



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

April 21, 2010

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 \$8,297,631 for the year ended June 30, 2009, which included \$508,251 in tax credits from the state. The County forwarded \$6,080,470 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,217,161 of the local tax revenue to finance County operations, a less than 1 percent increase over the prior year. Other revenues included charges for service of \$980,860, operating grants, contributions and restricted interest of \$2,996,745, capital grants, contributions and restricted interest of \$1,170,290, local option sales tax of \$285,414, and other general revenues of \$98,323.

Expenses for County operations totaled \$6,565,077 a 3.5 percent increase over the prior year. Expenses included \$2,618,132 for roads and transportation, \$867,323 for public safety and legal services and \$830,315 for physical health and social services.

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

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WAYNE COUNTY

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

JUNE 30, 2009

Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor’s Report			5-6
Management’s Discussion and Analysis			7-13
Basic Financial Statements:	<u>Exhibit</u>		
Government-wide Financial Statements:			
Statement of Net Assets	A	16	16
Statement of Activities	B	17	17
Governmental Fund Financial Statements:			
Balance Sheet	C	18-19	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24	24
Fiduciary Fund Financial Statement:			
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25	25
Notes to Financial Statements			26-37
Required Supplementary Information:			
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds			40-41
Budget to GAP Reconciliation			42
Notes to Required Supplementary Information – Budgetary Reporting			43
Other Supplementary Information:	<u>Schedule</u>		
Nonmajor Governmental Funds:			
Combining Balance Sheet	1	46-47	46-47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	48-49	48-49
Agency Funds:			
Combining Schedule of Fiduciary Assets and Liabilities	3	50-51	50-51
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	52-53	52-53
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	54-55	54-55
Schedule of Expenditures of Federal Awards	6	56-57	56-57
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 <u>Government Auditing Standards</u>			59-60
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133			63-64
Schedule of Findings and Questioned Costs			65-72
Staff			73

Wayne County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2009)		
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
(After January 2009)		
Donald Greenlee	Board of Supervisors	Jan 2011
Jerry O'Dell	Board of Supervisors	Jan 2011
Charles Horton	Board of Supervisors	Jan 2013
Sue Ruble	County Auditor	Jan 2013
Kim Swearingin	County Treasurer	Jan 2011
Angie Horton	County Recorder	Jan 2011
Keith Davis	County Sheriff	Jan 2013
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, 2009, 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, 2009, 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 March 17, 2010 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 13 and 40 through 43 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 eight years ended June 30, 2008 (which are not presented herein). We expressed unqualified opinions on the financial statements for the five years ended June 30, 2008. We expressed a qualified opinion 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 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, 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

March 17, 2010

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, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 18.5%, or approximately \$1,210,000, from fiscal year 2008 to fiscal year 2009. Capital grants, contributions and restricted interest increased approximately \$1,032,000.
- Program expenses of the County's governmental activities were 3.5%, or approximately \$220,000, more in fiscal year 2009 than in fiscal year 2008.
- The County's net assets increased 16.5%, or approximately \$1,184,000, from June 30, 2008 to June 30, 2009.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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, non-program activities and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects 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 at the end of fiscal year total approximately \$8.3 million. This compares to approximately \$7.2 million at the end of fiscal year 2008. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2009	2008
Current and other assets	\$ 6,306	8,780
Capital assets	8,450	4,439
Total assets	14,756	13,219
Long-term liabilities	3,649	3,788
Other liabilities	2,764	2,272
Total liabilities	6,413	6,060
Net assets:		
Invested in capital assets, net of related debt	5,172	4,144
Restricted	2,927	2,482
Unrestricted	244	533
Total net assets	\$ 8,343	7,159

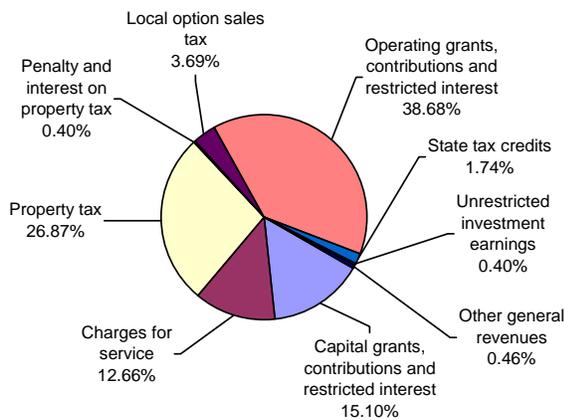
Net assets of Wayne County's governmental activities increased 16.5% (approximately \$8.3 million compared to approximately \$7.2 million). The largest portion of the County's net assets is invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt. Restricted net 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—decreased 54%, or from approximately \$533,000 to approximately \$244,000.

