



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE March 20, 2006

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$7,513,405 for the year ended June 30, 2005, which included \$542,218 in tax credits from the state. The County forwarded \$5,461,665 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,051,740 of the local tax revenue to finance County operations, a 1.6 percent increase over the prior year.

Other revenues included charges for service of \$754,694, operating grants, contributions and restricted interest of \$2,414,669, capital grants, contributions and restricted interest of \$169,961, unrestricted investment earnings of \$43,481 and other general revenues of \$77,517.

Expenses for County operations totaled \$5,426,793, a 7.8 percent increase over the prior year. Expenses included \$2,295,715 for roads and transportation, \$811,261 for mental health and \$668,780 for public safety and legal services.

A copy of the report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**WAYNE COUNTY**

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

**JUNE 30, 2005**

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**Wayne County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2005)</b>		
Larry Andrews	Board of Supervisors	Jan 2005
Donald Greenlee	Board of Supervisors	Jan 2007
Jerry O'Dell	Board of Supervisors	Jan 2007
Sue Ruble	County Auditor	Jan 2005
Kim Swearingin	County Treasurer	Jan 2007
Angie Horton	County Recorder	Jan 2007
Keith Davis	County Sheriff	Jan 2005
Alan Wilson	County Attorney	Jan 2007
Kay Middlebrook	County Assessor	Jan 2010
<b>(After January 2005)</b>		
Donald Greenlee	Board of Supervisors	Jan 2007
Jerry O'Dell	Board of Supervisors	Jan 2007
Amy Sinclair	Board of Supervisors	Jan 2009
Sue Ruble	County Auditor	Jan 2009
Kim Swearingin	County Treasurer	Jan 2007
Angie Horton	County Recorder	Jan 2007
Keith Davis	County Sheriff	Jan 2009
Alan Wilson	County Attorney	Jan 2007
Kay Middlebrook	County Assessor	Jan 2010

**Wayne County**



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Independent Auditor's Report

To the Officials of Wayne County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Wayne County's management. Our responsibility is to express opinions on these financial statements based on our audit.

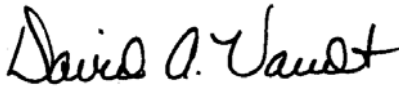
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County at June 30, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2006 on our consideration of Wayne County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein). We expressed unqualified opinions on the financial statements for the year ended June 30, 2004. We expressed qualified opinions on the financial statements for the year ended June 30, 2003 due to the omission of the materials and supplies inventories and we expressed qualified opinions for the two years ended June 30, 2002 due to the omission of the materials and supplies inventories and the general fixed assets account group. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 26, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 9.5%, or approximately \$575,000, from fiscal 2004 to fiscal 2005. Capital grants and contributions decreased approximately \$884,000, charges for service increased approximately \$130,000 and operating grants and contributions increased approximately \$126,000.
- Program expenses of the County's governmental activities were 7.8%, or approximately \$393,000, more in fiscal 2005 than in fiscal 2004. Roads and transportation expense increased approximately \$237,000 and administration expense increased approximately \$94,000.
- The County's net assets increased 2%, or approximately \$85,000, from June 30, 2004 to June 30, 2005.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wayne County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wayne County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wayne County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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



## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has two kinds of funds:

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

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

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services and the County Assessor, to name a few.

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

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Wayne County's net assets for FY05 total approximately \$4.6 million. This compares to FY04 at \$4.5 million. The analysis that follow focuses on the changes in the net assets for governmental activities.

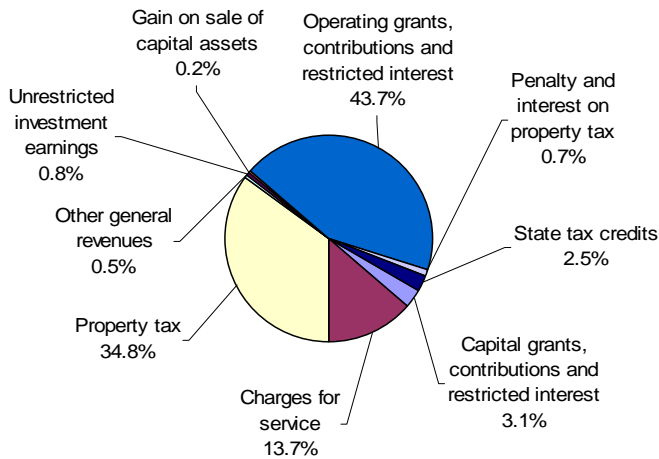
Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
Current and other assets	\$ 5,054	5,049
Capital assets	1,904	1,834
Total assets	<u>6,958</u>	<u>6,883</u>
Long-term liabilities	117	133
Other liabilities	2,268	2,262
Total liabilities	<u>2,385</u>	<u>2,395</u>
Net assets:		
Invested in capital assets, net of related debt	1,855	1,798
Restricted	2,317	2,322
Unrestricted	401	368
Total net assets	<u>\$ 4,573</u>	<u>4,488</u>

Net assets of Wayne County's governmental activities increased by two percent (\$4.6 million compared to \$4.5 million). The largest portion of the County's net assets is the restricted net assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt is the next largest component. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased by nine percent (\$401,000 compared to \$368,000).

