



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

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NEWS RELEASE

FOR RELEASE

May 13, 2008

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 \$7,271,782 for the year ended June 30, 2007, which included \$551,408 in tax credits from the state. The County forwarded \$5,129,078 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,142,704 of the local tax revenue to finance County operations, a three percent increase over the prior year. Other revenues included charges for service of \$821,864, operating grants, contributions and restricted interest of \$2,646,005, capital grants, contributions and restricted interest of \$496,084, unrestricted investment earnings of \$105,109 and other general revenues of \$62,097.

Expenses for County operations totaled \$5,850,584, a one percent increase over the prior year. Expenses included \$2,567,411 for roads and transportation, \$758,637 for mental health and \$732,212 for public safety and legal services.

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

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WAYNE COUNTY

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

JUNE 30, 2007

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Wayne County

Officials

(Before January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Amy Sinclair	Board of Supervisors	Jan 2009
Donald Greenlee	Board of Supervisors	Jan 2011
Jerry O'Dell	Board of Supervisors	Jan 2011
Sue Ruble	County Auditor	Jan 2009
Kim Swearingin	County Treasurer	Jan 2011
Angie Horton	County Recorder	Jan 2011
Keith Davis	County Sheriff	Jan 2009
Alan Wilson	County Attorney	Jan 2011
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, 2007, 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, 2007, 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 April 11, 2008 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 36 through 39 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 six years ended June 30, 2006 (which are not presented herein). We expressed unqualified opinions on the financial statements for the three years ended June 30, 2006. 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 on the financial statements for the two years ended June 30, 2002 due to the omission of the materials and supplies inventories and the general fixed assets account group. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 11, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wayne County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 19.2%, or approximately \$1.5 million, from fiscal 2006 to fiscal 2007 due to a decrease in capital grants and contributions of approximately \$1,548,000.
- Program expenses of the County's governmental activities were 1.0%, or approximately \$58,000, more in fiscal 2007 than in fiscal 2006.
- The County's net assets increased 6.5%, or approximately \$423,000, from June 30, 2006 to June 30, 2007.

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 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 FY07 total approximately \$7.0 million. This compares to FY06 at \$6.5 million. The analysis that follow focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2007	2006
Current and other assets	\$ 5,054	5,065
Capital assets	4,232	3,920
Total assets	<u>9,286</u>	<u>8,985</u>
Long-term liabilities	86	49
Other liabilities	2,235	2,394
Total liabilities	<u>2,321</u>	<u>2,443</u>
Net assets:		
Invested in capital assets	4,232	3,920
Restricted	2,091	2,070
Unrestricted	642	552
Total net assets	<u>\$ 6,965</u>	<u>6,542</u>

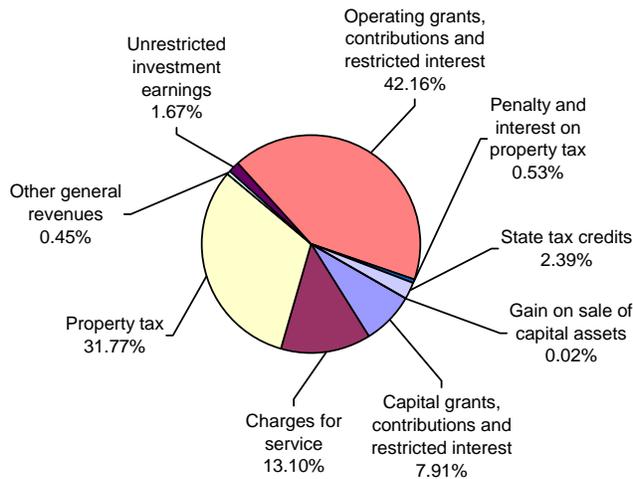
Net assets of Wayne County's governmental activities increased 6.5% (\$7.0 million compared to \$6.5 million). The largest portion of the County's net assets is invested in capital assets (e.g., infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased 16.3%, or from approximately \$552,000 to approximately \$642,000.

The increase of approximately \$312,000 in invested in capital assets was due to an increase in road infrastructure during the fiscal year. Unrestricted net assets increased approximately \$90,000, or 16.3%, primarily due to a decrease in the deficit unreserved fund balance in the General Fund.

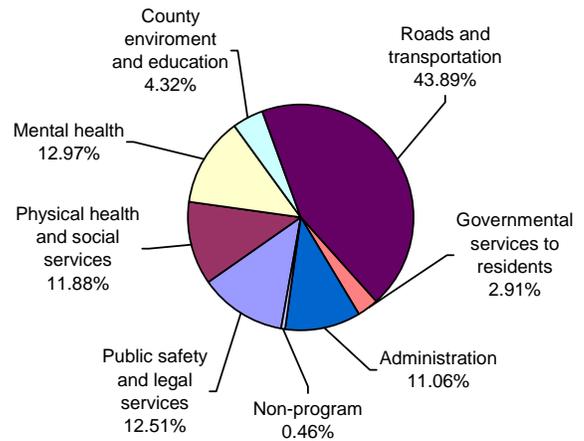
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 822	950
Operating grants, contributions and restricted interest	2,646	2,515
Capital grants, contributions and restricted interest	496	2,044
General revenues:		
Property tax	1,993	1,928
Penalty and interest on property tax	33	37
State tax credits	150	142
Unrestricted investment earnings	105	92
Gain on sale of capital assets	1	-
Other general revenues	28	54
Total revenues	6,274	7,762
Program expenses:		
Public safety and legal services	732	676
Physical health and social services	695	681
Mental health	759	778
County environment and education	253	270
Roads and transportation	2,568	2,494
Governmental services to residents	170	283
Administration	647	580
Non-program	27	31
Total expenses	5,851	5,793
Increase in net assets	423	1,969
Net assets beginning of year	6,542	4,573
Net assets end of year	\$ 6,965	6,542

