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 June 30, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled $9,570,226 for the year ended June 30, 2019, a 6.1% increase over the prior year. Expenses for County operations for the year ended June 30, 2019 totaled $8,399,400, an 1.6% decrease from the prior year. The significant increase in the revenues is due primarily to an increase in property tax revenues.

AUDIT FINDINGS:

Sand reported thirteen findings related to the receipt and expenditure of taxpayer funds. They are found on pages 72 through 84 of this report. The findings address issues such as lack of segregation of duties, material amounts of receivables and capital assets not properly recorded, donations to private non-profit organizations and disbursements exceeding budgeted amounts. Sand provided the County with recommendations to address each of these findings.

The County Board of Supervisors and other elected officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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/.

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WAYNE COUNTY

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

JUNE 30, 2019

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

June 17, 2020

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, 2019. 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 my staff at 515-281-5834.

Sincerely,

Rob Sand
Auditor of State

Table of Contents

Wayne County

Officials

(Before January 2019)

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	(Resigned Sep 2018)
Michelle Dooley (Elected Oct. 2018)	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

(After January 2019)

Name	Title	Term Expires
Duffy Kester	Board of Supervisors	(Resigned May 2019)
Donald Seams (Appointed Jul 2019)	Board of Supervisors	Nov 2020
David Dotts	Board of Supervisors	Jan 2023
Tom Swearingin	Board of Supervisors	Jan 2023
Michelle Dooley	County Auditor	Jan 2021
Kim Swearingin	County Treasurer	Jan 2023
Angie Horton	County Recorder	Jan 2023
Keith Davis	County Sheriff	Jan 2021
Alan Wilson	County Attorney	Jan 2023
Brandon Carpenter	County Assessor	Jan 2022

Wayne County

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Independent Auditor's Report

To the Officials of Wayne County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Iowa, as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, 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 8 through 14 and 48 through 57 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, 2018 (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 June 17, 2020 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 Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

June 17, 2020

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, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 6.1%, or approximately $550,000, from fiscal year 2018 to fiscal year 2019. The increase was primarily due to the increase in property tax of approximately $686,000.

- Program expenses for fiscal year 2019 of the County's governmental activities decreased 1.6% or approximately $138,000 from fiscal year 2018 to fiscal year 2019. Roads and transportation services decreased approximately $437,000 while mental health expenses increased approximately $291,000.

- The County's net position at June 30, 2019 increased 6.7%, or approximately $1,171,000, over the June 30, 2018 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. 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)

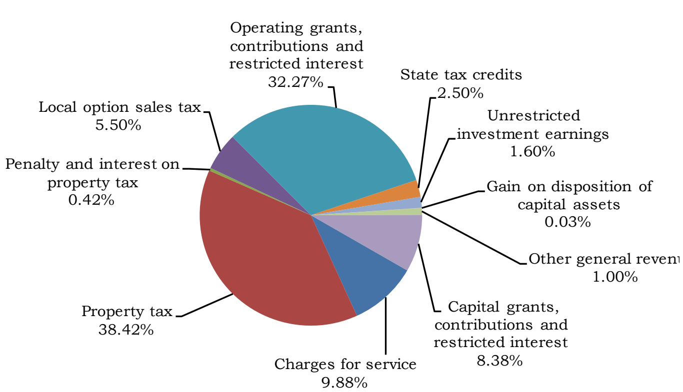
		June 30, 2019	June 30, 2018
Current and other assets	$	12,189	11,247
Capital assets		15,153	14,816
Total assets		27,342	26,063
Deferred outflows of resources		748	877
Long-term liabilities		4,696	5,177
Other liabilities		135	235
Total liabilities		4,831	5,412
Deferred inflows of resources		4,480	3,920
Net position:			
Net investment in capital assets		13,032	12,481
Restricted		6,295	6,016
Unrestricted		(548)	(889)
Total net position	$	18,779	17,608

Net position of Wayne County's governmental activities increased 6.7% (approximately $18.8 million compared to approximately $17.6 million). The largest portion of the County's net position is invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately $889,000 at June 30, 2018 to a deficit of approximately $548,000 at the end of this year, an increase of 38.4%. The increase is primarily a decrease in the County's net pension liability over the prior year amount.

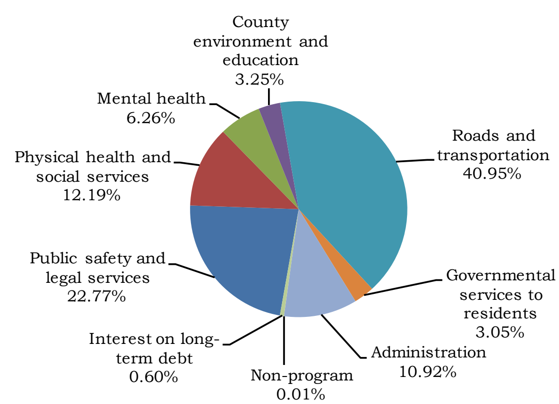
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

		Year ended June 30, 2019	2018
Revenues:			
Program revenues:			
Charges for service	$	946	1,000
Operating grants, contributions and restricted interest		3,089	2,923
Capital grants, contributions and restricted interest		802	1,203
General revenues:			
Property tax		3,677	2,991
Penalty and interest on property tax		40	41
State tax credits		239	196
Local option sales tax		526	389
Unrestricted investment earnings		153	43
Gain on disposition of capital assets		3	92
Other general revenues		96	143
Total revenues		9,571	9,021
Program expenses:			
Public safety and legal services		1,913	1,765
Physical health and social services		1,024	1,091
Mental health		526	235
County environment and education		273	393
Roads and transportation		3,440	3,877
Governmental services to residents		256	266
Administration		917	845
Non-program		1	13
Interest on long-term debt		50	53
Total expenses		8,400	8,538
Change in net position		1,171	483
Net position beginning of year		17,608	17,125
Net position end of year	$	18,779	17,608

Revenues by Source



Expenses by Program



Wayne County's net position for governmental activities increased approximately $1,171,000 during the year. Revenues for governmental activities increased approximately $550,000 over the prior year, including property tax revenue which increased over the prior year approximately $686,000, or 22.9%.