This reduction of approximately \$289,000 in unrestricted net assets was a result of increased expenditures in the General and Rural Services Funds. Restricted net assets increased approximately \$445,000, primarily due to an increase in the Secondary Roads Fund balance.

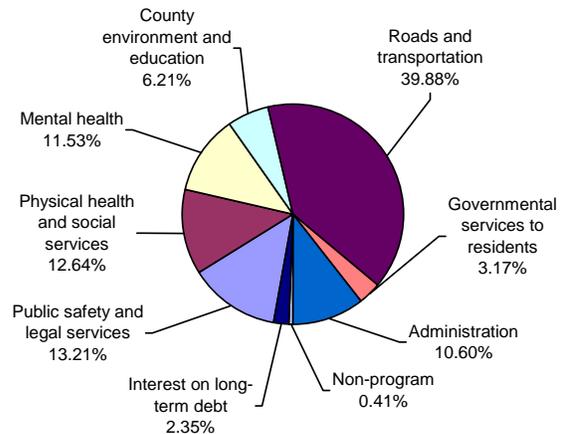
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2009	2008
Revenues:		
Program revenues:		
Charges for service	\$ 981	924
Operating grants, contributions and restricted interest	2,997	2,984
Capital grants, contributions and restricted interest	1,170	138
General revenues:		
Property tax	2,082	2,058
Penalty and interest on property tax	31	35
State tax credits	135	138
Local option sales tax	286	94
Unrestricted investment earnings	31	103
Other general revenues	36	65
Total revenues	<u>7,749</u>	<u>6,539</u>
Program expenses:		
Public safety and legal services	867	846
Physical health and social services	830	789
Mental health	757	707
County environment and education	408	363
Roads and transportation	2,618	2,743
Governmental services to residents	208	177
Administration	696	701
Non-program	27	16
Interest on long-term debt	154	3
Total expenses	<u>6,565</u>	<u>6,345</u>
Increase in net assets	1,184	194
Net assets beginning of year	7,159	6,965
Net assets end of year	<u>\$ 8,343</u>	<u>7,159</u>

Revenues by Source



Expenses by Program



Revenues for governmental activities increased approximately \$1,210,000 over the prior year, primarily due to an increase of approximately \$1,032,000 in capital grants, contributions and restricted interest. The increase was a result of the County receiving approximately \$1,137,000 of contributed infrastructure assets from the Iowa Department of Transportation. Overall, property tax revenue increased approximately \$24,000, or 1.2%.

The cost of all governmental activities this year was approximately \$6.6 million compared to approximately \$6.3 million last year, a 3.5% increase. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$1.42 million because some of the cost was paid by those directly benefited from the programs (approximately \$981,000) or by other governments and organizations which subsidized certain programs with grants and contributions of approximately \$4,167,000.

INDIVIDUAL MAJOR FUND ANALYSIS

As Wayne County completed the year, its governmental funds reported a combined fund balance of approximately \$3.5 million, a decrease of approximately \$3.0 million from last year's total of approximately \$6.5 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance decreased \$250,645, or 112%, to \$(26,793). Revenues decreased \$9,754, or 0.4%, and expenditures increased \$177,360, or 7.4%. The increase in expenditures was primarily due to an increase in public safety and legal services for costs associated with the new jail and the court system.
- The Mental Health Fund balance decreased \$164,230 from the prior year. Revenues decreased \$214,959, or 26.8%, from the prior year due to a reduction in State funding. Expenditures increased \$51,308, or 7.3%.
- The Rural Services Fund balance decreased \$93,574 from the prior year. Revenues increased \$5,780 while expenditures and transfers out increased \$12,675.
- The Secondary Roads Fund balance increased \$652,938, or 40.6%, to \$2,263,087. Revenues increased \$247,057 over the prior year and expenditures decreased \$106,059 from the prior year. The increase in revenues was due to FEMA funding received to repair flood damage.
- The Capital Projects Fund balance decreased \$3,080,370. Revenues increased \$32,500 over the prior year and expenditures increased \$2,873,756. The increase in expenditures was due to the construction expenses incurred in building the new jail.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wayne County amended its budget one time. The amendment was made in May 2009 and increased budgeted disbursements in the physical health and social services, mental health, county environment and education and administration functions \$101,825, \$122,100, \$31,000 and \$95,156, respectively. The increases were for costs associated with public health grant disbursements, mental health services, conservation, FEMA projects and general operations.