Revenue by Source



Expenses by Program



Revenues for governmental activities decreased approximately \$1.5 million from the prior year, with capital grants and contributions decreasing approximately \$1,548,000. The decrease in capital grants and contributions was primarily due to a decrease in capital contributions for infrastructure assets. Overall, property tax revenue increased approximately \$65,000, or 3.4%.

The cost of all governmental activities this year was \$5.9 million compared to \$5.8 million last year, a 1.0% increase. However, as shown in the Statement of Activities on page 15, the amount taxpayers ultimately financed for these activities was only \$1.9 million because some of the cost was paid by those directly benefited from the programs (approximately \$822,000) or by other governments and organizations that subsidized certain programs with grants and contributions of approximately \$3,142,000.

INDIVIDUAL MAJOR FUND ANALYSIS

As Wayne County completed the year, its governmental funds reported a combined fund balance of \$2.8 million, an increase of more than \$155,000 above last year's total of \$2.6 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance increased \$107,639, or 59.9%, to \$287,383. Revenues decreased \$21,928, or 1.0%, and expenditures decreased \$70,736, or 3.2%. The decrease in expenditures was primarily due to a decrease in governmental services to residents for the purchase of election equipment in the prior year.
- The balance in the Mental Health Fund increased \$32,942 over the prior year. Revenues decreased 1.0% and expenditures decreased 1.9% from FY06. The County closed the County Care Facility in April 2007.
- The Rural Services Fund balance decreased \$4,404 from the prior year. Revenues increased \$8,521 while expenditures increased \$95,091. The increases in expenditures was primarily due to increases in the public safety and legal services function for a new patrol vehicle and an additional deputy and increases in the county environment and education function for additional solid waste disposal costs.
- The Secondary Roads Fund balance increased \$93,554, or 7.7%, to \$1,303,615. Revenues increased \$93,019 over the prior year while expenditures decreased \$246,043, or 9.7%, from the prior year. The increase in revenues was due to receiving reimbursements for projects from Southern Iowa Development. Expenditures decreased due to fewer local projects and equipment purchases during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wayne County amended its budget three times. The first two amendments were made in August and December and increased budgeted disbursements in the county environment and education function \$100,000 and \$20,000, respectively, for park improvements. The final amendment was made in May and increased budgeted disbursements in the physical health and social services function \$128,799 for the Board of Health.

The County's receipts were \$241,860 more than budgeted, a variance of 4.4%. The most significant variances resulted from the County receiving more interest than anticipated and receiving intergovernmental receipts for project reimbursements from Southern Iowa Development which were not included in the County's budget.

Total disbursements were \$492,819 less than the amended budget. Actual disbursements for physical health and social services, governmental services to residents, administration and capital projects were \$92,129, \$81,634, \$97,483 and \$275,999, respectively, less than budgeted.

This was primarily due to less spent than anticipated in the following areas: health administration, welfare services, children and family and services and chemical dependency services, elections administration, general services, data processing services and road projects.

Even with the budget amendments, the County exceeded the budgeted amounts in the mental health and roads and transportation functions for the year ended June 30, 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Wayne County had approximately \$4.2 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 \$312,000, or 8.0%, over last year. This increase was due to an increase in road infrastructure.

The County had depreciation expense of \$336,127 in FY07 and total accumulated depreciation of \$3,426,819 at June 30, 2007. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

During the year, the County entered into a capital lease purchase agreement for computer software. The balance of the agreement at June 30, 2007 is \$29,761. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Wayne County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Wayne County Board of Supervisors is committed to limiting expenditure increases and reducing funding to non-mandated programs to provide essential services for the citizens of Wayne County.

The fiscal year 2008 county-wide levy increased 2.5%, from \$6.60422 per \$1,000 taxable valuation to \$6.76972 per \$1,000 taxable valuation, while the rural services levy decreased less than 1%, from \$4.21287 per \$1,000 taxable valuation to \$4.18515 per \$1,000 taxable valuation. The fiscal year 2008 taxable valuations increased 1.4% for incorporated areas and 1.6% for rural areas.