The County increased property tax rates for fiscal year 2019 an average of 17%. This increase raised the County's property tax revenue approximately $686,000 in fiscal year 2019. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase an additional $334,000 next year.

The cost of all governmental activities this year was approximately $8.4 million compared to approximately $8.5 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately $3.6 million because some of the cost was paid by those directly benefited from the programs (approximately $946,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately $3.891,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal year 2019 from approximately $5,126,000 to approximately $4,837,000, primarily due to the decrease in contributions of roads and bridges paid for by the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Wayne County completed the year, its governmental funds reported a combined fund balance of approximately $8 million, an increase of approximately $655,000 over last year's total of approximately $7.3 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased $395,321, or 12.2%, to $3,637,790 primarily due to an increase in property tax. Expenditures increased $88,630, or 2.5%, to $3,637,010. The ending fund balance remained constant when compared to the prior year.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately $516,000, an increase of 125.8% over the prior year. During fiscal year 2019, CROSS, the County's mental health region, began paying the invoices on behalf of the County. Each member County is contributing to the fund of the Region by sending yearly distributions to the region. The Special Revenue, Mental Health Fund balance at year end decreased approximately $261,000 from the prior year end to $92,201.
- Special Revenue, Rural Services Fund revenues increased approximately $298,000, or 31.2%, over the prior year, due primarily to an increase in property tax and intergovernmental receipts. Expenditures increased $96,591, or 19%, due primarily to an increase in public safety and legal services. The increase in intergovernmental receipts and a corresponding increase in payroll in the public safety and legal services function were a result of an agreement between the Sheriff's department and the City of Corydon for patrolling services. The ending fund balance remained constant when compared to the prior year.
- Special Revenue, Secondary Roads Fund revenues increased approximately $713,000, or 23.2%, over the prior year, due principally to an increase in road use tax and grants received for bridge replacement. This increase in revenues resulted in an increase of the Secondary Roads Fund ending balance of approximately $726,000, or 25.6%.

- Special Revenue, Local Option Sales Tax Fund revenues increased approximately $167,000, or 42.3%, primarily due to an increase in local option sales tax received. Expenditures increased approximately $54,000, or 17.9%, primarily due to an increase in expenses related to damage to County property incurred by an inmate and the purchase of a vehicle for transportation of inmates to the courthouse. The ending fund balance increased $204,000 to a balance of $762,764.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wayne County amended its budget one time. The amendment was made in May 2019 to provide for additional disbursements in certain County departments.

The County's receipts were $274,736 more than budgeted, a variance of 3%. The most significant variance resulted from the County receiving more in property and other county tax and use of money and property than anticipated.

Total disbursements were $1,607,253 less than the amended budget. Actual disbursements for the physical health and social services, roads and transportation, and capital projects functions were $268,524, $426,914 and $647,513, respectively, less than budgeted. The secondary roads department experienced a high employee turnover, delaying the completion of budgeted capital projects. Actual costs were less than originally expected for the public health department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, Wayne County had approximately $15.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately $337,000, or 2.3%, over last year.

The County had depreciation/amortization expense of $868,997 in fiscal year 2019 and total accumulated depreciation/amortization of $8,516,824 at June 30, 2019. Additional information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2019, the County had $2,120,000 of general obligation bonds outstanding, compared to $2,335,000 at June 30, 2018. The County paid $215,000 of principal on the general obligation bonds during the year ended June 30, 2019.

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 $28.7 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 2020 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.5% versus 2.6% a year ago. This compares with the State's unemployment rate of 2.4% and the national rate of 3.7%. These indicators were taken into account when adopting the budget for fiscal year 2020. Revenues in the operating budget are approximately $8.6 million, a decrease of 5.1% from the final fiscal year 2019 budget, primarily due to a decrease in intergovernmental. Budgeted disbursements are expected to decrease approximately $457,000 from the final fiscal year 2019 budget, primarily in the capital project function. The County has added no major new programs or initiatives to the fiscal year 2020 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately $159,000 or 4% by the close of fiscal year 2020.

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.

Basic Financial Statements

Wayne County

Statement of Net Position

June 30, 2019

	Governmental Activities
Assets	
Cash and pooled investments:	
County Treasurer	$ 6,983,593
Cash held by health plan trustee	27,438
Component units	21,015
Receivables:	
Property tax:	
Delinquent	12,179
Succeeding year	4,057,000
Interest and penalty on property tax	19,119
Accounts	52,686
Accrued interest	15,272
Due from other governments	576,373
Inventories	308,198
Prepaid insurance	116,857
Capital assets, net of accumulated depreciation	15,152,566
Total assets	27,342,296
Deferred Outflows of Resources	
Pension related deferred outflows	727,961
OPEB related deferred outflows	20,325
Total deferred outflows of resources	748,286
Liabilities	
Current liabilities:	
Accounts payable	82,015
Accrued interest payable	3,888
Salaries and benefits payable	40,053
Due to other governments	9,150
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	220,000
Compensated absences	86,681
Portion due or payable after one year:	
General obligation bonds	1,900,000
Compensated absences	93,251
Net pension liability	2,004,220
Total OPEB liability	392,049
Total liabilities	4,831,307
Deferred Inflows of Resources	
Unavailable property tax revenue	4,057,000
Pension related deferred inflows	285,572
OPEB related deferred inflows	137,678
Total deferred inflows of resources	4,480,250
Net Position	
Net investment in capital assets	13,032,566
Restricted for:	
Supplemental levy purposes	781,457
Mental health purposes	90,736
Rural services purposes	1,071,069
Secondary roads purposes	3,452,297
Conservation purposes	87,522
Debt service	759,002
Other purposes	52,801
Unrestricted	(548,425)
Total net position	$ 18,779,025

See notes to financial statements.