The County's receipts were \$339,543 more than budgeted, a variance of 5.4%. Intergovernmental receipts were \$300,755 more than budgeted due to more medicare and road use tax received than anticipated.

Total disbursements were \$1,020,613, or 10.0%, less than the amended budget. Actual disbursements for the county environment and education, roads and transportation and administration functions were \$174,223, \$332,274 and \$208,283, respectively, less than budgeted. This was primarily due to less disbursements for park improvements, fuel, bridge inspections, pavement markings, general services and data processing than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, Wayne County had approximately \$8.5 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 \$4,000,000, or 90%, over last year. This increase was due to construction in progress for the jail.

The County had depreciation expense of \$402,389 in fiscal year 2009 and total accumulated depreciation of \$4,148,160 at June 30, 2009. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2009, the County had \$3,540,000 in general obligation bonds and other debt outstanding, compared to \$3,684,407 at June 30, 2008. During the year, the County paid \$130,000 in principal on the general obligation bonds and also paid the remaining balance on the capital lease purchase agreement.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Wayne County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$15.8 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Wayne County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 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 2010 county-wide levy increased from \$6.76648 per \$1,000 of taxable valuation to \$6.93210 per \$1,000 of taxable valuation, while the rural services levy decreased from \$4.21443 per \$1,000 of taxable valuation to \$4.17357 per \$1,000 of taxable valuation. The fiscal year 2010 taxable valuations for incorporated areas and rural areas increased 5.1% over the prior year.

Budgeted disbursements in the fiscal year 2010 operating budget are \$7,522,639, a decrease of 26.6% from the final fiscal year 2009 budget. The decrease is mainly due to construction of the jail being primarily completed in fiscal year 2009. Wayne County added no new programs to the fiscal year 2010 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.

Wayne County

Basic Financial Statements

Wayne County
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments:	
County Treasurer	\$ 3,513,025
Component units	7,617
Receivables:	
Property tax:	
Delinquent	7,089
Succeeding year	2,226,000
Interest and penalty on property tax	15,977
Accounts	1,833
Accrued interest	1,293
Due from other governments	329,602
Inventories	144,083
Prepaid insurance	59,365
Capital assets - depreciable (net of accumulated depreciation)	4,826,539
Capital assets - non-depreciable	3,623,098
	<u>14,755,521</u>
Total assets	
Liabilities	
Accounts payable	298,155
Accrued interest payable	11,735
Salaries and benefits payable	46,221
Due to other governments	181,704
Deferred revenue - succeeding year property tax	2,226,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	135,000
Compensated absences	71,322
Portion due or payable after one year:	
General obligation bonds	3,405,000
Compensated absences	37,306
	<u>6,412,443</u>
Total liabilities	
Net Assets	
Invested in capital assets, net of related debt	5,171,521
Restricted for:	
Supplemental levy purposes	174,781
Conservation purposes	322,237
Secondary roads purposes	2,256,054
Debt service	102,444
Capital projects	33,582
Other purposes	37,722
Unrestricted	244,737
	<u>8,343,078</u>
Total net assets	
	<u>\$ 8,343,078</u>

See notes to financial statements.