Budgeted disbursements in the FY 2008 operating budget are \$6,447,219, an increase of 4.3% from the final FY 2007 budget. Wayne County added no new programs to the 2008 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, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments:	
County Treasurer	\$ 2,528,213
Other County officials	4,521
Receivables:	
Property tax:	
Delinquent	6,315
Succeeding year	2,062,000
Interest and penalty on property tax	15,455
Accounts	6,935
Due from other governments	266,095
Inventories	110,167
Prepaid insurance	54,126
Capital assets (net of accumulated depreciation)	<u>4,232,180</u>
Total assets	<u>9,286,007</u>
Liabilities	
Accounts payable	69,269
Salaries and benefits payable	22,392
Due to other governments	81,568
Deferred revenue:	
Succeeding year property tax	2,062,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	56,069
Capital lease purchase agreement	<u>29,761</u>
Total liabilities	<u>2,321,059</u>
Net Assets	
Invested in capital assets	4,232,180
Restricted for:	
Supplemental levy purposes	296,276
Mental health purposes	39,270
Conservation purposes	471,942
Secondary roads purposes	1,263,850
Debt service	10,090
Other purposes	9,437
Unrestricted	<u>641,903</u>
Total net assets	<u>\$ 6,964,948</u>

See notes to financial statements.

Wayne County

Statement of Activities

Year ended June 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 732,212	47,032	43,664	-	(641,516)
Physical health and social services	694,899	527,883	168,819	-	1,803
Mental health	758,637	74,106	458,578	-	(225,953)
County environment and education	252,996	16,458	30,919	-	(205,619)
Roads and transportation	2,567,411	23,925	1,939,174	496,084	(108,228)
Governmental services to residents	170,115	119,854	4,851	-	(45,410)
Administration	646,962	12,606	-	-	(634,356)
Non-program	27,352	-	-	-	(27,352)
Total	\$ 5,850,584	821,864	2,646,005	496,084	(1,886,631)
General Revenues:					
Property and other county tax levied for:					
General purposes					1,970,053
Debt service					23,198
Penalty and interest on property tax					32,670
State tax credits					149,453
Gain on sale of capital assets					1,154
Unrestricted investment earnings					105,109
Miscellaneous					28,273
Total general revenues					2,309,910
Change in net assets					423,279
Net assets beginning of year					6,541,669
Net assets end of year					\$ 6,964,948

See notes to financial statements.

Wayne County
Balance Sheet
Governmental Funds

June 30, 2007

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments:			
County Treasurer	\$ 678,814	128,673	170,262
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	4,061	890	1,277
Succeeding year	1,132,000	237,000	669,000
Interest and penalty on property tax	15,455	-	-
Accounts	1,800	-	-
Advances from other funds	-	-	495,000
Due from other governments	113,159	1,309	-
Inventories	-	-	-
Prepaid insurance	31,939	-	-
Total assets	\$ 1,977,228	367,872	1,335,539
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 14,263	17,636	988
Salaries and benefits payable	8,535	920	573
Advance to other funds	495,000	-	-
Due to other governments	10,745	70,465	-
Deferred revenue:			
Succeeding year property tax	1,132,000	237,000	669,000
Other	29,302	890	1,277
Total liabilities	1,689,845	326,911	671,838
Fund balances:			
Reserved for:			
Supplemental levy purposes	296,006	-	155
Advances to other funds	-	-	495,000
Debt service	-	-	-
Unreserved, reported in:			
General fund	(8,623)	-	-
Special revenue funds	-	40,961	168,546
Total fund balances	287,383	40,961	663,701
Total liabilities and fund balances	\$ 1,977,228	367,872	1,335,539

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,059,342	491,122	2,528,213
-	4,521	4,521
-	87	6,315
-	24,000	2,062,000
-	-	15,455
4,508	627	6,935
-	-	495,000
150,216	1,411	266,095
110,167	-	110,167
22,187	-	54,126
1,346,420	521,768	5,548,827
30,083	6,299	69,269
12,364	-	22,392
-	-	495,000
358	-	81,568
-	24,000	2,062,000
-	87	31,556
42,805	30,386	2,761,785
-	-	296,161
-	-	495,000
-	10,003	10,003
-	-	(8,623)
1,303,615	481,379	1,994,501
1,303,615	491,382	2,787,042
1,346,420	521,768	5,548,827

Wayne County

Wayne County

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

June 30, 2007

Total governmental fund balances (page 17) \$ 2,787,042

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 \$7,658,999 and the accumulated depreciation is \$3,426,819. 4,232,180

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 31,556

Long-term liabilities, including a capital lease purchase agreement payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (85,830)

Net assets of governmental activities (page 14) \$ 6,964,948

See notes to financial statements.

Wayne County

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

Year ended June 30, 2007

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,075,310	235,714	659,351
Interest and penalty on property tax	35,881	-	-
Intergovernmental	750,242	476,846	92,309
Licenses and permits	-	-	2,491
Charges for service	186,657	66,196	-
Use of money and property	123,500	-	-
Miscellaneous	37,344	8,010	1,565
Total revenues	2,208,934	786,766	755,716
Expenditures:			
Operating:			
Public safety and legal services	519,548	-	213,481
Physical health and social services	681,313	-	12,793
Mental health	-	753,824	-
County environment and education	125,099	-	103,804
Roads and transportation	-	-	-
Governmental services to residents	159,828	-	3,360
Administration	659,251	-	-
Non-program	27,352	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	2,172,391	753,824	333,438
Excess (deficiency) of revenues over (under) expenditures	36,543	32,942	422,278
Other financing sources (uses):			
Sale of capital assets	5,910	-	-
Capital lease purchase agreement	65,186	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	(426,682)
Total other financing sources (uses)	71,096	-	(426,682)
Net change in fund balances	107,639	32,942	(4,404)
Fund balances beginning of year	179,744	8,019	668,105
Fund balances end of year	\$ 287,383	40,961	663,701