Wayne County

Statement of Activities

Year ended June 30, 2019

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 1,913,116	295,554	11,106	-	(1,606,456)
Physical health and social services	1,023,773	289,871	75,266	-	(658,636)
Mental health	525,541	122,220	-	-	(403,321)
County environment and education	273,291	43,433	31,321	-	(198,537)
Roads and transportation	3,439,725	52,261	2,970,816	802,507	385,859
Governmental services to residents	255,936	128,823	-	-	(127,113)
Administration	917,170	14,159	-	-	(903,011)
Non-program	638	-	-	-	(638)
Interest and fees on long-term debt	50,210	-	-	-	(50,210)
Total	$ 8,399,400	946,321	3,088,509	802,507	(3,562,063)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,676,911
Penalty and interest on property tax					39,543
State tax credits					238,679
Local option sales tax					525,653
Unrestricted investment earnings					153,130
Gain on disposition of capital assets					3,400
Miscellaneous					95,573
Total general revenues					4,732,889
Change in net position					1,170,826
Net position beginning of year					17,608,199
Net position end of year					$ 18,779,025

See notes to financial statements.

Wayne County

Balance Sheet
Governmental Funds

June 30, 2019

	General	Special: Mental Health	Special: Rural Services
Assets			
Cash and pooled investments:			
County Treasurer	$ 2,229,348	92,455	1,052,354
Cash held by health plan trustee	27,438	-	-
Component units	-	-	-
Receivables:			
Property tax:			
Delinquent	10,521	1,050	608
Succeeding year	2,783,000	239,000	1,035,000
Interest and penalty on property tax	19,119	-	-
Accounts	52,686	-	-
Accrued interest	13,832	-	-
Due from other governments	57,971	-	20,500
Inventories	-	-	-
Prepaid insurance	51,015	-	-
Total assets	$ 5,244,930	332,505	2,108,462
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 27,673	-	1,649
Salaries and benefits payable	21,517	-	744
Due to other governments	8,148	254	-
Total liabilities	57,338	254	2,393
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,783,000	239,000	1,035,000
Other	37,928	1,050	669
Total deferred inflows of resources	2,820,928	240,050	1,035,669
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expense	51,015	-	-
Restricted for:			
Supplemental levy purposes	746,670	-	-
Mental health purposes	-	92,201	-
Rural services purposes	-	-	1,070,400
Secondary roads purposes	-	-	-
Conservation purposes	4,870	-	-
Debt service	-	-	-
Other purposes	25,936	-	-
Assigned for promotion of public health	21,082	-	-
Unassigned	1,517,091	-	-
Total fund balances	2,366,664	92,201	1,070,400
Total liabilities, deferred inflows of resources and fund balances	$ 5,244,930	332,505	2,108,462

See notes to financial statements.

Revenue			
Secondary Roads	Local Option Sales Tax	Nonmajor	Total
2,821,049	699,985	88,402	6,983,593
-	-	-	27,438
-	-	21,015	21,015
-	-	-	12,179
-	-	-	4,057,000
-	-	-	19,119
-	-	-	52,686
-	1,340	100	15,272
425,183	72,719	-	576,373
308,198	-	-	308,198
65,842	-	-	116,857
3,620,272	774,044	109,517	12,189,730
42,085	10,608	-	82,015
17,792	-	-	40,053
202	546	-	9,150
60,079	11,154	-	131,218
-	-	-	4,057,000
-	126	-	39,773
-	126	-	4,096,773
308,198	-	-	308,198
65,842	-	-	116,857
-	-	-	746,670
-	-	-	92,201
-	-	-	1,070,400
3,186,153	-	-	3,186,153
-	-	82,652	87,522
-	762,764	-	762,764
-	-	26,865	52,801
-	-	-	21,082
-	-	-	1,517,091
3,560,193	762,764	109,517	7,961,739
3,620,272	774,044	109,517	12,189,730

Wayne County

Wayne County

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

June 30, 2019

Total governmental fund balances (page 19)		$ 7,961,739
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 $23,669,390 and the accumulated depreciation is $8,516,824.		15,152,566
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.		39,773
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	$ 748,286	
Deferred inflows of resources	(423,250)	325,036
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.		(4,700,089)
Net position of governmental activities (page 16)		$ 18,779,025

See notes to financial statements.

Wayne County

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

Year ended June 30, 2019

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	$ 2,380,370	237,455	1,056,745
Local option sales tax	-	-	-
Interest and penalty on property tax	36,556	-	-
Intergovernmental	520,428	17,284	185,269
Licenses and permits	1,008	-	8,704
Charges for service	504,624	-	2,500
Use of money and property	175,346	-	-
Miscellaneous	19,458	5	2,567
Total revenues	3,637,790	254,744	1,255,785
Expenditures:			
Operating:			
Public safety and legal services	1,242,796	-	464,620
Physical health and social services	962,832	-	61,254
Mental health	-	516,110	-
County environment and education	277,502	-	75,447
Roads and transportation	-	-	-
Governmental services to residents	253,696	-	4,020
Administration	899,546	-	-
Non-program	638	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	3,637,010	516,110	605,341
Excess (deficiency) of revenues over (under) expenditures	780	(261,366)	650,444
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(659,807)
Total other financing sources (uses)	-	-	(659,807)
Change in fund balances	780	(261,366)	(9,363)
Fund balances beginning of year	2,365,884	353,567	1,079,763
Fund balances end of year	$ 2,366,664	92,201	1,070,400

See notes to financial statements.

