570	31,118
Changes of assumptions	485,345	3,833
Net difference between projected and actual earnings on IPERS' investments	-	31,023
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	65,689	37,139
County contributions subsequent to the measurement date	280,482	-
Total	$ 860,086	103,113

$280,482 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	$ 72,351
2020	222,590
2021	128,491
2022	16,840
2023	36,219
Total	$ 476,491

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	100.0%	

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

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	$ 4,154,172	2,296,277	736,568

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – At June 30, 2018, the County reported payables to IPERS of $3,470 for legally required County contributions and $2,333 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Wayne County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	69
Total	69

Total OPEB Liability – The County's total OPEB liability of $350,293 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	2.60% per annum.
Rates of salary increase (effective June 30, 2018)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	9.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	$ 433,923
Changes for the year:	
Service cost	40,740
Interest	16,993
Differences between expected and actual experiences	(160,951)
Changes in assumptions	19,588
Net changes	(83,630)
Total OPEB liability end of year	$ 350,293

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	$ 369,414	350,293	331,522

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (8.00%) or 1% higher (10.00%) than the current healthcare cost trend rates.

	1% Decrease (8.00%)	Healthcare Cost Trend Rate (9.00%)	1% Increase (10.00%)
Total OPEB liability	$ 314,159	350,293	392,250

OPEB Expense,Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of $37,538. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Differences between expected and actual experience	$ -	(137,958)
Changes in assumptions	16,790	-
Total	$ 16,790	(137,958)

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

Year ending June 30,	Amount
2019	$ (20,195)
2020	(20,195)
2021	(20,195)
2022	(20,195)
2023	(20,195)
Thereafter	(20,193)
	$ (121,168)

(9) 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 775 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 casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2018 were $108,835.

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 $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2018, no liability has been recorded in the County's financial statements. As of June 30, 2018, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula is set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 and $310,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Employee Health Insurance Plan

The County, in conjunction with other organizations, entered into an agreement as authorized in Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The counties, cities and the other participating organizations are contingently liable with respect to medical claims made by the participants in the plan. Employee Benefit Systems/Cobra Administrator (EBS) provides a service designed to administer compliance requirements. All claims handling procedures are performed by an independent claims administrator. Settled claims have not exceeded the plan coverage during any of the past three years.

The cash balance of the Wayne County Health Care Plan was $53,056 at June 30, 2018.

(11) Wayne County Financial Information Included in the County Rural Offices of Social Services (CROSS) Mental Health Region

County Rural Offices of Social Services (CROSS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Clarke, Decatur, Lucas, Monroe, Ringgold and Wayne County. The financial activity of Wayne County's Special Revenue, Mental Health Fund is included in the CROSS Mental Health Region for the year ended June 30, 2018, as follows:

Revenues:		
Property and other county tax		$ 233,955
Intergovernmental:		
State tax credits	$ 17,166	
Other	35	17,201
Miscellaneous		13
Total revenues		251,169
Expenditures:		
Services to persons with:		
Mental illness	134,394	
Intellectual disability	4,781	139,175
General administration:		
Direct administration	1,250	
Distribution to regional fiscal agent	88,129	89,379
Total expenditures		228,554
Excess of revenues over expenditures		22,615
Fund balance beginning of year		330,952
Fund balance end of year		$ 353,567

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Governmental Activities
Net position June 30, 2017, as previously reported	$ 17,245,247
Net OPEB obligation measured under previous standards	314,125
Total OPEB liability at June 30, 2017	(433,923)
Net position July 1, 2017, as restated	$ 17,125,449

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, 2018

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	$ 3,375,414	-	3,375,414
Interest and penalty on property tax	35,630	-	35,630
Intergovernmental	3,596,946	-	3,596,946
Licenses and permits	11,465	-	11,465
Charges for service	542,912	-	542,912
Use of money and property	160,240	-	160,240
Miscellaneous	72,601	5,531	67,070
Total receipts	7,795,208	5,531	7,789,677
Disbursements:			
Public safety and legal services	1,601,306	7,884	1,593,422
Physical health and social services	1,113,806	-	1,113,806
Mental health	214,915	-	214,915
County environment and education	369,783	-	369,783
Roads and transportation	3,395,502	-	3,395,502
Governmental services to residents	257,972	-	257,972
Administration	812,636	-	812,636
Non-program	14,133	-	14,133
Debt service	268,282	-	268,282
Capital projects	280,403	-	280,403
Total disbursements	8,328,738	7,884	8,320,854
Deficiency of receipts under disbursements	(533,530)	(2,353)	(531,177)
Other financing sources over (under)	118,050	-	118,050
Excess (deficiency) of receipts over (under) disbursements	(415,480)	(2,353)	(413,127)
Balance beginning of year	7,119,634	22,882	7,096,752
Balance end of year	$ 6,704,154	20,529	6,683,625