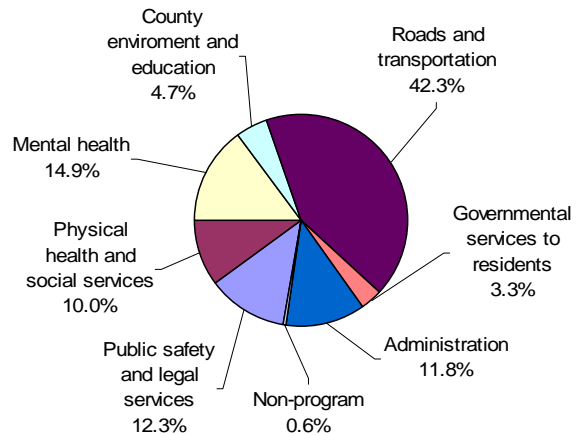
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2005	2004
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 755	625
Operating grants, contributions and restricted interest	2,415	2,289
Capital grants, contributions and restricted interest	170	1,054
<b>General revenues:</b>		
Property tax	1,916	1,892
Penalty and interest on property tax	40	37
State tax credits	136	128
Grants and contributions not restricted to specific purposes	-	15
Unrestricted investment earnings	43	16
Gain on sale of capital assets	12	-
Other general revenues	25	31
<b>Total revenues</b>	<b>5,512</b>	<b>6,087</b>
<b>Program expenses:</b>		
Public safety and legal services	669	650
Physical health and social services	541	501
Mental health	811	777
County environment and education	254	320
Roads and transportation	2,296	2,059
Governmental services to residents	179	146
Administration	642	548
Non-program	35	33
<b>Total expenses</b>	<b>5,427</b>	<b>5,034</b>
<b>Increase in net assets</b>	<b>85</b>	<b>1,053</b>
<b>Net assets beginning of year</b>	<b>4,488</b>	<b>3,435</b>
<b>Net assets end of year</b>	<b>\$ 4,573</b>	<b>4,488</b>

**Revenue by Source**



**Expenses by Program**



Wayne County's net assets of governmental activities increased by approximately \$85,000 during the year. Revenues for governmental activities decreased by approximately \$575,000 from the prior year, with capital grants and contributions down by approximately \$884,000, or 83%. The decrease in capital grants was primarily due to a decrease in capital contributions for infrastructure assets.

The cost of all governmental activities this year was \$5.4 million compared to \$5.0 million last year, a 7.8% increase. However, as shown in the Statement of Activities on page 15, the amount taxpayers ultimately financed for these activities was only \$2.1 million because some of the cost was paid by those directly benefited from the programs approximately (\$755,000) or by other governments and organizations that subsidized certain programs with grants and contributions of approximately (\$2,585,000).

While the County increased property tax rates for 2005 by more than 5%, the taxable valuation decreased by 3.9%, resulting in an increase in property tax revenue of only \$24,000, or 1.3%, in 2005.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Wayne County completed the year, its governmental funds reported a combined fund balance of \$2.8 million, consistent with last year's total of \$2.7 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance decreased by approximately \$76,000 to \$180,107. While revenues increased approximately \$140,000, expenditures increased approximately \$158,000. The increase in revenues was primarily due to an increase in medicaid/medicare and interest revenues. The increase in expenditures was primarily due to the purchase of software and the addition of one nurse in the public health department.
- The balance in the Mental Health Fund decreased modestly by \$1,043. Revenues increased from FY04 by approximately \$150,000, primarily due to an increase in State funding. Expenditures increased approximately \$33,000 from FY04.
- The Rural Services Fund balance increased approximately \$22,000 over the prior year. Revenues decreased by approximately \$22,000 while expenditures decreased by approximately \$27,000.
- Secondary Roads Fund revenues remained consistent when compared to the prior year. Secondary Roads Fund expenditures increased by approximately \$265,000, or 13%, over the prior year, due primarily to an increase in roadway maintenance as the County continued to re-rock roads. The ending fund balance increased \$104,000 from the prior year to approximately \$1.4 million.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Wayne County amended its budget one time. The amendment was made in April 2005 to provide for additional expenditures in various departments and to hire an additional nurse in the public health department.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2005, Wayne County had approximately \$1.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$70,000, or 4%, over last year.

The County had depreciation expense of \$326,797 in FY05 and total accumulated depreciation of \$2,953,202 at June 30, 2005. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### **Long-Term Debt**

At June 30, 2005, Wayne County had \$49,014 in capital lease purchase agreements outstanding compared to \$36,228 at June 30, 2004. Additional information about the County's long-term debt is presented in Note 5 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Wayne County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Wayne County Board of Supervisors is committed to limiting expenditure increases and reducing funding to non-mandated programs to provide essential services for the citizens of Wayne County.

Budgeted disbursements in the FY 2006 operating budget are approximately \$6,113,000, an increase of 4 percent from the final FY 2005 budget. Wayne County added no new programs to the 2006 budget.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

## **Basic Financial Statements**

**Exhibit A**

Wayne County  
Statement of Net Assets  
June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 2,558,215
Other County officials	3,519
Receivables:	
Property tax:	
Delinquent	5,848
Succeeding year	2,078,000
Interest and penalty on property tax	14,028
Accounts	1,648
Accrued interest	1,550
Due from other governments	230,079
Inventories	109,001
Prepaid insurance	51,730
Capital assets (net of accumulated depreciation)	<u>1,904,320</u>
<b>Total assets</b>	<u>6,957,938</u>
<b>Liabilities</b>	
Accounts payable	52,560
Salaries and benefits payable	77,038
Due to other governments	60,432
Deferred revenue:	
Succeeding year property tax	2,078,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	30,575
Compensated absences	47,143
Portion due or payable after one year:	
Capital lease purchase agreements	18,439
Compensated absences	<u>20,612</u>
<b>Total liabilities</b>	<u>2,384,799</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,855,306
Restricted for:	
Supplemental levy purposes	401,750
Conservation purposes	558,375
Secondary roads purposes	1,337,966
Other purposes	18,932
Unrestricted	<u>400,810</u>
<b>Total net assets</b>	<u>\$ 4,573,139</u>

See notes to financial statements.