Revenue			
Secondary Roads	Local Option Sales Tax	Nonmajor	Total
-	-	-	3,674,570
-	525,831	-	525,831
-	-	-	36,556
3,733,489	-	7,386	4,463,856
2,850	-	-	12,562
2	-	1,523	508,649
-	14,178	2,023	191,547
49,409	21,150	11,923	104,512
3,785,750	561,159	22,855	9,518,083
-	91,547	6,420	1,805,383
-	-	550	1,024,636
-	-	-	516,110
-	-	20,087	373,036
2,858,777	-	-	2,858,777
-	-	1,481	259,197
-	-	-	899,546
-	-	-	638
-	265,488	-	265,488
860,351	-	-	860,351
3,719,128	357,035	28,538	8,863,162
66,622	204,124	(5,683)	654,921
659,807	-	-	659,807
-	-	-	(659,807)
659,807	-	-	-
726,429	204,124	(5,683)	654,921
2,833,764	558,640	115,200	7,306,818
3,560,193	762,764	109,517	7,961,739

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, 2019

Change in fund balances - Total governmental funds (page 23)		$ 654,921
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	$ 1,162,366	
Capital assets contributed by others	39,834	
Depreciation expense	(868,997)	333,203
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.		3,400
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	2,341	
Other	6,568	8,909
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.		
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.		299,374
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences	15,583	
Pension expense	(321,901)	
OPEB expense	(37,941)	
Interest on long-term debt	278	(343,981)
Change in net position of governmental activities (page 17)		$ 955,826

See notes to financial statements.

Wayne County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

Assets	
Cash and pooled investments:	
County Treasurer	$ 844,880
Other County officials	12,183
Receivables:	
Property tax:	
Delinquent	51,128
Succeeding year	6,647,000
Accounts	36,048
Assessments	17,696
Due from other funds	31,943
Total assets	7,640,878
Liabilities	
Accounts payable	324
Salaries and benefits payable	2,920
Due to other governments	7,620,362
Trusts payable	11,263
Compensated absences	6,009
Total liabilities	7,640,878
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.

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, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

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
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	5 - 70
Buildings and improvements	20 - 50
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, 2019. 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.

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, 2019, disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2019 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 $1,369,518. 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, 2019 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	$ 659,807

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, 2019 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	722,323	-	914,929
Capital assets being depreciated:				
Buildings	5,085,014	-	-	5,085,014
Improvements other than buildings	113,439	-	-	113,439
Equipment and vehicles	4,685,179	159,000	(7,500)	4,836,679
Infrastructure, road network	12,395,052	324,277	-	12,719,329
Total capital assets being depreciated	22,278,684	483,277	(7,500)	22,754,461
Less accumulated depreciation for:				
Buildings	1,446,752	98,332	-	1,545,084
Improvements other than buildings	41,090	3,781	-	44,871
Equipment and vehicles	2,862,368	401,809	(7,500)	3,256,677
Infrastructure, road network	3,305,117	365,075	-	3,670,192
Total accumulated depreciation	7,655,327	868,997	(7,500)	8,516,824
Total capital assets being depreciated, net	14,623,357	(385,720)	-	14,237,637
Governmental activities capital assets, net	$ 14,815,963	336,603	-	15,152,566

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 171,152
Physical health and social services	2,998
Mental health	8,958
County environment and education	33,459
Roads and transportation	643,005
Governmental services to residents	1,212
Administration	8,213
Total depreciation expense - governmental activities	$ 868,997

(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, 2019 is as follows:

Fund	Description	Amount
General	Services	$ 8,148
Special Revenue:		
Mental health	Services	254
Secondary roads	Services	202
Local Option Sales Tax	Services	546
Total for governmental funds		$ 9,150
Agency:		
County Offices	Collections	$ 920
Agricultural Extension Education		107,672
County Assessor		359,078
Schools		3,692,655
Community Colleges		326,016
Corporations and Special Assessments		1,076,566
Townships		238,648
Auto License and Use Tax		141,035
County Hospital		1,206,056
Other		471,716
Total for agency funds		$ 7,620,362

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	General Obligation Bonds	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	$ 2,335,000	195,515	2,296,277	350,293	5,177,085
Increases	-	116,876	-	41,756	158,632
Decreases	215,000	132,459	292,057	-	639,516
Balance end of year	$ 2,120,000	179,932	2,004,220	392,049	4,696,201
Due within one year	$ 220,000	86,681	-	-	306,681

Bonds Payable

A summary of the County's June 30, 2019 general obligation bond indebtedness is as follows:

	Local Option Sales and Services Tax Refunding Bonds			
Year	Issued June 15, 2012			
Ending June 30,	Interest Rates	Principal	Interest	Total
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	2.10	235,000	29,853	264,853
2025-2028	2.25-2.75	990,000	65,085	1,055,085
		$ 2,120,000	258,030	2,378,030

During the year ended June 30, 2019, 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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 were $299,374.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of $2,004,220 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the County's proportion was 0.031671%, which was a decrease of 0.002801% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of $321,901. At June 30, 2019, 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	$ 17,796	60,295
Changes of assumptions	372,986	64,911
Net difference between projected and actual earnings on IPERS' investments	-	78,823
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	37,805	81,543
County contributions subsequent to the measurement date	299,374	-
Total	$ 727,961	285,572

$299,374 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, 2020. 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
2020	$ 157,729
2021	65,169
2022	(44,863)
2023	(25,583)
2024	(9,437)
Total	$ 143,015

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
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	$ 3,884,444	2,004,220	427,461

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, 2019, the County reported payables to IPERS of $3,254 for legally required County contributions and $2,198 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, 2019, 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 $392,049 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 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, 2019)	2.60% per annum.
Rates of salary increase (effective June 30, 2019)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2019)	3.51% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2019)	8.50% 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 3.51% 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.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	$ 350,293
Changes for the year:	
Service cost	45,548
Interest	15,319
Differences between expected and actual experiences	(26,499)
Changes in assumptions	7,388
Net changes	41,756
Total OPEB liability end of year	$ 392,049

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2018 to 3.51% in fiscal year 2019.

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 (2.51%) or 1% higher (4.51%) than the current discount rate.

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	$ 412,811	392,049	371,688

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 (7.50%) or 1% higher (9.50%) than the current healthcare cost trend rates.

	1% Decrease 7.50%)	Healthcare Cost Trend Rate (8.50%)	1% Increase (9.50%)
Total OPEB liability	$ 349,987	392,049	441,154

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of $37,941. At June 30, 2019, 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	$ -	(137,678)
Changes in assumptions	20,325	-
Total	$ 20,325	(137,678)

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
2020	$ (22,926)
2021	(22,926)
2022	(22,926)
2023	(22,926)
2024	(22,924)
Thereafter	(2,725)
	$ (117,353)

(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 778 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, 2019 were $112,233.