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net
Original	Final	Variance
3,324,083	3,324,083	51,331
35,000	35,000	630
3,305,941	3,305,941	291,005
-	-	11,465
637,180	637,180	(94,268)
68,532	68,532	91,708
113,455	113,455	(46,385)
7,484,191	7,484,191	305,486
1,729,099	1,796,254	202,832
913,676	1,188,340	74,534
512,870	318,900	103,985
459,857	512,530	142,747
3,460,150	3,460,150	64,648
282,435	282,435	24,463
960,897	960,897	148,261
25,000	25,000	10,867
268,282	268,282	-
510,000	510,000	229,597
9,122,266	9,322,788	1,001,934
(1,638,075)	(1,838,597)	1,307,420
-	-	118,050
(1,638,075)	(1,838,597)	1,425,470
5,842,566	5,842,566	1,254,186
4,204,491	4,003,969	2,679,656

Wayne County

Wayne County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 7,795,208	140,480	7,935,688
Expenditures	8,328,738	100,768	8,429,506
Net	(533,530)	39,712	(493,818)
Other financing sources, net	118,050	(118,050)	-
Beginning fund balances	7,119,634	681,002	7,800,636
Ending fund balances	$ 6,704,154	602,664	7,306,818

See accompanying independent auditor's report.

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 and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by $200,552. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission. .

During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the physical health and social services function prior to the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

Wayne County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Four Years*
(In Thousands)

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.034472%	0.033592%	0.032972%	0.030954%
County's proportionate share of the net pension liability	$ 2,296	2,114	1,629	1,228
County's covered payroll	$ 3,075	2,893	2,907	2,796
County's proportionate share of the net pension liability as a percentage of its covered payroll	74.67%	73.07%	56.04%	43.92%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Wayne County

Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

		2018	2017	2016	2015
Statutorily required contribution	$	280	280	264	268
Contributions in relation to the statutorily required contribution		(280)	(280)	(264)	(268)
Contribution deficiency (excess)	$	-	-	-	-
County's covered payroll	$	3,085	3,075	2,893	2,907
Contributions as a percentage of covered payroll		9.08%	9.11%	9.13%	9.22%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
256	232	208	186	167	149
(256)	(232)	(208)	(186)	(167)	(149)
-	-	-	-	-	-
2,796	2,586	2,448	2,493	2,372	2,300
9.16%	8.97%	8.50%	7.46%	7.04%	6.48%

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Wayne County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Current Year
Required Supplementary Information

	2018
Service cost	$ 40,740
Interest cost	16,993
Difference between expected and actual experiences	(160,951)
Changes in assumptions	19,588
Net change in total OPEB liability	(83,630)
Total OPEB liability beginning of year, as restated	433,923
Total OPEB liability end of year	$ 350,293
Covered-employee payroll	$ 2,686,289
Total OPEB liability as a percentage of covered-employee payroll	13.0%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Wayne County

Supplementary Information

Wayne County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

			Special
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
Assets			
Cash and pooled investments:			
County Treasurer	$ 179	4	16,375
Component units	-	-	-
Accrued interest receivable	2	-	15
Total assets	$ 181	4	16,390
Liabilities and Fund Balances			
Liabilities:			
Due to other governments	$ -	-	1,133
Fund balances:			
Restricted for:			
Conservation purposes	-	-	15,257
Other purposes	181	4	-
Total fund balances	181	4	15,257
Total liabilities and fund balances	$ 181	4	16,390

See accompanying independent auditor's report.