Wayne County  
Statement of Activities  
Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 668,780	35,027	35,945	55,725	(542,083)
Physical health and social services	541,419	393,523	134,815	-	(13,081)
Mental health	811,261	109,742	438,930	-	(262,589)
County environment and education	253,565	13,493	25,470	-	(214,602)
Roads and transportation	2,295,715	72,335	1,775,990	114,236	(333,154)
Governmental services to residents	178,703	108,626	3,519	-	(66,558)
Administration	642,473	21,468	-	-	(621,005)
Non-program	34,877	480	-	-	(34,397)
<b>Total</b>	<b>\$ 5,426,793</b>	<b>754,694</b>	<b>2,414,669</b>	<b>169,961</b>	<b>(2,087,469)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					1,915,784
Penalty and interest on property tax					40,404
State tax credits					135,956
Unrestricted investment earnings					43,481
Gain on sale of capital assets					11,573
Miscellaneous					25,540
<b>Total general revenues</b>					<b>2,172,738</b>
Change in net assets					85,269
Net assets beginning of year					4,487,870
Net assets end of year					<b>\$ 4,573,139</b>

See notes to financial statements.



Wayne County  
Balance Sheet  
Governmental Funds

June 30, 2005

	General	Special Revenue	
		Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 651,202	56,616	124,554
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	4,281	1,015	552
Succeeding year	1,089,000	254,000	710,000
Interest and penalty on property tax	14,028	-	-
Accounts	885	-	-
Accrued interest	-	-	-
Advances to other funds	-	-	510,000
Due from other governments	72,762	-	5,300
Inventories	-	-	-
Prepaid insurance	30,286	-	-
<b>Total assets</b>	<b>\$ 1,862,444</b>	<b>311,631</b>	<b>1,350,406</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 17,635	22,181	1,814
Salaries and benefits payable	25,868	8,555	2,299
Advances from other funds	510,000	-	-
Due to other governments	15,499	43,728	-
Deferred revenue:			
Succeeding year property tax	1,089,000	254,000	710,000
Other	24,335	1,015	552
Total liabilities	1,682,337	329,479	714,665
Fund balances:			
Reserved for:			
Supplemental levy purposes	400,684	-	1,264
Advances to other funds	-	-	510,000
Unreserved, reported in:			
General fund	(220,577)	-	-
Special revenue funds	-	(17,848)	124,477
Total fund balances	180,107	(17,848)	635,741
<b>Total liabilities and fund balances</b>	<b>\$ 1,862,444</b>	<b>311,631</b>	<b>1,350,406</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,150,091	575,752	2,558,215
-	3,519	3,519
-	-	5,848
-	25,000	2,078,000
-	-	14,028
75	688	1,648
-	1,550	1,550
-	-	510,000
152,017	-	230,079
109,001	-	109,001
21,444	-	51,730
<b>1,432,628</b>	<b>606,509</b>	<b>5,563,618</b>
6,728	4,202	52,560
40,316	-	77,038
-	-	510,000
1,205	-	60,432
-	25,000	2,078,000
-	-	25,902
<b>48,249</b>	<b>29,202</b>	<b>2,803,932</b>
-	-	401,948
-	-	510,000
-	-	(220,577)
<b>1,384,379</b>	<b>577,307</b>	<b>2,068,315</b>
<b>1,384,379</b>	<b>577,307</b>	<b>2,759,686</b>
<b>1,432,628</b>	<b>606,509</b>	<b>5,563,618</b>

**Wayne County**

Wayne County

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

June 30, 2005

**Total governmental fund balances (page 17)** \$ 2,759,686

***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$4,857,522 and the accumulated depreciation is \$2,953,202. 1,904,320

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 25,902

Long-term liabilities, including capital lease purchase agreements payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (116,769)

**Net assets of governmental activities (page 14)** \$ 4,573,139

See notes to financial statements.

Wayne County

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

Year ended June 30, 2005

	Special Revenue		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 996,801	236,272	688,073
Interest and penalty on property tax	39,013	-	-
Intergovernmental	586,391	456,757	92,390
Licenses and permits	-	-	3,635
Charges for service	152,037	99,433	-
Use of money and property	79,621	-	-
Miscellaneous	14,723	10,308	96
Total revenues	1,868,586	802,770	784,194
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	482,005	-	180,101
Physical health and social services	534,657	-	5,542
Mental health	-	803,813	-
County environment and education	159,800	-	93,902
Roads and transportation	-	-	-
Governmental services to residents	136,149	-	3,319
Administration	665,167	-	-
Non-program	34,584	-	-
Capital projects	-	-	-
Total expenditures	2,012,362	803,813	282,864
Excess (deficiency) of revenues over (under) expenditures	(143,776)	(1,043)	501,330
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	(479,000)
Capital lease purchase agreement	67,654	-	-
Total other financing sources (uses)	67,654	-	(479,000)
Net change in fund balances	(76,122)	(1,043)	22,330
Fund balances beginning of year	256,229	(16,805)	613,411
Fund balances end of year	\$ 180,107	(17,848)	635,741

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	-	1,921,146
-	-	39,013
1,788,514	8,392	2,932,444
820	-	4,455
-	7,070	258,540
-	17,174	96,795
71,515	5,347	101,989
1,860,849	37,983	5,354,382
-	2,049	664,155
-	-	540,199
-	-	803,813
-	29,691	283,393
2,134,371	-	2,134,371
-	31,730	171,198
-	-	665,167
-	291	34,875
101,800	434	102,234
2,236,171	64,195	5,399,405
(375,322)	(26,212)	(45,023)
479,000	-	479,000
-	-	(479,000)
-	-	67,654
479,000	-	67,654
103,678	(26,212)	22,631
1,280,701	603,519	2,737,055
1,384,379	577,307	2,759,686

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, 2005

**Net change in fund balances - Total governmental funds (page 21)** \$ 22,631

***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	\$ 215,633	
Capital assets contributed by the Iowa Department of Transportation and others	169,961	
Depreciation expense	<u>(326,797)</u>	58,797

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 11,573

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(5,362)	
Other	<u>(18,492)</u>	(23,854)

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

Issued	(67,654)	
Repaid	<u>54,868</u>	(12,786)

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 28,908

**Change in net assets of governmental activities (page 15)** \$ 85,269

See notes to financial statements.