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, 2019, no liability has been recorded in the County's financial statements. As of June 30, 2019, 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 $350,000, 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 $27,438 at June 30, 2019.

(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, 2019, as follows:

Revenues:		
Property and other county tax		$ 237,455
Intergovernmental:		
State tax credits	$ 17,249	
Other	35	17,284
Miscellaneous		5
Total revenues		254,744
Expenditures:		
Services to persons with:		
Mental illness	49,043	
Intellectual disability	375	49,418
General administration:		
Direct administration	8,798	
Distribution to regional fiscal agent	457,894	466,692
Total expenditures		516,110
Excess of revenues over expenditures		(261,366)
Fund balance beginning of year		353,567
Fund balance end of year		$ 92,201

(12) Subsequent Event

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the Wayne County, maybe adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the County's operations and finances.

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, 2019

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	$ 4,170,139	-	4,170,139
Interest and penalty on property tax	36,556	-	36,556
Intergovernmental	4,331,782	-	4,331,782
Licenses and permits	12,562	-	12,562
Charges for service	500,122	-	500,122
Use of money and property	187,961	-	187,961
Miscellaneous	102,323	6,906	95,417
Total receipts	9,341,445	6,906	9,334,539
Disbursements:			
Public safety and legal services	1,763,410	6,420	1,756,990
Physical health and social services	1,013,421	-	1,013,421
Mental health	529,786	-	529,786
County environment and education	411,453	-	411,453
Roads and transportation	2,913,016	-	2,913,016
Governmental services to residents	260,237	-	260,237
Administration	916,357	-	916,357
Non-program	-	-	-
Debt service	265,487	-	265,487
Capital projects	947,487	-	947,487
Total disbursements	9,020,654	6,420	9,014,234
Deficiency of receipts under disbursements	320,791	486	320,305
Other financing sources over (under)	7,101	-	7,101
Excess (deficiency) of receipts over (under) disbursements	327,892	486	327,406
Balance beginning of year	6,704,154	20,529	6,683,625
Balance end of year	$ 7,032,046	21,015	7,011,031

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net Variance
4,068,333	4,068,333	101,806
20,796	20,796	15,760
4,336,918	4,336,918	(5,136)
6,600	6,600	5,962
458,321	458,321	41,801
65,009	65,009	122,952
103,826	103,826	(8,409)
9,059,803	9,059,803	274,736
1,823,652	1,886,388	129,398
1,234,575	1,281,945	268,524
518,830	534,970	5,184
368,835	422,744	11,291
3,339,930	3,339,930	426,914
287,022	287,022	26,785
957,851	988,001	71,644
20,000	20,000	20,000
265,487	265,487	-
1,595,000	1,595,000	647,513
10,411,182	10,621,487	1,607,253
(1,351,379)	(1,561,684)	1,881,989
-	-	7,101
(1,351,379)	(1,561,684)	1,889,090
5,392,003	5,392,003	1,291,622
4,040,624	3,830,319	3,180,712

Wayne County

Wayne County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2019

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 9,341,445	176,638	9,518,083
Expenditures	9,020,654	(157,492)	8,863,162
Net	320,791	334,130	654,921
Other financing sources, net	7,101	(7,101)	-
Beginning fund balances	6,704,154	602,664	7,306,818
Ending fund balances	$ 7,032,046	929,693	7,961,739

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, a budget amendment increased budgeted disbursements by $210,305. 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, 2019, 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 Five Years*
(In Thousands)

Required Supplementary Information

		2019	2018	2017	2016	2015
County's proportion of the net pension liability		0.031671%	0.034472%	0.033592%	0.032972%	0.030954%
County's proportionate share of the net pension liability	$	2,004	2,296	2,114	1,629	1,228
County's covered payroll	$	3,085	3,075	2,893	2,907	2,796
County's proportionate share of the net pension liability as a percentage of its covered payroll		64.96%	74.67%	73.07%	56.04%	43.92%
IPERS' net position as a percentage of the total pension liability		83.62%	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

		2019	2018	2017	2016
Statutorily required contribution	$	299	280	280	264
Contributions in relation to the statutorily required contribution		(299)	(280)	(280)	(264)
Contribution deficiency (excess)	$	-	-	-	-
County's covered payroll	$	3,124	3,085	3,075	2,893
Contributions as a percentage of covered payroll		9.57%	9.08%	9.11%	9.13%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
268	256	232	208	186	167
(268)	(256)	(232)	(208)	(186)	(167)
-	-	-	-	-	-
2,907	2,796	2,586	2,448	2,493	2,372
9.22%	9.16%	8.97%	8.50%	7.46%	7.04%

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 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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 Last Two Years
Required Supplementary Information

		2019	2018
Service cost	$	45,548	40,740
Interest cost		15,319	16,993
Difference between expected and actual experiences		(26,499)	(160,951)
Changes in assumptions		7,388	19,588
Net change in total OPEB liability		41,756	(83,630)
Total OPEB liability beginning of year		350,293	433,923
Total OPEB liability end of year	$	392,049	350,293
Covered-employee payroll	$	2,773,593	2,686,289
Total OPEB liability as a percentage of covered-employee payroll		14.1%	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, 2019	3.51%
Year ended June 30, 2018	3.87%

Wayne County

Supplementary Information

Wayne County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Resource Enhancement and Protection
Assets			
Cash and pooled investments:			
County Treasurer	$ 231	4	2,928
Component units	-	-	-
Accrued interest receivable	2	-	40
Total assets	$ 233	4	2,968
Liabilities and Fund Balances			
Liabilities:			
Fund balances:			
Restricted for:			
Conservation purposes	-	-	2,968
Other purposes	233	4	-
Total fund balances	233	4	2,968
Total liabilities and fund balances	$ 233	4	2,968

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
79,632	4,247	-	-	1,360	88,402
-	-	5,443	15,572	-	21,015
52	6	-	-	-	100
79,684	4,253	5,443	15,572	1,360	109,517
79,684	-	-	-	-	82,652
-	4,253	5,443	15,572	1,360	26,865
79,684	4,253	5,443	15,572	1,360	109,517
79,684	4,253	5,443	15,572	1,360	109,517