Revenue					
Duncan Bequest	Veterans Affairs Donations	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Forfeiture	Total
78,070	351	-	-	771	95,750
-	-	5,243	15,286	-	20,529
37	-	-	-	-	54
78,107	351	5,243	15,286	771	116,333
-	-	-	-	-	1,133
78,107	-	-	-	-	93,364
-	351	5,243	15,286	771	21,836
78,107	351	5,243	15,286	771	115,200
78,107	351	5,243	15,286	771	116,333

Wayne County

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

Year ended June 30, 2018

			Special
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
Revenues:			
Intergovernmental	$ -	-	8,832
Charges for service	1,342	-	-
Use of money and property	18	-	187
Miscellaneous	-	-	-
Total revenues	1,360	-	9,019
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	-	-
County environment and education	-	-	31,626
Governmental services to residents	1,530	-	-
Total expenditures	1,530	-	31,626
Excess (deficiency) of revenues over (under) expenditures	(170)	-	(22,607)
Other financing sources:			
Transfers in	-	-	10,359
Change in fund balances	(170)	-	(12,248)
Fund balances beginning of year	351	4	27,505
Fund balances end of year	$ 181	4	15,257

See accompanying independent auditor's report.

Revenue					
Duncan Bequest	Veterans Affairs Donations	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Forfeiture	Total
-	-	-	-	-	8,832
-	-	-	-	-	1,342
1,026	-	-	-	-	1,231
-	966	240	5,291	-	6,497
1,026	966	240	5,291	-	17,902
-	-	-	7,884	4,316	12,200
-	615	-	-	-	615
20,020	-	-	-	-	51,646
-	-	-	-	-	1,530
20,020	615	-	7,884	4,316	65,991
(18,994)	351	240	(2,593)	(4,316)	(48,089)
-	-	-	-	-	10,359
(18,994)	351	240	(2,593)	(4,316)	(37,730)
97,101	-	5,003	17,879	5,087	152,930
78,107	351	5,243	15,286	771	115,200

Wayne County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	$ -	1,295	185,018	49,657
Other County officials	16,090	-	-	-
Receivables:				
Property tax:				
Delinquent	-	360	743	13,720
Succeeding year	-	100,000	193,000	3,551,000
Accounts	-	-	-	-
Assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	$ 16,090	101,655	378,761	3,614,377
Liabilities				
Accounts payable	$ -	-	412	-
Salaries and benefits payable	-	-	-	-
Due to other governments	3,474	101,655	374,083	3,614,377
Trusts payable	12,616	-	-	-
Compensated absences	-	-	4,266	-
Total liabilities	$ 16,090	101,655	378,761	3,614,377

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
4,069	36,445	1,846	161,014	15,516	283,924	738,784
-	-	-	-	-	-	16,090
1,130	18,993	112	-	4,309	4	39,371
298,000	911,000	225,000	-	1,134,000	1,000	6,413,000
-	-	-	-	-	307	307
-	22,094	-	-	-	-	22,094
-	-	-	-	-	96,525	96,525
303,199	988,532	226,958	161,014	1,153,825	381,760	7,326,171
-	-	-	-	-	493	905
-	-	-	-	-	2,144	2,144
303,199	988,532	226,958	161,014	1,153,825	377,854	7,304,971
-	-	-	-	-	-	12,616
-	-	-	-	-	1,269	5,535
303,199	988,532	226,958	161,014	1,153,825	381,760	7,326,171

Wayne County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	$ 19,884	79,914	311,793	3,087,429
Additions:				
Property and other county tax	-	106,217	205,906	3,787,715
911 surcharge	-	-	-	-
State tax credits	-	6,179	12,759	242,110
Drivers license fees	-	-	-	-
Office fees and collections	414,247	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	113,561	-	-	-
Miscellaneous	-	13	54	472
Total additions	527,808	112,409	218,719	4,030,297
Deductions:				
Agency remittances:				
To other funds	336,939	-	-	-
To other governments	87,950	90,668	151,751	3,503,349
Trusts paid out	106,713	-	-	-
Total deductions	531,602	90,668	151,751	3,503,349
Balances end of year	$ 16,090	101,655	378,761	3,614,377

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
250,907	879,628	187,616	164,251	958,860	323,676	6,263,958
317,315	996,618	238,065	-	1,206,969	861	6,859,666
-	-	-	-	-	204,692	204,692
19,308	149,877	9,233	-	74,025	63	513,554
-	-	-	-	-	41,634	41,634
-	-	-	-	-	1,437	415,684
-	-	-	2,010,792	-	-	2,010,792
-	29,151	-	-	-	-	29,151
-	-	-	-	-	195,769	309,330
40	682	-	-	150	265,129	266,540
336,663	1,176,328	247,298	2,010,792	1,281,144	709,585	10,651,043
-	-	-	75,429	-	-	412,368
284,371	1,067,424	207,956	1,938,600	1,086,179	453,940	8,872,188
-	-	-	-	-	197,561	304,274
284,371	1,067,424	207,956	2,014,029	1,086,179	651,501	9,588,830
303,199	988,532	226,958	161,014	1,153,825	381,760	7,326,171