Wayne County  
 Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2005

**Assets**

Cash and pooled investments:

County Treasurer	\$ 599,156
Other County officials	11,040

Receivables:

Property tax:	
Delinquent	27,894
Succeeding year	5,451,000
Accounts	7,274
Assessments	3,218

Prepaid insurance	50
<b>Total assets</b>	6,099,632

**Liabilities**

Accounts payable	3,552
Salaries and benefits payable	8,405
Due to other governments	6,075,547
Trusts payable	6,341
Compensated absences	5,787
<b>Total liabilities</b>	6,099,632

<b>Net assets</b>	\$ -
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See notes to financial statements.



Wayne County

Notes to Financial Statements

June 30, 2005

**(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, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, 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 that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

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

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Wayne County Assessor's Conference Board, Wayne County Emergency Management Commission and the Wayne County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Wayne, Ringgold and Decatur County Solid Waste Commission, Ten Fifteen Regional Transit Agency Board, South Iowa Area Crime Commission, Wayne County Development Corporation Board, Chariton Valley Rural Economic Development Incorporated Board, Southeast Iowa Case Management Board, Wayne County Empowerment Board, and Southeast Iowa Response Group.

#### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly

benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds 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 funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

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

The Secondary Roads Fund is used to account for secondary roads construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agency 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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 which is valued 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 deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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 in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land and buildings	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	2 - 10

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time and vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in two departments exceeded the amounts appropriated.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2005 the County had the following investments:

Investment Type	Fair Value	Investment Maturities (in years)	
		1-5	6-10
Federal Home Loan Bank (FHLB)	\$ 397,210	297,720	99,490
Federal National Mortgage Association (FNMA)	99,590	99,590	-
	<u>\$ 496,800</u>	<u>397,310</u>	<u>99,490</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,901,370 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk: The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk: The County's FNMA and FHLB investments at June 30, 2005 are rated Aaa by Moody's Investors service. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk: The County places no limit on the amount that may be invested in any one issuer. More than 5 percent of the County's investments are in the Federal Home Loan Bank. The County's investment in the Federal Home Loan Bank is 16.56 percent of the County's total investments.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 479,000

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, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land, road network	\$ 254,209	-	-	254,209
Construction in progress, road network	-	114,236	(114,236)	-
Total capital assets not being depreciated	254,209	114,236	(114,236)	254,209
Capital assets being depreciated:				
Buildings	765,480	-	-	765,480
Equipment and vehicles	3,369,668	298,158	(197,728)	3,470,098
Infrastructure, road network	253,499	114,236	-	367,735
Total capital assets being depreciated	4,388,647	412,394	(197,728)	4,603,313
Less accumulated depreciation for:				
Buildings	477,638	17,735	-	495,373
Equipment and vehicles	2,327,476	303,937	(182,501)	2,448,912
Infrastructure, road network	3,792	5,125	-	8,917
Total accumulated depreciation	2,808,906	326,797	(182,501)	2,953,202
Total capital assets being depreciated, net	1,579,741	85,597	(15,227)	1,650,111
Governmental activities capital assets, net	\$1,833,950	199,833	(129,463)	1,904,320

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 25,941
Physical health and social services	1,105
Mental health	6,882
County environment and education	17,300
Roads and transportation	259,616
Governmental services to residents	7,943
Administration	8,010
Total depreciation expense - governmental activities	<u>\$ 326,797</u>

**(5) Changes in Long-Term Liabilities**



A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Tractor Mower Capital Lease Purchase Agreement	Software Capital Lease Purchase Agreement	Compen- sated Absences	Total
Balance beginning of year	\$ 36,228	-	96,663	132,891
Increases	-	67,654	79,554	147,208
Decreases	23,499	31,369	108,462	163,330
Balance end of year	\$ 12,729	36,285	67,755	116,769
Due within one year	\$ 12,729	17,846	47,143	77,718

#### Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to purchase software and a tractor mower. The following is a schedule of the future minimum lease payments, including interest of 5.50% for the tractor mower and 6.4% for the software per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2005:

Year ending June 30,	Tractor Mower	Software	Total
2006	\$ 13,429	19,049	32,478
2007	-	19,050	19,050
Total minimum lease payments	13,429	38,099	51,528
Less amount representing interest	(700)	(1,814)	(2,514)
Present value of net minimum lease payments	\$ 12,729	36,285	49,014

Payments under capital lease purchase agreements totaled \$64,954 for the year ended June 30, 2005.

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 15,499
Special Revenue:		
Mental Health	Services	43,728
Secondary Roads	Services	1,205
		<u>44,933</u>
Total for governmental funds		<u>\$ 60,432</u>
Agency:		
County Assessor	Collections	\$ 243,467
Schools		3,632,850
Community Colleges		163,098
Corporations and Special Assessments		756,353
Townships		112,780
Auto License and Use Tax		110,670
County Hospital		760,090
All other		296,239
Total for agency funds		<u>\$ 6,075,547</u>

**(7) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the county contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$119,215, \$116,545 and \$116,814, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Wayne County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$101,879.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$50,000, 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.

**(9) Financial Condition**

The General Fund had an unreserved deficit fund balance of \$220,577 and the Special Revenue, Mental Health Fund had an unreserved deficit fund balance of \$17,848 at June 30, 2005. The County plans to eliminate these deficits by decreasing future expenditures in the General Fund and the Special Revenue, Mental Health Fund.