Wayne County

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

Year ended June 30, 2019

			Special
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
Revenues:			
Intergovernmental	$ -	-	7,386
Charges for service	1,523	-	-
Use of money and property	10	-	412
Miscellaneous	-	-	-
Total revenues	1,533	-	7,798
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	-	-
County environment and education	-	-	20,087
Governmental services to residents	1,481	-	-
Total expenditures	1,481	-	20,087
Excess (deficiency) of revenues over (under) expenditures	52	-	(12,289)
Change in fund balances	52	-	(12,289)
Fund balances beginning of year	181	4	15,257
Fund balances end of year	$ 233	4	2,968

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
-	-	-	-	-	7,386
-	-	-	-	-	1,523
1,577	24	-	-	-	2,023
-	4,428	200	6,706	589	11,923
1,577	4,452	200	6,706	589	22,855
-	-	-	6,420	-	6,420
-	550	-	-	-	550
-	-	-	-	-	20,087
-	-	-	-	-	1,481
-	550	-	6,420	-	28,538
1,577	3,902	200	286	589	(5,683)
1,577	3,902	200	286	589	(5,683)
78,107	351	5,243	15,286	771	115,200
79,684	4,253	5,443	15,572	1,360	109,517

Wayne County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	$ -	1,233	198,085	43,209
Other County officials	12,183	-	-	-
Receivables:				
Property tax:				
Delinquent	-	439	852	15,446
Succeeding year	-	106,000	165,000	3,634,000
Accounts	-	-	-	-
Assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	$ 12,183	107,672	363,937	3,692,655
Liabilities				
Accounts payable	$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other governments	920	107,672	359,078	3,692,655
Trusts payable	11,263	-	-	-
Compensated absences	-	-	4,859	-
Total liabilities	$ 12,183	107,672	363,937	3,692,655

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
3,700	34,942	1,512	141,035	14,049	407,115	844,880
-	-	-	-	-	-	12,183
1,316	27,928	136	-	5,007	4	51,128
321,000	996,000	237,000	-	1,187,000	1,000	6,647,000
-	-	-	-	-	36,048	36,048
-	17,696	-	-	-	-	17,696
-	-	-	-	-	31,943	31,943
326,016	1,076,566	238,648	141,035	1,206,056	476,110	7,640,878
-	-	-	-	-	324	324
-	-	-	-	-	2,920	2,920
326,016	1,076,566	238,648	141,035	1,206,056	471,716	7,620,362
-	-	-	-	-	-	11,263
-	-	-	-	-	1,150	6,009
326,016	1,076,566	238,648	141,035	1,206,056	476,110	7,640,878

Wayne County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	$ 16,090	101,655	378,761	3,614,377
Additions:				
Property and other county tax	-	105,493	164,920	3,631,728
911 surcharge	-	-	-	-
State tax credits	-	7,172	13,967	260,546
Drivers license fees	-	-	-	-
Office fees and collections	455,575	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	115,757	-	-	-
Miscellaneous	-	15	-	507
Total additions	571,332	112,680	178,887	3,892,781
Deductions:				
Agency remittances:				
To other funds	359,124	-	-	-
To other governments	107,005	106,663	193,711	3,814,503
Trusts paid out	109,110	-	-	-
Total deductions	575,239	106,663	193,711	3,814,503
Balances end of year	$ 12,183	107,672	363,937	3,692,655

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
303,199	988,532	226,958	161,014	1,153,825	381,760	7,326,171
320,484	999,131	236,847	-	1,186,470	905	6,645,978
-	-	-	-	-	187,495	187,495
21,431	148,429	10,746	-	81,902	65	544,258
-	-	-	-	-	37,172	37,172
-	-	-	-	-	1,428	457,003
-	-	-	1,961,153	-	-	1,961,153
-	4,970	-	-	-	-	4,970
-	-	-	-	-	224,662	340,419
44	702	-	-	166	262,362	263,796
341,959	1,153,232	247,593	1,961,153	1,268,538	714,089	10,442,244
-	-	-	75,996	-	-	435,120
319,142	1,065,198	235,903	1,905,136	1,216,307	389,892	9,353,460
-	-	-	-	-	229,847	338,957
319,142	1,065,198	235,903	1,981,132	1,216,307	619,739	10,127,537
326,016	1,076,566	238,648	141,035	1,206,056	476,110	7,640,878

Wayne County

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

For the Last Ten Years

		2019	2018	2017	2016
Revenues:					
Property and other county tax	$	3,674,570	2,990,686	3,554,995	3,440,155
Local option sales tax		525,831	388,857	385,113	363,926
Interest and penalty on property tax		36,556	35,630	39,154	39,549
Intergovernmental		4,463,856	3,614,486	4,270,062	3,869,303
Licenses and permits		12,562	11,466	12,613	11,575
Charges for service		508,649	550,760	589,249	520,778
Use of money and property		191,547	164,185	52,441	80,772
Miscellaneous		104,512	179,618	146,381	73,096
Total	$	9,518,083	7,935,688	9,050,008	8,399,154
Expenditures:					
Operating:					
Public safety and legal services	$	1,805,383	1,614,296	1,537,927	1,369,170
Physical health and social services		1,024,636	1,091,819	805,990	824,298
Mental health		516,110	228,772	409,138	392,324
County environment and education		373,036	365,047	457,866	294,654
Roads and transportation		2,858,777	3,409,233	3,356,622	2,714,833
Governmental services to residents		259,197	259,248	251,759	276,100
Administration		899,546	814,277	806,510	770,687
Non-program		638	12,730	15,867	25,447
Debt service		265,488	268,283	260,743	328,664
Capital projects		860,351	365,801	787,545	190,937
Total	$	8,863,162	8,429,506	8,689,967	7,187,114