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	23,198	1,993,573
-	-	35,881
1,939,174	12,371	3,270,942
760	-	3,251
7	8,916	261,776
-	19,335	142,835
23,158	5,847	75,924
1,963,099	69,667	5,784,182
-	2,408	735,437
-	-	694,106
-	-	753,824
-	121,838	350,741
2,296,227	-	2,296,227
-	2,758	165,946
-	-	659,251
-	-	27,352
-	15,000	15,000
-	2,033	2,033
2,296,227	144,037	5,699,917
(333,128)	(74,370)	84,265
-	-	5,910
-	-	65,186
426,682	-	426,682
-	-	(426,682)
426,682	-	71,096
93,554	(74,370)	155,361
1,210,061	565,752	2,631,681
1,303,615	491,382	2,787,042

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, 2007

Net change in fund balances - Total governmental funds (page 21) \$ 155,361

**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	\$ 157,209	
Capital assets contributed by the Iowa Department of Transportation	496,084	
Depreciation expense	<u>(336,127)</u>	317,166

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. (4,756)

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	(323)	
Other	<u>(7,234)</u>	(7,557)

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

Issued	(65,186)	
Repaid	<u>35,425</u>	(29,761)

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 the governmental funds. (7,174)

Change in net assets of governmental activities (page 15) \$ 423,279

See notes to financial statements.

Wayne County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Cash and pooled investments:	
County Treasurer	\$ 725,309
Other County officials	16,248
Receivables:	
Property tax:	
Delinquent	22,669
Succeeding year	5,123,000
Accounts	11,683
Prepaid insurance	50
Total assets	5,898,959

Liabilities

Accounts payable	1,064
Salaries and benefits payable	2,968
Due to other governments	5,878,799
Trusts payable	10,172
Compensated absences	5,956
Total liabilities	5,898,959

Net assets	\$ -
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See notes to financial statements.

Wayne County

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Wayne County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, roadway construction and maintenance and general administrative services.

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

A. Reporting Entity

For financial reporting purposes, Wayne County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

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

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County 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 consists of capital assets, net of accumulated depreciation.

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 governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

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

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

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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

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

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 60,000
Land and buildings	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	20 - 50
Infrastructure	30 - 60
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 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, 2007. 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, 2007, disbursements exceeded the amounts budgeted in the mental health and roads and transportation functions. Also, during the year ended June 30, 2007, disbursements in one department exceeded the amount appropriated.

(2) **Cash and Pooled Investments**

The County's deposits in banks at June 30, 2007 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, 2007, the County had the following investments:

Investment Type	Fair Value	Investment Maturities (in years)	
		1-5	6-10
Federal Home Loan Bank (FHLB)	\$ 293,820	99,500	194,320
Federal National Mortgage Association (FNMA)	97,600	97,600	-
	<u>\$ 391,420</u>	<u>197,100</u>	<u>194,320</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,373,037 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, 2007 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 10.63 percent of the County's total investments.

(3) Advances To and From Other Funds

Receivable Fund	Payable Fund	Amount
Special Revenue: Rural Services	General	<u>\$ 495,000</u>

The advances to/from other funds resulted from a borrowing of rural services revenues to supplement General Fund operations. The County has approved a schedule to repay the borrowing at a minimum of \$15,000 each fiscal year.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 426,862</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land, road network	\$ 254,209	-	-	254,209
Construction in progress, other	-	7,500	-	7,500
Construction in progress, road network	-	496,084	(496,084)	-
Total capital assets not being depreciated	254,209	503,584	(496,084)	261,709
Capital assets being depreciated:				
Buildings	765,480	64,475	-	829,955
Improvements other than buildings	-	53,939	-	53,939
Equipment and vehicles	3,579,798	31,295	(5,285)	3,605,808
Infrastructure, road network	2,411,504	496,084	-	2,907,588
Total capital assets being depreciated	6,756,782	645,793	(5,285)	7,397,290
Less accumulated depreciation for:				
Buildings	513,109	20,315	-	533,424
Improvements other than buildings	-	1,798	-	1,798
Equipment and vehicles	2,489,037	197,416	(529)	2,685,924
Infrastructure, road network	89,075	116,598	-	205,673
Total accumulated depreciation	3,091,221	336,127	(529)	3,426,819
Total capital assets being depreciated, net	3,665,561	309,666	(4,756)	3,970,471
Governmental activities capital assets, net	\$ 3,919,770	813,250	(500,840)	4,232,180

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 24,410
Physical health and social services	1,105
Mental health	6,382
County environment and education	18,912
Roads and transportation	273,908
Governmental services to residents	3,400
Administration	8,010
Total depreciation expense - governmental activities	<u>\$ 336,127</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Compen- sated Absences	Capital Lease Purchase Agreement	Total
Balance beginning of year	\$ 48,895	-	48,895
Increases	87,421	65,186	152,607
Decreases	80,247	35,425	115,672
Balance end of year	\$ 56,069	29,761	85,830
Due within one year	\$ 56,069	29,761	85,830

Capital Lease Purchase Agreement

In December 2006, the County entered into a capital lease purchase agreement to purchase computer software for \$65,186. The agreement requires four semi-annual payments of \$17,713, including interest at 11.71% per annum, beginning April 15, 2007 and ending October 15, 2008. During the year ended June 30, 2007, the County paid \$35,425 on the agreement including the first required payment plus an additional advance payment. The County expects the remaining balance of \$29,761 to be paid during the year ending June 30, 2008.