**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, 2005

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 1,921,146	-	1,921,146
Interest and penalty on property tax	39,013	-	39,013
Intergovernmental	2,962,146	-	2,962,146
Licenses and permits	4,590	-	4,590
Charges for service	272,550	-	272,550
Use of money and property	96,890	-	96,890
Miscellaneous	610,465	1,616	608,849
Total receipts	5,906,800	1,616	5,905,184
<b>Disbursements:</b>			
Public safety and legal services	660,965	2,049	658,916
Physical health and social services	542,708	-	542,708
Mental health	785,136	-	785,136
County environment and education	791,988	508,368	283,620
Roads and transportation	2,151,670	-	2,151,670
Governmental services to residents	168,156	-	168,156
Administration	596,372	-	596,372
Non-program	26,204	-	26,204
Capital projects	91,145	-	91,145
Total disbursements	5,814,344	510,417	5,303,927
Excess (deficiency) of receipts over (under) disbursements	92,456	(508,801)	601,257
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	92,456	(508,801)	601,257
Balance beginning of year	2,469,278	512,320	1,956,958
Balance end of year	\$ 2,561,734	3,519	2,558,215

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
1,928,197	1,928,197	(7,051)
30,300	30,300	8,713
2,462,852	2,469,664	492,482
4,960	4,960	(370)
296,530	424,944	(152,394)
50,060	50,060	46,830
171,570	679,970	(71,121)
<u>4,944,469</u>	<u>5,588,095</u>	<u>317,089</u>
753,245	756,715	97,799
523,854	620,471	77,763
746,581	806,037	20,901
288,461	306,723	23,103
2,185,700	2,185,700	34,030
217,138	253,138	84,982
608,876	608,876	12,504
54,200	56,700	30,496
281,200	281,200	190,055
<u>5,659,255</u>	<u>5,875,560</u>	<u>571,633</u>
(714,786)	(287,465)	888,722
11,670	11,670	(11,670)
(703,116)	(275,795)	877,052
<u>1,226,380</u>	<u>1,226,380</u>	<u>730,578</u>
<u>523,264</u>	<u>950,585</u>	<u>1,607,630</u>



Wayne County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,906,800	(552,418)	5,354,382
Expenditures	5,814,344	(414,939)	5,399,405
Net	92,456	(137,479)	(45,023)
Other financing sources, net	-	67,654	67,654
Beginning fund balances, as restated	2,469,278	267,777	2,737,055
Ending fund balances	\$ 2,561,734	197,952	2,759,686

See accompanying independent auditor's report.

Wayne County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except 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 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$216,305. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted by function. However, during the year ended June 30, 2005, disbursements in two departments exceeded the amounts appropriated.

**Wayne County**

**Other Supplementary Information**

Wayne County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Wetlands
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ 4,534	10,997	20,490	8,567
Other County officials	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Succeeding year property tax	-	-	-	-
<b>Total assets</b>	<b>\$ 4,534</b>	<b>10,997</b>	<b>20,490</b>	<b>8,567</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	3,380	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Total liabilities	-	3,380	-	-
Fund equity:				
Unreserved fund balances	4,534	7,617	20,490	8,567
<b>Total liabilities and fund equity</b>	<b>\$ 4,534</b>	<b>\$ 10,997</b>	<b>\$ 20,490</b>	<b>\$ 8,567</b>

See accompanying independent auditor's report.

Special Revenue								
Bobwhite State Park	Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Foreiture	Conservation Land Acquisition	Debt Service	Total	
4,277	511,925	-	-	3,262	11,700	-	575,752	
-	-	1,449	2,070	-	-	-	3,519	
688	-	-	-	-	-	-	688	
-	1,550	-	-	-	-	-	1,550	
-	-	-	-	-	-	25,000	25,000	
4,965	513,475	1,449	2,070	3,262	11,700	25,000	606,509	
822	-	-	-	-	-	-	4,202	
-	-	-	-	-	-	25,000	25,000	
822	-	-	-	-	-	25,000	29,202	
4,143	513,475	1,449	2,070	3,262	11,700	-	577,307	
4,965	513,475	1,449	2,070	3,262	11,700	25,000	606,509	

Wayne County

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

Year ended June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Wetlands
Revenues:				
Intergovernmental	\$ -	-	8,392	-
Charges for service	1,698	-	-	-
Use of money and property	89	377	217	-
Miscellaneous	-	-	-	-
Total revenues	1,787	377	8,609	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	-	12,000
Governmental services to residents	2,035	29,695	-	-
Non-program	-	-	-	-
Capital projects	-	-	-	434
Total expenditures	2,035	29,695	-	12,434
Excess (deficiency) of revenues over (under) expenditures	(248)	(29,318)	8,609	(12,434)
Fund balances beginning of year	4,782	36,935	11,881	21,001
Fund balances end of year	\$ 4,534	7,617	20,490	8,567

See accompanying independent auditor's report.

Special Revenue							
Bobwhite State Park	Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Forfeiture	Conservation Land Acquisition		Total
-	-	-	-	-	-		8,392
5,372	-	-	-	-	-		7,070
-	16,300	-	-	-	191		17,174
124	-	146	1,470	3,262	345		5,347
5,496	16,300	146	1,470	3,262	536		37,983
-	-	36	2,013	-	-		2,049
6,266	11,425	-	-	-	-		29,691
-	-	-	-	-	-		31,730
-	291	-	-	-	-		291
-	-	-	-	-	-		434
6,266	11,716	36	2,013	-	-		64,195
(770)	4,584	110	(543)	3,262	536		(26,212)
4,913	508,891	1,339	2,613	-	11,164		603,519
4,143	513,475	1,449	2,070	3,262	11,700		577,307



Wayne County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	1,305	127,998	77,160
Other County officials	11,040	-	-	-
Receivables:				
Property tax:				
Delinquent	-	242	464	13,690
Succeeding year	-	58,000	121,000	3,542,000
Accounts	-	-	-	-
Assessments	-	-	-	-
Prepaid insurance	-	-	50	-
<b>Total assets</b>	<b>\$ 11,040</b>	<b>59,547</b>	<b>249,512</b>	<b>3,632,850</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	258	-
Due to other governments	4,699	59,547	243,467	3,632,850
Trusts payable	6,341	-	-	-
Compensated absences	-	-	5,787	-
<b>Total liabilities</b>	<b>\$ 11,040</b>	<b>59,547</b>	<b>249,512</b>	<b>3,632,850</b>