Wayne County
Statement of Activities
Year ended June 30, 2009

	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	\$ 867,323	39,224	39,221	33,041	(755,837)
Physical health and social services	830,315	570,661	197,092	-	(62,562)
Mental health	756,801	51,295	283,107	-	(422,399)
County environment and education	407,501	47,931	28,034	-	(331,536)
Roads and transportation	2,618,132	133,941	2,449,271	1,137,249	1,102,329
Governmental services to residents	208,131	109,995	20	-	(98,116)
Administration	695,823	27,813	-	-	(668,010)
Non-program	26,891	-	-	-	(26,891)
Interest on long-term debt	154,160	-	-	-	(154,160)
Total	\$ 6,565,077	980,860	2,996,745	1,170,290	(1,417,182)
General Revenues:					
Property and other county tax levied for general purposes					2,081,757
Penalty and interest on property tax					31,072
State tax credits					135,404
Local option sales tax					285,414
Unrestricted investment earnings					31,430
Miscellaneous					35,821
Total general revenues					2,600,898
Change in net assets					1,183,716
Net assets beginning of year					7,159,362
Net assets end of year					\$ 8,343,078

See notes to financial statements.

Wayne County
Balance Sheet
Governmental Funds

June 30, 2008

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments:			
County Treasurer	\$ 455,149	73,429	25,042
Component units	-	-	-
Receivables:			
Property tax:			
Delinquent	5,086	1,025	978
Succeeding year	1,283,000	238,000	705,000
Interest and penalty on property tax	15,977	-	-
Accounts	1,663	-	-
Accrued interest	980	-	-
Advances to other funds	-	-	465,000
Due from other governments	118,009	3,539	-
Inventories	-	-	-
Prepaid insurance	31,683	-	-
Total assets	\$ 1,911,547	315,993	1,196,020
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 39,519	13,280	4,322
Salaries and benefits payable	21,772	1,855	2,272
Advance from other funds	465,000	-	-
Due to other governments	98,550	83,065	-
Deferred revenue:			
Succeeding year property tax	1,283,000	238,000	705,000
Other	30,499	1,025	978
Total liabilities	<u>1,938,340</u>	<u>337,225</u>	<u>712,572</u>
Fund balances:			
Reserved for:			
Supplemental levy purposes	176,897	-	-
Advances to other funds	-	-	465,000
Debt service	-	-	-
Unreserved, reported in:			
General fund	(203,690)	-	-
Special revenue funds	-	(21,232)	18,448
Capital projects fund	-	-	-
Total fund balances	<u>(26,793)</u>	<u>(21,232)</u>	<u>483,448</u>
Total liabilities and fund balances	\$ 1,911,547	315,993	1,196,020

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
2,003,512	491,552	464,341	3,513,025
-	-	7,617	7,617
-	-	-	7,089
-	-	-	2,226,000
-	-	-	15,977
-	-	170	1,833
-	299	14	1,293
-	-	-	465,000
205,261	-	2,793	329,602
144,083	-	-	144,083
27,682	-	-	59,365
2,380,538	491,851	474,935	6,770,884
43,852	196,385	797	298,155
20,322	-	-	46,221
-	-	-	465,000
89	-	-	181,704
-	-	-	2,226,000
53,188	-	-	85,690
117,451	196,385	797	3,302,770
-	-	-	176,897
-	-	-	465,000
-	-	114,179	114,179
-	-	-	(203,690)
2,263,087	-	359,959	2,620,262
-	295,466	-	295,466
2,263,087	295,466	474,138	3,468,114
2,380,538	491,851	474,935	6,770,884

Wayne County

Wayne County

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

June 30, 2009

Total governmental fund balances (page 19)	\$ 3,468,114
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$12,597,797 and the accumulated depreciation is \$4,148,160.	8,449,637
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	85,690
Long-term liabilities, including general obligation bonds payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(3,660,363)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 8,343,078</u></u>

See notes to financial statements.