(7) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 10,745
Special Revenue:		
Mental Health	Services	70,465
Secondary Roads	Services	358
		<u>70,823</u>
Total for governmental funds		<u>\$ 81,568</u>
Agency:		
County Offices	Collections	\$ 9,676
Agricultural Extension Education		57,653
County Assessor		264,437
Schools		3,320,952
Community Colleges		169,358
Corporations and Special Assessments		707,602
Townships		122,307
Auto License and Use Tax		118,521
County Hospital		804,251
Other		304,042
Total for agency funds		<u>\$ 5,878,799</u>

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 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, 2007, 2006 and 2005 were \$130,160, \$125,326 and \$119,215, respectively, equal to the required contributions for each year.

(9) 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 whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 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, 2007 were \$106,583.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$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, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, 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.

(10) Financial Condition

The General Fund had an unreserved deficit fund balance of \$8,623 at June 30, 2007. The County plans to eliminate this deficit by decreasing future expenditures in the General Fund.

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, 2007

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 1,993,870	-	1,993,870
Interest and penalty on property tax	35,881	-	35,881
Intergovernmental	3,231,604	-	3,231,604
Licenses and permits	3,276	-	3,276
Charges for service	258,983	-	258,983
Use of money and property	144,010	-	144,010
Miscellaneous	78,987	2,908	76,079
Total receipts	<u>5,746,611</u>	<u>2,908</u>	<u>5,743,703</u>
Disbursements:			
Public safety and legal services	740,440	2,408	738,032
Physical health and social services	694,638	-	694,638
Mental health	759,945	-	759,945
County environment and education	343,075	-	343,075
Roads and transportation	2,344,359	-	2,344,359
Governmental services to residents	165,914	-	165,914
Administration	595,188	-	595,188
Debt service	15,000	-	15,000
Non-program	27,447	-	27,447
Capital projects	3,201	-	3,201
Total disbursements	<u>5,689,207</u>	<u>2,408</u>	<u>5,686,799</u>
Excess (deficiency) of receipts over (under) disbursements	57,404	500	56,904
Other financing sources, net	5,910	-	5,910
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	63,314	500	62,814
Balance beginning of year	2,469,420	4,021	2,465,399
Balance end of year	<u>\$ 2,532,734</u>	<u>4,521</u>	<u>2,528,213</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
2,015,900	2,015,900	(22,030)
33,500	33,500	2,381
3,059,572	3,059,572	172,032
1,370	1,370	1,906
253,570	253,570	5,413
93,915	93,915	50,095
44,016	44,016	32,063
<u>5,501,843</u>	<u>5,501,843</u>	<u>241,860</u>
775,405	775,405	37,373
657,968	786,767	92,129
746,880	746,880	(13,065)
297,897	417,897	74,822
2,167,500	2,167,500	(176,859)
247,548	247,548	81,634
692,671	692,671	97,483
25,000	25,000	10,000
40,750	40,750	13,303
279,200	279,200	275,999
<u>5,930,819</u>	<u>6,179,618</u>	<u>492,819</u>
(428,976)	(677,775)	734,679
-	-	5,910
(428,976)	(677,775)	740,589
<u>1,837,056</u>	<u>1,837,056</u>	<u>628,343</u>
<u>1,408,080</u>	<u>1,159,281</u>	<u>1,368,932</u>

Wayne County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,746,611	37,571	5,784,182
Expenditures	5,689,207	10,710	5,699,917
Net	57,404	26,861	84,265
Other financing sources, net	5,910	65,186	71,096
Beginning fund balances	2,469,420	162,261	2,631,681
Ending fund balances	\$ 2,532,734	254,308	2,787,042

See accompanying independent auditor's report.

Wayne County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units 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. 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, three budget amendments increased budgeted disbursements by \$248,799. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 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, 2007, disbursements exceeded the amounts budgeted in the mental health and roads and transportation functions. Also, during the year ended June 30, 2007, disbursements in one department exceeded the amount appropriated.