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
3,456	24,383	2,666	110,670	16,103	235,415	599,156
-	-	-	-	-	-	11,040
642	9,752	114	-	2,987	3	27,894
159,000	719,000	110,000	-	741,000	1,000	5,451,000
-	-	-	-	-	7,274	7,274
-	3,218	-	-	-	-	3,218
-	-	-	-	-	-	50
<b>163,098</b>	<b>756,353</b>	<b>112,780</b>	<b>110,670</b>	<b>760,090</b>	<b>243,692</b>	<b>6,099,632</b>
-	-	-	-	-	3,552	3,552
-	-	-	-	-	8,147	8,405
163,098	756,353	112,780	110,670	760,090	231,993	6,075,547
-	-	-	-	-	-	6,341
-	-	-	-	-	-	5,787
<b>163,098</b>	<b>756,353</b>	<b>112,780</b>	<b>110,670</b>	<b>760,090</b>	<b>243,692</b>	<b>6,099,632</b>

Wayne County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 9,212	61,473	235,429	3,627,871
Additions:				
Property and other county tax	-	54,228	112,732	3,294,459
E911 surcharge	-	-	-	-
State tax credits	-	4,252	8,147	248,349
Drivers license fees	-	-	-	-
Office fees and collections	190,212	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Trusts	192,165	-	-	-
Miscellaneous	-	-	176	-
Total additions	382,377	58,480	121,055	3,542,808
Deductions:				
Agency remittances:				
To other funds	122,349	-	-	-
To other governments	78,250	60,406	106,972	3,537,829
Trusts paid out	179,950	-	-	-
Total deductions	380,549	60,406	106,972	3,537,829
Balances end of year	\$ 11,040	59,547	249,512	3,632,850

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
164,403	745,567	134,105	117,438	763,155	238,299	6,096,952
147,575	655,322	101,034	-	689,251	802	5,055,403
-	-	-	-	-	31,643	31,643
11,235	73,905	7,836	-	52,477	61	406,262
-	-	-	-	-	35,193	35,193
-	-	-	-	-	-	190,212
-	-	-	1,312,516	-	-	1,312,516
-	-	-	-	-	125,951	318,116
-	3	-	-	-	198,643	198,822
158,810	729,230	108,870	1,312,516	741,728	392,293	7,548,167
-	-	-	44,480	-	-	166,829
160,115	718,444	130,195	1,274,804	744,793	386,900	7,198,708
-	-	-	-	-	-	179,950
160,115	718,444	130,195	1,319,284	744,793	386,900	7,545,487
163,098	756,353	112,780	110,670	760,090	243,692	6,099,632

**Schedule 5**

## Wayne County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
<b>Revenues:</b>					
Property and other county tax	\$ 1,921,146	1,886,630	1,909,597	1,917,364	2,061,493
Interest and penalty on property tax	39,013	31,256	33,296	32,833	30,329
Intergovernmental	2,932,444	2,728,114	2,509,435	2,628,927	2,705,893
Licenses and permits	4,455	3,110	3,470	4,340	3,380
Charges for service	258,540	286,578	243,145	254,266	309,704
Use of money and property	96,795	50,929	57,569	63,847	139,244
Miscellaneous	101,989	618,739	143,782	128,498	31,891
Total	\$ 5,354,382	5,605,356	4,900,294	5,030,075	5,281,934
<b>Expenditures:</b>					
Operating:					
Public safety and legal services	\$ 664,155	654,496	663,662	675,716	544,095
Physical health and social services	540,199	506,947	527,257	446,912	432,350
Mental health	803,813	770,381	848,038	789,342	670,637
County environment and education	283,393	341,574	267,999	261,827	241,607
Roads and transportation	2,134,371	1,886,025	1,916,921	1,931,912	2,041,994
Governmental services to residents	171,198	140,185	136,866	125,352	114,128
Administration	665,167	536,846	518,242	473,438	428,470
Non-program	34,875	32,897	38,248	48,340	112,193
Debt service	-	-	-	65,528	65,527
Capital projects	102,234	98,469	131,915	151,487	289,535
Total	\$ 5,399,405	4,967,820	5,049,148	4,969,854	4,940,536

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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

To the Officials of Wayne County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 26, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Wayne County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

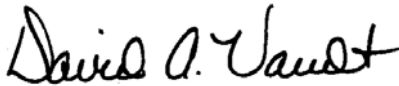
Compliance and Other Matters

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 that are described in the accompanying Schedule of Findings.

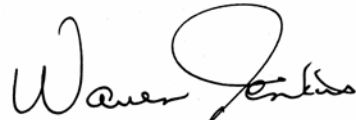
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wayne County and other parties to whom Wayne County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wayne County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 26, 2006

Wayne County  
Schedule of Findings  
Year ended June 30, 2005

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

	<hr/> Applicable Offices <hr/>
(1) Incoming mail is opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received and then forward the documents to the accounting personnel for processing. The listing of cash and checks received was not compared to the cash receipt records by an independent person.	Sheriff, Recorder, Secondary Roads, Public Health Nurse and Conservation
(2) Prenumbered receipts were issued for collections received directly from individuals (sheriff trust account, county fees, commissary and others). However, the prenumbered receipts were not compared to the amount deposited by an independent person.	Sheriff
(3) Collection and deposit preparation functions were not performed by an individual who does not record and account for cash receipts.	Public Health Nurse, Recorder and Conservation (except recording)
(4) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. As a compensating control, bank reconciliations could be reviewed monthly by an independent person for propriety. The independent review should be evidenced by the reviewer's initials or signature and date of review.	Sheriff and Recorder



Wayne County

Schedule of Findings

Year ended June 30, 2005

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

Sheriff – The Sheriff's Office will look into having an independent person check the initial listing against receipt records. Review will be made of procedure and the office will obtain the maximum internal control possible under the circumstances to compare the receipts with deposits. The office is currently reviewing bank reconciliations monthly at the time the monthly report to the Wayne County Board of Supervisors is completed. The Sheriff will initial and date the bank statement at the time of review to certify the review.