Wayne County

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

For the Last Ten Years

		2018	2017	2016	Modified 2015
Revenues:					
Property and other county tax	$	2,990,686	3,554,995	3,440,155	3,254,269
Local option sales tax		388,857	385,113	363,926	366,504
Interest and penalty on property tax		35,630	39,154	39,549	43,522
Intergovernmental		3,614,486	4,270,062	3,869,303	4,034,730
Licenses and permits		11,466	12,613	11,575	12,449
Charges for service		550,760	589,249	520,778	400,590
Use of money and property		164,185	52,441	80,772	117,174
Miscellaneous		179,618	146,381	73,096	118,867
Total	$	7,935,688	9,050,008	8,399,154	8,348,105
Expenditures:					
Operating:					
Public safety and legal services	$	1,614,296	1,537,927	1,369,170	1,330,364
Physical health and social services		1,091,819	805,990	824,298	1,018,362
Mental health		228,772	409,138	392,324	436,851
County environment and education		365,047	457,866	294,654	418,031
Roads and transportation		3,409,233	3,356,622	2,714,833	3,107,983
Governmental services to residents		259,248	251,759	276,100	217,187
Administration		814,277	806,510	770,687	908,230
Non-program		12,730	15,867	25,447	12,763
Debt service		268,283	260,743	328,664	458,634
Capital projects		365,801	787,545	190,937	245,717
Total	$	8,429,506	8,689,967	7,187,114	8,154,122

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
3,277,371	3,085,689	3,142,670	3,003,146	2,218,985	2,080,278
323,187	353,423	326,157	374,505	340,386	285,414
42,957	46,640	41,645	42,202	32,241	31,146
3,813,119	3,501,694	3,974,740	3,704,021	3,246,841	3,611,502
9,308	8,550	11,657	13,053	7,768	5,560
460,157	446,121	450,496	360,917	274,480	258,327
120,187	59,545	28,585	25,483	36,681	97,522
117,087	259,436	192,717	58,192	160,160	213,100
8,163,373	7,761,098	8,168,667	7,581,519	6,317,542	6,582,849
1,280,674	1,190,882	1,062,720	1,021,037	1,027,425	886,029
1,091,508	1,068,193	893,116	839,343	843,386	831,455
360,302	380,655	844,930	687,820	652,568	750,522
349,682	216,410	237,934	245,213	315,010	410,099
2,964,008	3,006,788	2,793,124	2,781,392	2,621,430	2,367,802
220,096	223,076	196,679	200,742	193,772	201,919
821,703	718,625	551,179	661,985	660,486	688,040
10,678	12,581	23,092	31,092	25,813	26,891
457,486	455,320	420,931	285,108	275,815	286,832
268,205	58,777	110,221	20,741	470,526	3,116,794
7,824,342	7,331,307	7,133,926	6,774,473	7,086,231	9,566,383

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

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Wayne County:

We have audited 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, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 13, 2019.

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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) through (F) 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, 2018 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.

Marlys Gaston

MARLYS K. GASTON, CPA
Deputy Auditor of State

May 13, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Collection and deposit preparation functions were not performed by an individual who does not record and account for cash receipts. Custodian of change funds is not prohibited from handling other cash receipts.	Treasurer, Recorder, Sheriff and New Venture Group Home
(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 accounting personnel for processing.	Recorder
(3) A listing of cash and checks received by mail is not regularly prepared or compared to cash receipt records or bank deposits.	Sheriff and New Venture Group Home
(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, Sheriff and New Venture Group Home
(5) The person who signs checks was not independent of the person preparing the checks, approving disbursements and recording cash receipts.	Recorder, Sheriff and New Venture Group Home
(6) Journal entries should be reviewed and approved by an independent individual not responsible for making the entry.	Treasurer
(7) No evidence of independent review of voided receipts in ARTS (DOT system) and no evidence of supporting documentation was included for voided transactions.	Treasurer

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. This is a repeat comment.