Wayne County

Other Supplementary Information

Wayne County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Wetlands
Assets				
Cash and pooled investments:				
County Treasurer	\$ 2,337	602	27,472	1,873
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 2,337	602	27,472	1,873
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	617	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	617	-
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved, reported in:				
Special revenue funds	2,337	602	26,855	1,873
Total fund balances	2,337	602	26,855	1,873
Total liabilities and fund balances	\$ 2,337	602	27,472	1,873

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	
9,452	424,719	-	-	1,977	12,687	10,003	491,122	
-	-	572	3,949	-	-	-	4,521	
-	-	-	-	-	-	87	87	
-	-	-	-	-	-	24,000	24,000	
627	-	-	-	-	-	-	627	
-	1,411	-	-	-	-	-	1,411	
10,079	426,130	572	3,949	1,977	12,687	34,090	521,768	
364	5,318	-	-	-	-	-	6,299	
-	-	-	-	-	-	24,000	24,000	
-	-	-	-	-	-	87	87	
364	5,318	-	-	-	-	24,087	30,386	
-	-	-	-	-	-	10,003	10,003	
9,715	420,812	572	3,949	1,977	12,687	-	481,379	
9,715	420,812	572	3,949	1,977	12,687	10,003	491,382	
10,079	426,130	572	3,949	1,977	12,687	34,090	521,768	

Wayne County

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

Year ended June 30, 2007

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Wetlands
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	10,571	-
Charges for service	1,845	-	-	-
Use of money and property	141	35	1,227	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,986</u>	<u>35</u>	<u>11,798</u>	<u>-</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	4,193	-
Governmental services to residents	2,539	219	-	-
Debt service	-	-	-	-
Capital projects	-	-	283	-
Total expenditures	<u>2,539</u>	<u>219</u>	<u>4,476</u>	<u>-</u>
Net change in fund balances	(553)	(184)	7,322	-
Fund balances beginning of year	<u>2,890</u>	<u>786</u>	<u>19,533</u>	<u>1,873</u>
Fund balances end of year	<u>\$ 2,337</u>	<u>602</u>	<u>26,855</u>	<u>1,873</u>

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	Debt Service	Total	
-	-	-	-	-	-	23,198	23,198	
-	-	-	-	-	-	1,800	12,371	
7,071	-	-	-	-	-	-	8,916	
-	17,383	-	-	-	549	-	19,335	
528	2,411	50	2,858	-	-	-	5,847	
7,599	19,794	50	2,858	-	549	24,998	69,667	
-	-	545	1,863	-	-	-	2,408	
5,392	112,253	-	-	-	-	-	121,838	
-	-	-	-	-	-	-	2,758	
-	-	-	-	-	-	15,000	15,000	
-	-	-	-	-	1,750	-	2,033	
5,392	112,253	545	1,863	-	1,750	15,000	144,037	
2,207	(92,459)	(495)	995	-	(1,201)	9,998	(74,370)	
7,508	513,271	1,067	2,954	1,977	13,888	5	565,752	
9,715	420,812	572	3,949	1,977	12,687	10,003	491,382	

Wayne County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,436	152,001	77,993
Other County officials	16,248	-	-	-
Receivables:				
Property tax:				
Delinquent	-	217	427	11,959
Succeeding year	-	56,000	118,000	3,231,000
Accounts	-	-	16	-
Prepaid insurance	-	-	50	-
Total assets	\$ 16,248	57,653	270,494	3,320,952
Liabilities				
Accounts payable	\$ -	-	21	-
Salaries and benefits payable	-	-	80	-
Due to other governments	9,676	57,653	264,437	3,320,952
Trusts payable	6,572	-	-	-
Compensated absences	-	-	5,956	-
Total liabilities	\$ 16,248	57,653	270,494	3,320,952

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
3,778	51,221	2,997	118,521	18,459	298,903	725,309
-	-	-	-	-	-	16,248
580	6,381	310	-	2,792	3	22,669
165,000	650,000	119,000	-	783,000	1,000	5,123,000
-	-	-	-	-	11,667	11,683
-	-	-	-	-	-	50
169,358	707,602	122,307	118,521	804,251	311,573	5,898,959
-	-	-	-	-	1,043	1,064
-	-	-	-	-	2,888	2,968
169,358	707,602	122,307	118,521	804,251	304,042	5,878,799
-	-	-	-	-	3,600	10,172
-	-	-	-	-	-	5,956
169,358	707,602	122,307	118,521	804,251	311,573	5,898,959

Wayne County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 9,920	63,816	262,555	3,468,345
Additions:				
Property and other county tax	-	51,486	108,880	2,983,216
E911 surcharge	-	-	-	-
State tax credits	-	4,480	8,799	242,312
Office fees and collections	303,621	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Drivers license fees	-	-	-	-
Trusts	60,078	-	-	-
Miscellaneous	-	2	674	134
Total additions	363,699	55,968	118,353	3,225,662
Deductions:				
Agency remittances:				
To other funds	190,882	-	-	-
To other governments	107,285	62,131	110,414	3,373,055
Trusts paid out	59,204	-	-	-
Total deductions	357,371	62,131	110,414	3,373,055
Balances end of year	\$ 16,248	57,653	270,494	3,320,952

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
167,991	795,493	128,677	116,197	821,236	232,444	6,066,674
152,928	589,009	116,713	-	724,084	807	4,727,123
-	-	-	-	-	81,482	81,482
11,759	68,097	8,855	-	57,590	63	401,955
-	-	-	-	-	-	303,621
-	-	-	1,418,302	-	-	1,418,302
-	-	-	-	-	12,345	12,345
-	-	-	-	-	161,617	221,695
7	112	-	-	30	231,168	232,127
164,694	657,218	125,568	1,418,302	781,704	487,482	7,398,650
-	-	-	54,827	-	-	245,709
163,327	745,109	131,938	1,361,151	798,689	242,805	7,095,904
-	-	-	-	-	165,548	224,752
163,327	745,109	131,938	1,415,978	798,689	408,353	7,566,365
169,358	707,602	122,307	118,521	804,251	311,573	5,898,959