Public Health Nurse – Beginning February 1, 2005, clerical staff began to log-in all moneys received and the Business Manager began to log-in all deposits. Beginning March 1, 2005, a monthly report of each was submitted to the Administrator to review receipts against deposits to maintain internal control.

Secondary Roads – Currently the person opening incoming mail and receiving direct payments to Secondary Roads is not authorized to make entries in the accounting record. I will consult with the Treasurer's office to establish procedures necessary to affect an independent review and verification of monies received directly by my office.

Recorder – With limited staff, it is virtually impossible to do more than we are already doing. We will look into reorganizing our procedures to obtain maximum internal control.

Conservation – The Conservation has a full time staff of two individuals both of which share the duties of opening mail and preparing lists to be turned into the Wayne County Treasurer for deposit. This leaves no independent person in the organization to compare cash receipt records. The Conservation will try designating one person to open mail and prepare deposit and one person to compare receipts to records.

Conclusion – Responses accepted. The Conservation department should consider utilizing other County personnel to provide additional control through review of financial transactions and cash receipt records.

- (B) Capital Assets – A physical observation of capital assets has not been performed periodically and reconciled to the detailed capital asset records by employees having no responsibility for the assets.

Recommendation – Capital assets should be tested periodically and reconciled to the detailed capital asset records by employees having no responsibility for the assets.

Response – In reviewing the recommendation it was determined that the Board of Supervisors would review the assets, document their findings and file their findings in the Auditor's Office. The Board approves all capital assets purchased.

Conclusion – Response accepted.

Wayne County

Schedule of Findings

Year ended June 30, 2005

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

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

Response – The recommendation is taken under advisement but no changes are foreseen at this time in the current procedure.

Conclusion – Response acknowledged. Commissary profits should be remitted to the County Treasurer as recommended. All expenditures of these funds should be paid by claims approved by the Board of Supervisors and reflected in the County's accounting records and financial reports.

- (D) Public Health Nurse – Accounts receivable listings were not maintained and monthly reconciliations of nursing service billings and collections were not prepared for eight of twelve months.

Recommendation – Accounts receivable listings should be maintained and a reconciliation of nursing service billings and collections should be prepared monthly.

Response – We have started this procedure at the end of FY05 and will continue during FY06.

Conclusion – Response accepted.

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

The County Engineer approved a vacation payout of \$28,462 to a Secondary roads employee for vacation accrued in excess of that allowed per the County employee handbook and the secondary roads union agreement. This payout was not approved by the Board of Supervisors.

Salaried personnel of the County Engineer's office do not prepare and file timesheets.

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

Wayne County

Schedule of Findings

Year ended June 30, 2005

The Board should ensure vacation hours paid are in accordance with County policy. The Board should review and determine the propriety of the vacation payout and, if appropriate, seek reimbursement. Future vacation payouts should be in accordance with County policy and should be approved by the Board.

Except for elected officials, timesheets should be prepared by all personnel in all departments, salaried as well as hourly, and should be submitted to the County Auditor's office prior to the processing of payroll each pay period. The timesheets should be signed by the employee and should be reviewed and signed by the employee's immediate supervisor or the County officer or department head prior to submission. The timesheets should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours, and personal days.

Response – Employee's vacation accrual is monitored each pay period and if it appears excess hours will accrue, the employee is informed that excess accrued vacation hours are subject to forfeiture.

The Board has contacted the County Attorney regarding the vacation payout and will wait for his recommendation.

The County Engineer will consult an attorney and request an opinion on federal, state and local statutes and administrative rules relevant to the issue of exempt employee time accounting and reporting.

Conclusion – Response accepted.

- (F) Credit Cards – The County has credit cards for use by various employees while on County business. The County does not have a written policy regarding use of these credit cards.

Recommendation – The Board should adopt a written policy governing the use of County owned credit cards. The policy should specify the individuals who are authorized to use the cards and should include the types of expenses allowed to be charged. The policy should also specify the documentation required to be submitted to support the expense incurred and to allow authorization for payment. Board policy should prohibit the use of County owned credit cards for personal expenses.

Response – The Board approved and adopted a policy effective July 1, 2005 and will make this policy part of the Employee Handbook.

Conclusion – Response accepted.

- (G) Electronic Data Processing Systems – The County does not have written policies for:
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
  - Requiring passwords remain confidential between department heads and staff.
  - Requiring all passwords to be a minimum of six characters.

The County does not have a lockout function in place if an incorrect password is entered multiple times. Also, the County does not have a written disaster recovery plan.

Wayne County

Schedule of Findings

Year ended June 30, 2005

Recommendation – The County should develop written policies addressing the above items and a lockout function should be in place in order to improve the County's control over computer based systems. A disaster recovery plan should be developed.

Response – We will contact our software provider and see if we can implement log-ins and passwords.

Conclusion – Response acknowledged. However, the County should also work with the software vendor to establish a lock out function and should develop a written disaster recovery plan.

- (H) Cell Phone Policy – The County does not have a written policy regarding personal use of a cell phone.

Recommendation – The Board should adopt a written policy regarding personal use of a county cell phone.

Response – The Board approved and adopted a policy effective July 1, 2005. This policy has become part of the Employee Handbook.

Conclusion – Response accepted.

- (I) Lease Payments – The County budgeted and recorded payments on long-term leases to the roads and transportation and administration functions. In accordance with the Uniform Chart of Accounts for Counties, long-term lease payments are more appropriately budgeted and paid from the debt service function.

Recommendation – The County should budget and record payments on long-term leases as debt service function expenditures in accordance with the Uniform Chart of Accounts for Counties.

Response – We will budget and code payments on lease purchase out of the debt service function in the future.

Conclusion – Response accepted.