Responses –

Treasurer – (1), (4), (6) and (7) – To strengthen controls, the office will review operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and staff from other offices if necessary.

Recorder – (1), (2), (4) and (5) – With only two people who work in the office it is difficult to maintain segregation of duties. We try to do the best we can to segregate and review the work of others.

Sheriff – (1), (3), (4) and (5) – We will try to utilize other personnel within the Sheriff's office to segregate duties when and where possible.

New Venture Group Home – (1), (3), (4) and (5) – To strengthen controls, the home will review operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and staff from other offices if necessary.

Conclusions –

Treasurer – Response accepted.

Recorder – Response acknowledged. To strengthen controls, the Recorder should review the operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and staff from other offices.

Sheriff – Response accepted.

New Venture Group Home – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Material amounts of receivables and capital assets were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

Recommendation – The County should establish procedures to ensure all receivables and capital assets are identified and properly reported in the County's financial statements.

Response – We will review our procedures to ensure receivables and capital assets are properly recorded.

Conclusion – Response accepted.

(C) Capital Assets

Criteria – An effective internal control system provides for internal controls related to reconciling capital assets to asset/property records to ensure the accuracy of financial records and insurance needs, and maintaining control over capital assets.

Condition – The County does not have procedures in place requiring the following:

- Periodic test counts of capital assets by an individual having no responsibility for the assets.
- Physical inventory reconciliation to detailed capital asset records.
- An update of the capital asset records at least annually.

Cause – Management has not required procedures to be implemented for the above controls.

Effect – A lack of these procedures may allow for the capital asset listing to not accurately reflect the current state of the County's owned assets. If the listing is not properly maintained, the financial reports have the potential to be misstated due to an omission or an incorrect inclusion.

Recommendation – The County should develop written policies and procedures addressing the above items in order to improve the County's control over its capital assets.

Response – The County Auditor's office sends forms to each department on a yearly basis and maintains the capital asset listing.

Conclusion – Response acknowledged. In order to improve the County's control, capital assets should be periodically tested and a physical inventory should be performed and reconciled to the detailed capital asset listing.

(D) Infrastructure Useful Lives

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Capital assets are depreciated using the straight line method over the estimated useful lives. Per the County's policy, the estimated useful life for infrastructure assets is 30 to 60 years.

Condition – Twenty-one of the thirty-two line items tested for infrastructure assets used estimated useful outside of the useful life range per the County's policy which resulted in the County not properly calculating depreciation expense.

Cause – The estimated useful life for infrastructure assets was determined based on estimates provided by the Iowa Department of Transportation. The County has not followed its own policy to determine the estimated useful life for infrastructure assets.

Effect – Depreciation expense is not determined in compliance with the County's Policy.

Recommendation – The County should ensure the useful life of assets is determined in accordance with County policies.

Response – The County will amend the policy for useful lives to better reflect the actual useful life of the different infrastructure projects at the County. Resolution 01-16-19 was adopted 1/28/19 to amend Resolution 01-04-19

Conclusion – Response accepted.

(E) County Expenditures

Criteria – Good accounting procedures and internal controls requires all expenditures to be documented, supported and properly coded prior to approval and signing of checks.

Condition – The following items were noted:

- 1 of 10 credit card expenditures tested lacked some or all supporting documentation.
- 1 of 10 credit card expenditures tested was for gas for a personal vehicle used to drive to a training class, instead of claiming mileage as required by section 2.12 of the employee handbook.
- 1 of 10 credit card expenditures tested was for commuting meals where the amount of $28.86 exceeded the $20 maximum allowed. In addition, the receipt was not itemized to determine if the meals were acceptable under the County policy. Also, the meal was not processed through payroll as a taxable meal.

Cause – The County has not fully implemented policies and procedures to provide for the review of expenditure supporting documentation prior to signing of checks.

Effect – When sufficient records are not maintained to account for expenditures, the opportunity for misappropriation and undetected errors can result.

Recommendation – The County should fully implement procedures which ensure sufficient records are maintained for all expenditures.

Response – The Board of Supervisors will review all claims and sign off on them before payment is made.

Conclusion – Response accepted.

(F) Accounting Policies and Procedures Manual

Criteria – Accounting policies and procedures manuals provide the following benefits:

(1) Aid in training additional or replacement staff.

(2) Help achieve uniformity in accounting and in the application of policies and procedures.