Wayne County

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

For the Last Seven Years

	2007	2006	2005
Revenues:			
Property and other county tax	\$ 1,993,573	1,927,731	1,921,146
Interest and penalty on property tax	35,881	33,737	39,013
Intergovernmental	3,270,942	3,198,154	2,932,444
Licenses and permits	3,251	2,585	4,455
Charges for service	261,776	265,761	258,540
Use of money and property	142,835	138,985	96,795
Miscellaneous	75,924	137,495	101,989
Total	\$ 5,784,182	5,704,448	5,354,382
Expenditures:			
Operating:			
Public safety and legal services	\$ 735,437	666,122	664,155
Physical health and social services	694,106	679,267	540,199
Mental health	753,824	768,428	803,813
County environment and education	350,741	258,890	283,393
Roads and transportation	2,296,227	2,476,437	2,134,371
Governmental services to residents	165,946	270,426	171,198
Administration	659,251	612,510	665,167
Non-program	27,352	30,993	34,875
Debt service	15,000	-	-
Capital projects	2,033	77,730	102,234
Total	\$ 5,699,917	5,840,803	5,399,405

See accompanying independent auditor's report.

Modified Accrual Basis			
2004	2003	2002	2001
1,886,630	1,909,597	1,917,364	2,061,493
31,256	33,296	32,833	30,329
2,728,114	2,509,435	2,628,927	2,705,893
3,110	3,470	4,340	3,380
286,578	243,145	254,266	309,704
50,929	57,569	63,847	139,244
618,739	143,782	128,498	31,891
5,605,356	4,900,294	5,030,075	5,281,934

654,496	663,662	675,716	544,095
506,947	527,257	446,912	432,350
770,381	848,038	789,342	670,637
341,574	267,999	261,827	241,607
1,886,025	1,916,921	1,931,912	2,041,994
140,185	136,866	125,352	114,128
536,846	518,242	473,438	428,470
32,897	38,248	48,340	112,193
-	-	65,528	65,527
98,469	131,915	151,487	289,535
4,967,820	5,049,148	4,969,854	4,940,536

Wayne County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 11, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Wayne County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wayne County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the internal control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Wayne County's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Wayne County's financial statements that is more than inconsequential will not be prevented or detected by Wayne County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood a material misstatement of the financial statements will not be prevented or detected by Wayne County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material

weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

April 11, 2008

Wayne County
Schedule of Findings
Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

	<u>Applicable Offices</u>
(1) 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 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.	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

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.

Wayne County

Schedule of Findings

Year ended June 30, 2007

Responses –

Sheriff –

- (1) and (2) – Attempts have been made each year to improve on this issue. We feel we have made improvements but our efforts seem to be futile. The Wayne County Sheriff's Office is a 24 hour office. Employees meeting the description required do not work shifts that will accommodate the recommendations. Three out of three employees that either sign checks or open the mail and record the checks, work the same shift. We feel we have adequate checks and balances in place at this time and will take your recommendation under advisement. All current personnel are utilized.
- (4) – Review will be made of the 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 and has done so in the past. The Sheriff and Chief Deputy initialed and dated the bank statement at the time of review to certify the review. It was our understanding that this was acceptable. An additional office employee will be asked to review the statements.

Secondary Roads – We will implement the following protocol for checks received by mail. The person opening the mail will log the check by date, payer, amount, check number, and initials of the person opening the mail. The check will be passed to the secretary who will log the check by date, payer, amount, and check number. The secretary will pass the check to the County Treasurer and receive a receipt for the check.

Recorder – We do our best to carry out some sort of internal control. It is, however, difficult to perform segregation when the office only employs two people. During vacations, sick days, etc., there is only one person left to run the office and no segregation can be performed.

I take my job very serious as does my deputy. I rely on the taxpayers of this County to re-elect me. If there are any suspicions that I or my deputy are not doing our job correctly or that this office is being run inappropriately, it results in unhappy taxpayers who don't vote for re-election. The taxpayers of this County trust me enough to vote for me to run this office and both myself and my deputy do our best to ensure this office is run accordingly.

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

Conclusion – Responses acknowledged. Each official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Wayne County

Schedule of Findings

Year ended June 30, 2007

- (B) Financial Reporting – During the audit, we identified material amounts of payables not recorded in the County’s financial statements. In addition, material amounts of revenue were not properly classified by source in accordance with the Uniform Chart of Accounts. Certain grant revenue was recorded as miscellaneous rather than intergovernmental.

Adjustments were subsequently made by the County to properly record the payables and revenues in the financial statements.

Recommendation – The County should implement procedures to ensure all claims are reviewed and coded to the proper fiscal year and revenues are properly classified in the financial statements.

Response – Each department head codes their own claims and we will review them more closely to make sure they are coded to the proper fiscal year. We will discuss the proper classification of revenues with each department.

Conclusion – Response accepted.