- (J) Bank Signature Card – The bank signature card for a Group Home account included the name of a former employee.

Recommendation – Bank signature cards should be updated to reflect current employees.

Response – The County Group Home contacted the bank January 20, 2006 to have the former employee removed from signature card.

Conclusion – Response accepted.

Wayne County

Schedule of Findings

Year ended June 30, 2005

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.

During the year ended June 30, 2005, disbursements in two departments exceeded the amounts appropriated.

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 – We will continue to watch this so that it does not happen in the upcoming years.

Conclusion – Response accepted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dale Housh, Conservation Board Member, owner of Lockridge, Inc.	Supplies and repairs - Conservation Department	\$ 15,484
	Supplies and repairs - Secondary Roads Department	<u>2,813</u>
		<u>\$ 18,297</u>

Recommendation – The transactions with the Conservation Department may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa since the transactions were not competitively bid. In accordance with Chapter 331.342(4) of

Wayne County

Schedule of Findings

Year ended June 30, 2005

the Code of Iowa, the transactions with the Secondary Roads Department do not appear to represent a conflict of interest since the Conservation Director's employment is not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contract.

The County should consult legal counsel to determine the disposition of the Conservation Department transactions.

Response – We have adopted a policy and resolution that the Conservation Board must take bids on all work and large amounts of supplies if they are to use County tax dollars and we are going to visit with them about using other suppliers.

Conclusion – Response acknowledged. The County should consult legal counsel to determine the disposition of the Conservation Department transactions during the year ended June 30, 2005.

- (6) 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.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) 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.
- (9) 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).
- (10) Financial Condition – Although the General Fund and the Mental Health Fund both had a positive cash balance at June 30, 2005, on a modified accrual basis, an unreserved fund balance deficit of \$220,577 was reported in the General Fund and an unreserved fund balance deficit of \$17,848 was reported in the Mental Health Fund.

During fiscal 1998, the Board approved a \$550,000 interfund loan from the Special Revenue, Rural Services Fund to the General Fund. The Board has not established a formal repayment schedule for the loan and, at June 30, 2005, \$510,000 remains outstanding on the loan. In accordance with Chapter 331.432 of the Code of Iowa, it is unlawful to make permanent transfers of money between the General Fund and the Rural Services Fund.

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other county funds or other formal short-term debt instruments or obligations. The County should continue to investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Wayne County

Schedule of Findings

Year ended June 30, 2005

The Board of Supervisors should approve a formal repayment schedule to repay the interfund loan between the Rural Services Fund and the General Fund.

Response – We have approved and adopted a resolution including a payment schedule to repay the Rural Service Fund from the General Basic Fund.

Conclusion – Response accepted.

- (11) Overpayment of Salaries – Salaried employees were paid compensation, including benefits, totaling \$33,204 in excess of authorized amounts. The overpayment was the result of an error in calculating bi-weekly payroll amounts and the timing of issuing payroll warrants. The County wrote payroll warrants on June 30, 2005 instead of the scheduled pay date of July 1, 2005. This created 27 pay periods and pay checks in fiscal year 2005. However, authorized bi-weekly pay for each salaried employee was calculated based on 26 pay periods, thereby causing the County to exceed the authorized salary amounts by one pay period.

For elected officials and deputies, this overpayment violates chapter 331.904(1) of the Code of Iowa.

Recommendation – The County should consult legal counsel to determine the disposition of this matter, including seeking reimbursement for the overpayment.

Response – The Board has contacted the County Attorney and will wait for his recommendation.

Conclusion – Response accepted.

- (12) County Vehicles – One employee of the County Engineer's Office uses a county vehicle to commute between work and home. The County did not include the taxable portion of the vehicle usage in the employee's income.

Recommendation – The County should ensure compliance with Internal Revenue Service regulations regarding taxability of personal use of certain County provided vehicles.

Response – The County Engineer has provided us with an IRS ruling on this vehicle and based on the ruling, we will not include this as a benefit to that employee.

Conclusion – Response accepted.

- (13) Inmate Room and Board – Records are not maintained to document compliance with Chapter 356.7(5) of the Code of Iowa regarding the proper recording and use of inmate room and board monies.

Recommendation – Records should be maintained to document compliance with Chapter 356.7(5) of the Code of Iowa.

Response - Records are not available to document the disbursement of those funds from the Wayne County Treasurer for expenses authorized by the Code of Iowa Chapter 356.7(5). A system will be developed with the cooperation and assistance of

Wayne County

Schedule of Findings

Year ended June 30, 2005

the Wayne County Sheriff, Wayne County Treasurer, Wayne County Auditor and the Wayne County Board of Supervisors to comply with the statutory requirements that sixty percent of the collections be spent on authorized expenses so noted in the Code of Iowa Chapter 356.7(5).

Conclusion – Response accepted.

- (14) Lease-Purchase Agreement – During the year ended June 30, 2005, the Board of Supervisors authorized a lease purchase agreement in accordance with Chapter 331.301(10) for \$50,000. However, the actual lease purchase agreement entered into was for \$67,754, \$17,754 more than the amount presented during the public hearing.

Recommendation – The Board should not authorize lease purchase agreements or other debt in amounts greater than presented to the public during the public hearing on the proposal to issue the debt.

Response – The Board will authorize the exact amount of future leases as stated in the public hearing.

Conclusion – Response accepted.

- (15) Electronically Retained Checks – Chapter 554D.114(5) 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 County Group Home retains cancelled checks through electronic image, but did not obtain an image of the back of cancelled checks as required.

Recommendation – The County Group Home should obtain and retain an image of both the front and the back of each cancelled check as required.

Response – The County Group Home will contact the bank to have both sides of the checks scanned.

Conclusion – Response accepted.

- (16) 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, 2005 for the County Extension Office did not exceed the amount budgeted.



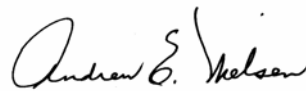
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Wayne County

Staff

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