Wayne County

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

Year ended June 30, 2009

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,170,446	235,909	673,923
Local option sales tax	-	-	-
Interest and penalty on property tax	31,146	-	-
Intergovernmental	787,171	299,088	91,072
Licenses and permits	-	-	3,925
Charges for service	195,254	51,280	-
Use of money and property	51,464	-	-
Miscellaneous	76,614	15	192
Total revenues	<u>2,312,095</u>	<u>586,292</u>	<u>769,112</u>
Expenditures:			
Operating:			
Public safety and legal services	615,448	-	268,063
Physical health and social services	814,937	-	16,518
Mental health	-	750,522	-
County environment and education	223,212	-	108,592
Roads and transportation	-	-	-
Governmental services to residents	196,599	-	3,140
Administration	685,653	-	-
Non-program	26,891	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>2,562,740</u>	<u>750,522</u>	<u>396,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(250,645)</u>	<u>(164,230)</u>	<u>372,799</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	(466,373)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(466,373)</u>
Net change in fund balances	(250,645)	(164,230)	(93,574)
Fund balances beginning of year	<u>223,852</u>	<u>142,998</u>	<u>577,022</u>
Fund balances end of year	<u>\$ (26,793)</u>	<u>(21,232)</u>	<u>483,448</u>

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
-	-	-	2,080,278
-	-	285,414	285,414
-	-	-	31,146
2,420,464	-	13,707	3,611,502
1,635	-	-	5,560
-	-	11,793	258,327
-	33,041	13,017	97,522
132,306	-	3,973	213,100
2,554,405	33,041	327,904	6,582,849
-	-	2,518	886,029
-	-	-	831,455
-	-	-	750,522
-	-	78,295	410,099
2,367,802	-	-	2,367,802
-	-	2,180	201,919
-	-	2,387	688,040
-	-	-	26,891
-	-	286,832	286,832
38	3,113,411	3,345	3,116,794
2,367,840	3,113,411	375,557	9,566,383
186,565	(3,080,370)	(47,653)	(2,983,534)
466,373	-	-	466,373
-	-	-	(466,373)
466,373	-	-	-
652,938	(3,080,370)	(47,653)	(2,983,534)
1,610,149	3,375,836	521,791	6,451,648
2,263,087	295,466	474,138	3,468,114

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, 2009

Net change in fund balances - Total governmental funds (page 23) \$ (2,983,534)

**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	\$ 3,279,893	
Capital assets contributed by the Iowa Department of Transportation	1,137,249	
Depreciation expense	<u>(402,389)</u>	4,014,753

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (3,820)

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	1,479	
Other	<u>27,216</u>	28,695

Repayment of long-term liabilities is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 144,407

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(5,050)	
Interest on long-term debt	<u>(11,735)</u>	<u>(16,785)</u>

Change in net assets of governmental activities (page 17) \$ 1,183,716

See notes to financial statements.

Wayne County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2009

Assets

Cash and pooled investments:	
County Treasurer	\$ 706,250
Other County officials	9,180
Receivables:	
Property tax:	
Delinquent	28,500
Succeeding year	5,709,000
Accounts	257
Total assets	6,453,187

Liabilities

Accounts payable	531
Salaries and benefits payable	795
Due to other governments	6,419,476
Trusts payable	25,598
Compensated absences	6,787
Total liabilities	6,453,187

Net assets	\$ -
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See notes to financial statements.

Wayne County

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor 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.

The Capital Projects Fund is used to account for resources used in the acquisition and construction of capital facilities.

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, 2007 assessed property

valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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, 2009. 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 column in the Statement of Net Assets. 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, 2009, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements in four departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2009 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, 2009, the County had the following investments:

Type	Fair Value	Investment Maturities (in years) 1-5
Federal National Mortgage Association (FNMA)	\$ 101,080	101,080

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,947,213 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 investments at June 30, 2009 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.