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
3,254,269	3,277,371	3,085,689	3,142,670	3,003,146	2,218,985
366,504	323,187	353,423	326,157	374,505	340,386
43,522	42,957	46,640	41,645	42,202	32,241
4,034,730	3,813,119	3,501,694	3,974,740	3,704,021	3,246,841
12,449	9,308	8,550	11,657	13,053	7,768
400,590	460,157	446,121	450,496	360,917	274,480
117,174	120,187	59,545	28,585	25,483	36,681
118,867	117,087	259,436	192,717	58,192	160,160
8,348,105	8,163,373	7,761,098	8,168,667	7,581,519	6,317,542
1,330,364	1,280,674	1,190,882	1,062,720	1,021,037	1,027,425
1,018,362	1,091,508	1,068,193	893,116	839,343	843,386
436,851	360,302	380,655	844,930	687,820	652,568
418,031	349,682	216,410	237,934	245,213	315,010
3,107,983	2,964,008	3,006,788	2,793,124	2,781,392	2,621,430
217,187	220,096	223,076	196,679	200,742	193,772
908,230	821,703	718,625	551,179	661,985	660,486
12,763	10,678	12,581	23,092	31,092	25,813
458,634	457,486	455,320	420,931	285,108	275,815
245,717	268,205	58,777	110,221	20,741	470,526
8,154,122	7,824,342	7,331,307	7,133,926	6,774,473	7,086,231

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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, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 17, 2020.

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 (G) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2019 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

June 17, 2020

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. Controls are strengthened when an independent mail opener prepares a listing of checks received in the mail, then forwards the mail and checks to accounting personnel for processing. The independent mail opener should then test the list of mail receipts to proper recording and deposit.	Recorder
(3) A listing of cash and checks received by mail is not regularly prepared by someone independent of cash and receipt functions or compared to cash receipt records or bank deposits.	New Venture Group Home
(4) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. In addition, for the Treasurer and Recorder offices, 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

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 each County office'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.

Responses –

Treasurer – (1) and (4) – We are aware of the need of segregation of duties and attempt to do what we can with limited staff. Items are reviewed on a monthly basis to ensure items are handled properly.

Recorder – (1), (2), (4) and (5) – Limited staff makes it difficult to maintain segregation of duties. We try to do the best we can to segregate and review the work of others.

Sheriff – (1), (4) and (5) – We will take the recommendations under advisement and continue to try to segregate our duties as much as possible with our limited staff.

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.

Conclusion – Responses acknowledged. Each official should continue to review operating procedures to obtain the maximum internal control possible.

(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 infrastructure 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 and capital asset 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 – Auditor's office will review purchases and sales closer to make sure capital assets are properly recorded. 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 – County has a resolution stating capital asset threshold to be reported to the Auditor. Auditor sends a request to the Departments requesting their additions and deletions.

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) 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 – A credit card expenditure for $686 for lodging was not supported by a hotel receipt.

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 support is maintained for all expenditures.

Response – Deputy Auditor reviews support for all claims submitted for payment to ensure proper documentation.

Conclusion – Response accepted.

(E) 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 Recorder and Sheriff Departments.

Responses –

Auditor – Auditor's office will work on developing a better accounting policy and procedure manual.

Recorder – We will begin to work on developing a manual as soon as possible as time allows.

Sheriff – An accounting procedures manual is an item we will be working on to complete.

Conclusion – Responses accepted.

(F) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the County's computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, and help ensure the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The County does not have written policies for

- Information system security, including password privacy and confidentiality.
- Requiring password changes because the software does not require users to change logins/passwords periodically.

Also, the County does not have a written disaster recovery plan which provides for a backup site, procedures to be followed to prepare the site for equipment and identifies staff responsibilities.

Cause – Management has not required a written policy for the above computer-based controls.

Effect – Lack of written policies for computer-based systems could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a formal disaster recovery plan could result in the County's inability to function in the event of a disaster or continue County business without interruption.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over its computer systems. A written disaster recovery plan should also be developed.

Response – Wayne County has a new IT provider (Scantron) and have had an internal audit performed by ICAP. Working with both to develop and implement policies and procedures. The county is working with Chariton Valley Planning and Development to develop disaster recovery plan.

Conclusion – Response accepted.

(G) Ag Extension Credit Card Disbursements

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The Ag Extension office has a credit card and a Hy-Vee charge account for use by employees while on official business. The Ag Extension office has adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. During our review of credit card and Hy-Vee charge account purchases made during the fiscal year ended June 30, 2019, we noted five unsupported charges made by various employees with access to the credit card and Hy-Vee charge account. The purpose was obtained from the Ag Extension office.

Paid to	Purpose	Amount
Credit card disbursements:		
LaBota Mexican Restaurant	Lunch with intern	$ 13
Caseys	Donuts for day camp activities	4
Iowa DNR	Fishing licenses for camp participants	35
Youth for the Quality Care of Animals	Learn Grow program certification	3
Hy-Vee charge account:	Snacks for day camp activities	15

Cause – The Ag Extension office did not enforce the policy requiring supporting documentation be retained for disbursements.

Effect – The lack of requiring proper supporting documentation for disbursements could adversely affect the ability to prevent or detect misstatements, error or misappropriation on a timely basis.

Recommendation – The Ag Extension office should review and enforce a formal credit card policy and all disbursements should be supported by invoices or other supporting documentation.

Ag Extension Response – The extension council reviewed fiscal policy and determined this was the result of oversight with employees not turning in receipts and indicating the purpose of the charge. Credit card charges can be viewed online. The council decided the Office Assistant should review credit card charges weekly to ensure there were not charges without supporting receipts. This provides greater oversight of credit card usage. By checking weekly, it also helps with those employees who simply forget to provide a receipt at or near the time of the charge. This is in addition to what our fiscal policy already states. In short, we have increased the frequency in which we review credit card charges, while also ensuring the fiscal policy itself is strictly followed.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated prior to the approval of an appropriation amendment by the Board of Supervisors and at year end.

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

Response – Auditor will not disburse payments that exceed appropriation until after amendment is completed.

Conclusion – Response accepted.

(2) Emergency Management Budget – Disbursements during the year ended June 30, 2019 exceeded budget prior to amendment for Emergency Management.