- (C) Capital Assets – Detailed capital asset records are maintained. However, additions and deletions are not supported by the written documentation for additions, deletions or transfers of capital assets required by the County’s approved capital asset policy. Since this supporting documentation was not prepared, certain additions and deletions were not properly recorded on the detailed capital asset records. Adjustments were subsequently made by the County to properly include all additions and deletions.

Recommendation – The required written documentation for additions and deletions should be completed. Information should include appropriate details to ensure the assets are properly included in or deleted from the capital asset records.

Response – Appropriate forms are available to all offices from the County Auditor. The Board will make periodic checks to ensure the proper documentation is being completed and returned.

Conclusion – Response accepted.

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

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

Response – Recommendation taken under advisement. Expenditures are made on items for the jail with the proceeds from the commissary. A discussion with the County Treasurer, County Auditor and Board of Supervisors will be held to determine what will work best for our situation. The concern is being able to have funds available to purchase resale commissary items. The expenditures made from the commissary have been for needed items only.

Wayne County

Schedule of Findings

Year ended June 30, 2007

Conclusion – Response acknowledged. Commissary profits should be remitted to the County Treasurer and expenditures of these funds should be properly approved by the Board of Supervisors and reflected in the County’s accounting and budgeting system.

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

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.

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

Conclusion – Response acknowledged. The Engineer should ensure timesheets are completed for all employees. In addition, the Engineer should consult legal counsel for determining the allowable carryover of vacation hours in accordance with the union agreement.

- (F) Agricultural Extension Office – Receipts from the State of Iowa were not always deposited timely.

Recommendation – To properly safeguard receipts and increase funds available for investment, receipts should be deposited timely.

Response – We will make every effort to ensure the timely deposit of all receipts by establishing a regular monthly schedule of deposit for the receipts that are in our possession.

Conclusion – Response acknowledged. Receipts should be deposited a minimum of once a week.

Wayne County

Schedule of Findings

Year ended June 30, 2007

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

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

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

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

Response – We have installed new software systems for payroll and financial accounting which will address some of these recommendations and we will visit with our software vendor in regards to the others. The Board of Supervisors will work on the disaster recovery plan for the continued operations of the County if the need should arise.

Conclusion – Response accepted.

(H) Resident Account Disbursements – The County does not include independent approval for all disbursements made from the resident accounts at the County Care Facility and Group Home. Also, there was no supporting documentation for County Care Facility disbursements from resident accounts.

Recommendation – The County should require review and approval by two employees for all resident account disbursements. In addition, the County should obtain the resident's signature to acknowledge the items were purchased on their behalf. The County should also keep supporting documentation for all disbursements made from the resident accounts.

Response – The administrator of the Group Home has approval and signatory authority for expenditures. The policy will be changed so an additional employee and the resident will also initial the receipts purchased from personal funds. Since the County Care Facility has been permanently closed, no action will be taken regarding the retention of supporting documentation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Wayne County

Schedule of Findings

Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the mental health and roads and transportation functions.

During the year ended June 30, 2007, disbursements in one department exceeded the amount appropriated.

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

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

Response – We will monitor the various departments closer to try to prevent this from happening again.

Conclusion – Response accepted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kenny Holmes, Conservation Board Member, owner of Holmes Tiling, Inc.	Campground renovation, per bid Well closings – Sanitation Department	\$ 26,579 1,575
Dale Housh, Conservation Board Member, owner of Lockridge, Inc.	Supplies - Secondary Roads Department	5,191
Kay Middlebrook, County Assessor, husband is owner of Middlebrook Amoco	Fuel - Assessor's Office Fuel, service and repairs – various County departments	85 887
Melinda Middlebrook, County CPC Administrator, father-in- law is owner of Middlebrook Amoco	Fuel, service and repairs – Mental Health Department	309

Wayne County

Schedule of Findings

Year ended June 30, 2007

The transaction with Holmes Tiling, Inc. for the campground renovation does not appear to represent a conflict of interest in accordance with Chapter 331.342(9) since the County obtained bids for the project.

The transactions with Holmes Tiling, Inc. for well closings for the sanitation department and the transactions with Lockridge, Inc. for supplies for the secondary roads department do not appear to represent conflicts of interest in accordance with Chapter 331.342(4) since the Conservation Board members employment is not directly affected as a result of the contracts and the duties of employment does not directly involve procurement or preparation of any part of the contracts.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Middlebrook Amoco do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) Financial Condition – Although the General Fund had a positive cash balance at June 30, 2007, on a modified accrual basis, an unreserved fund balance deficit of \$8,623 was reported in the General Fund.

During fiscal year 1998, the Board approved a \$550,000 interfund loan from the Special Revenue, Rural Services Fund to the General Fund. While the Board has established a repayment schedule for the loan, the \$495,000 balance of the loan at June 30, 2007 will not be fully repaid until the year 2040 if the minimum annual repayment of \$15,000 is made on the loan.

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

Response – The County will continue to work on building an adequate General Fund balance and we will make the scheduled loan repayments.

Conclusion – Response accepted.

Wayne County

Schedule of Findings

Year ended June 30, 2007

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

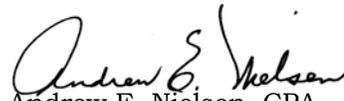
Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

Wayne County

Staff

This audit was performed by:

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