(3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Condition – The Auditor, Recorder and Sheriff's Offices do not have accounting policies and procedures manuals.

Cause – Officials have been unaware of the need for an accounting policies and procedures manual.

Effect – Lack of an accounting policies and procedures manual could result in a County Office's lack of ability to continue operating effectively and efficiently in the event there is accounting staff turnover.

Recommendation – An accounting policies and procedures manual should be developed for the County Auditor, County Sheriff and Conservation Departments.

Responses –

Auditor – The Auditor's office has hired a 3rd person to be Co-Deputy Auditor beginning February 11, 2019. We will make sure we have proper manuals in place.

Recorder – We will try to create a procedures manual.

Sheriff – Clerk will begin to prepare a procedures manual for training purposes.

Conclusion – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the physical health and social services function prior to the budget amendment. In addition, 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 – We will make an effort to amend the budget and appropriations prior to exceeding the budget and appropriated amounts.

Conclusion – Response accepted.

(2) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Central Iowa Tourism Region	Donation	$ 400
Corydon Old Settlers	Donation	570
Crisis Center & Women's Shelter	Donation	4,157
Priarie Trails Wellness Center	Donation	5,425

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III Section 31 of the Iowa Constitution states, "…no public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these disbursements before authorizing any further payments.

Response – The Board of Supervisors will discuss and document the public purpose for the donations.

Conclusion – Response accepted.

(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
Melinda Middlebrook, County CPC Administrator, daughter-in-law of the owner of Middlebrook Amoco	Fuel, service and repair:	
	County Sheriff	$ 364
	County Assessor	48
	County Recorder	30
	Mental Health Department	100
	Board of Health	475
	Conservation Board	18
	Emergency Management	169
	Total	$ 1,204

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 CPC administrator's employment is 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.

(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 instances of non-compliance with proper public notice, signed minutes and indication of each member's vote.

(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) 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, 2018 for the County Extension Office did not exceed the amount budgeted.

(10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Cemetery Commission and the County Sheriff do not retain electronic images of the back of cancelled checks.

Recommendation – The Cemetery Commission and County Sheriff should retain an image of both the front and back of each cancelled check as required.

Response – The Pioneer Cemetery Commission and County Sheriff will request images of both front and back of each cancelled check on their monthly bank statement.

Conclusion – Response accepted.

(11) Separately Maintained Records – The Wayne County Pioneer Cemetery Commission maintains separate accounting records for its operations. Monthly financial reports are not provided to the County and the activity of the Cemetery Commission is not included in the County's accounting records, financial reports or budget.

Recommendation – Chapter 331.552 of the Code of Iowa state, in part, the county treasurer shall "keep a true account of all receipts and disbursements of the county." For better accountability, financial and budgetary control, the financial activity and balances of all County accounts should be reported to the County Board of Supervisors on a monthly basis and included in the County's accounting records, financial reports and budget.

Response – The County Board of Supervisors will review and will make a motion on how to proceed in the future regarding accounting records for the Wayne County Pioneer Cemetery Commission.

Conclusion – Response accepted.

(12) County Sheriff Commissary Account – Certain items such as supplies and equipment for the jail were purchased out of the commissary revenues without running through the County budget, appropriations and disbursement process required by Chapter 331.506 of the Code of Iowa and were not filed and properly audited by the Board of Supervisors before payment in accordance with Chapter 331.504(7) and (8) of the Code of Iowa.

Recommendation – Expenditures from the commissary account should only be used to replenish appropriate commissary items that are purchased by the prisoners. Any disbursements for jail supplies or equipment should be run through the process for issuance of warrants as specified by the Code of Iowa and should be subject to budget and appropriation restraints as required by the Code.

Response – The County Sheriff is working to set up a budget to comply with the recommendation of the audit by evaluating expenses from prior years to determine what expenses are beyond replenishing supplies for the commissary.

Conclusion – Response accepted.

(13) Taxable Fringe Benefits – Certain County expenditures for clothing considered adaptable to general usage as ordinary clothing were not included in wages of employees in accordance with Internal Revenue Service (IRS) guidelines.

Recommendation – The County should properly include taxable fringe benefits in reported employee wages in accordance with IRS guidelines.

Response – The County will review procedures for including clothing expenditures in wages of employees and make changes, if necessary.

Conclusion – Response accepted.

Wayne County

Staff

This audit was performed by:

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