Recommendation – Chapter 29C.17(6) of the Code of Iowa authorizes the Emergency Management Commission to adopt, certify, and provide a budget. The budget should be amendment before disbursements are allowed to exceed the budget.

Response – Emergency Management Director will not disburse payments that exceed budget until after amendment is completed.

Conclusion – Response accepted.

(3) Questionable Expenditures – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General's opinion dated April 25, 1979, public funds may only be spent for public benefit. A certain expenditure was noted which we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The expenditure is detailed as follows:

Paid to	Purpose	Amount
Perry Welding	Door prizes at outreach dinner for veterans	$ 588

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Department of Veteran's Affairs should determine and document the public purpose served by this expenditure before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirements for proper public purpose documentation.

Response – The Veteran's Affairs Commission and Director will determine and document public purpose for expenditures before authorizing future payments.

Conclusion – Response acknowledged. The Veteran's Affairs Commission should establish written policies and procedures, including the requirement for proper public purpose documentation.

(4) Questionable Expenditures - Donations – During the fiscal year ended June 30, 2019, the County provided the following donations to private, non-profit organizations:

Paid to	Purpose	Amount
Corydon Old Settlers	Donation	$ 500
Crisis Center & Women's Shelter	Donation	4,157

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private, non-profit corporations. Article III, Section 31 of the Constitution of the State of Iowa 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."

We previously requested a letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of a Library Board of Trustees giving proceeds from a gift to a private non-profit foundation. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2008. Following are pertinent excerpts from this letter of advice:

"Past opinions of this office have consistently concluded that a governmental body may not donate public funds to a private entity, even if the entity is established for charitable or educational purposes and performs work which the government could perform directly…private gifts and bequests of money to a city or county, upon receipt and acceptance, become public funds under the stewardship of the city or county. In addition to any restrictions or limitations imposed by the donor on use of the funds, all of the constitutional and statutory requirement regarding accounting for, depositing, investing and expending the public funds apply equally to funds received through taxation and funds received from private donors."

"Political subdivisions and municipalities, including cities, counties, schools, and townships are municipal – governmental – entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support "public" services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities."

"…I do not believe that a city library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be 'public funds,' subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight an accountability to the joint undertaking."

A 28E agreement, as described in the advice letter, does not exist.

Recommendation – We are not aware of any statutory authority for the County to provide public funds to a private non-profit organization. The County should seek reimbursement of the amounts donated.

Response – Wayne County will consider seeking reimbursement for allocations made to these entities and will re-evaluate future allocations.

Conclusion – Response accepted.

(5) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

(6) Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Linda Fain, County New Venture Administrator	Mowing	$ 1,550
Joella Perry, County Veterans Affair Director, spouse of the owner of Perry Welding	Door prizes	588
Melinda Middlebrook, County CPC Administrator, mother-in-law owns Middlebrook Amoco	Fuel, service and repair	1,032

The transactions with Middlebrook Amoco and Perry Welding do not appear to represent a conflict of interest in accordance with Chapter 331.342(d) of the Code of Iowa since the total transactions were less than $1,500 during the fiscal year. However, see finding (3) above pertaining to the Perry Welding expenditures.

The transactions with Linda Fain may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa since the total transactions exceeded $1,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The County should seek legal counsel to determine the disposition of this matter.

Response – County will make sure to monitor the threshold of $1,500 is not exceeded.

Conclusion – Response accepted.

(7) 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.

(8) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the minutes of board meeting were not published within one week following the meeting as required by Chapter 349.18.

In addition, the Board went into closed session on July 2, 2018 to discuss matters relating to the County. The minutes record did not include documentation of the vote of each member on the question of holding the closed session nor the reason for the closed session by reference to a specific Code of Iowa exemption as required by Chapter 21.5 of the Code of Iowa.

Recommendation – The County should ensure the minutes from all Board meetings are published as required by Chapter 349.18 and all closed meetings comply with Chapter 21.5 of the Code of Iowa.

Response – Minutes will be published as required and will comply with Chapter 21.5 regarding closed sessions.

Conclusion – Response accepted.

(9) 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.

(10) 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).

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

Disbursements during the year ended June 30, 2019 for the County Extension Office did not exceed the amount budgeted.

(12) 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.

(13) 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 – County will work on setting up a fund for the Wayne County Pioneer Cemetery funds.

Conclusion – Response accepted.

(14) Employee Group Health – The County provides employees health insurance and other benefits through a self-insured benefit plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a fellow of the Society of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan. The County did not obtain an actuarial opinion for the fiscal year 2019. An exemption from the actuarial opinion requirement was obtained from the Iowa Insurance Division, but it was incorrectly based upon total budgeted expenditures instead of budgeted general fund expenditures for the County.

Recommendation – The County should obtain an actuarial opinion, issued by the fellow of Society of Actuaries in the future, if required.

Response – The County will work with the Health Insurance Broker and the Nyhart to receive an actuarial opinion when required.

Conclusion – Response accepted.

(15) Ag Extension Improper Disbursements – A program director, employed by the Ag Extension office from January to July 2019, had access to a credit card and a Hy-Vee charge account to be available for conducting Ag Extension business. During this time, the employee used the credit card to purchase a plane ticket for $295 and gas for $53. The employee subsequently reimbursed the extension office after the Office Assistant reviewed the credit card statement against supporting documentation. The employee was terminated on July 17, 2019.

Recommendation – The Ag Extension office should ensure proper policies and procedures over credit card and vendor charge accounts exist and are enforced.

Ag Extension Response – The employee was terminated. Following these charges, the extension council reviewed our fiscal policy, and determined that the policy itself is sufficient but needs to be enforced.

Conclusion – Response accepted.

Wayne County

Schedule of Findings

Year ended June 30, 2019

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Brian R. Brustkern, CPA, Manager
Gwen D. Fangman, CPA, Manager
Adjoa S. Adanledji, Senior Auditor
Coltin R. Collins, Staff Auditor
Steven D. Rater, Staff Auditor
Joseph Timmons, Assistant Auditor