(3) Advances To and From Other Funds

Receivable Fund	Payable Fund	Amount
Special Revenue: Rural Services	General	<u>\$ 465,000</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, 2009 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 466,373</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, 2009 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	239,590	3,129,299	-	3,368,889
Construction in progress, road network	-	1,137,249	(1,137,249)	-
Total capital assets not being depreciated	<u>493,799</u>	<u>4,266,548</u>	<u>(1,137,249)</u>	<u>3,623,098</u>
Capital assets being depreciated:				
Buildings	922,958	27,237	-	950,195
Improvements other than buildings	78,939	-	-	78,939
Equipment and vehicles	3,660,907	127,607	(13,450)	3,775,064
Infrastructure, road network	3,033,252	1,137,249	-	4,170,501
Total capital assets being depreciated	<u>7,696,056</u>	<u>1,292,093</u>	<u>(13,450)</u>	<u>8,974,699</u>
Less accumulated depreciation for:				
Buildings	557,459	24,943	-	582,402
Improvements other than buildings	4,429	2,631	-	7,060
Equipment and vehicles	2,864,523	165,038	(5,380)	3,024,181
Infrastructure, road network	324,740	209,777	-	534,517
Total accumulated depreciation	<u>3,751,151</u>	<u>402,389</u>	<u>(5,380)</u>	<u>4,148,160</u>
Total capital assets being depreciated, net	<u>3,944,905</u>	<u>889,704</u>	<u>(8,070)</u>	<u>4,826,539</u>
Governmental activities capital assets, net	<u>\$ 4,438,704</u>	<u>5,156,252</u>	<u>(1,145,319)</u>	<u>8,449,637</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 25,432
Mental health	6,382
County environment and education	24,373
Roads and transportation	332,372
Governmental services to residents	5,820
Administration	<u>8,010</u>
Total depreciation expense - governmental activities	<u>\$ 402,389</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Capital Lease Purchase Agreement	General Obligation Bonds	Compensated Absences	Total
Balance beginning of year	\$ 14,407	3,670,000	103,578	3,787,985
Increases	-	-	90,530	90,530
Decreases	14,407	130,000	85,480	229,887
Balance end of year	<u>\$ -</u>	<u>3,540,000</u>	<u>108,628</u>	<u>3,648,628</u>
Due within one year	<u>\$ -</u>	<u>135,000</u>	<u>71,322</u>	<u>206,322</u>

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 required 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, 2009, the County paid the remaining principal of \$14,407 and interest of \$3,297 on the agreement.

Bonds Payable

A summary of the County's June 30, 2009 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2010	2.85%	\$ 135,000	140,815	275,815
2011	3.00	135,000	136,968	271,968
2012	3.20	140,000	132,917	272,917
2013	3.35	145,000	128,438	273,438
2014	3.50	150,000	123,580	273,580
2015-2019	3.65-4.05	835,000	530,910	1,365,910
2020-2024	4.10-4.30	1,020,000	347,650	1,367,650
2025-2028	4.35-4.40	980,000	109,645	1,089,645
Total		<u>\$ 3,540,000</u>	<u>1,650,923</u>	<u>5,190,923</u>

(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:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 98,550</u>
Special Revenue:		
Mental Health	Services	83,065
Secondary Roads	Services	89
		<u>83,154</u>
Total for governmental funds		<u>\$ 181,704</u>
Agency:		
County Offices	Collections	\$ 2,869
Agricultural Extension Education		65,694
County Assessor		239,021
Schools		3,676,742
Community Colleges		200,101
Corporations and Special Assessments		734,122
Townships		137,255
Auto License and Use Tax		127,954
County Hospital		937,048
Other		298,670
Total for agency funds		<u>\$ 6,419,476</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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$148,738, \$136,419 and \$130,160, respectively, equal to the required contributions for each year.

(9) Risk Management

The 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 577 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 200 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, 2009 were \$116,960.

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 \$10,000,000 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 by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, 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 and Special Revenue, Mental Health Funds had unreserved deficit fund balances of \$203,690 and \$21,232, respectively, at June 30, 2009. The County plans to eliminate these deficits by decreasing future expenditures in the General and Special Revenue, Mental Health Funds.

(11) Construction Commitment

The County entered into a contract totaling \$3,484,757 for jail construction. As of June 30, 2009, costs of \$3,023,790 have been incurred on the project. The \$460,967 remaining on the contract will be paid as work progresses.

Wayne County

Required Supplementary Information

Wayne County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2009

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 2,367,312	-	2,367,312
Interest and penalty on property tax	31,146	-	31,146
Intergovernmental	3,602,754	-	3,602,754
Licenses and permits	4,610	-	4,610
Charges for service	261,037	-	261,037
Use of money and property	102,009	1	102,008
Miscellaneous	213,802	3,954	209,848
Total receipts	<u>6,582,670</u>	<u>3,955</u>	<u>6,578,715</u>
Disbursements:			
Public safety and legal services	4,065,004	2,518	4,062,486
Physical health and social services	825,938	-	825,938
Mental health	723,409	-	723,409
County environment and education	359,659	-	359,659
Roads and transportation	2,355,282	-	2,355,282
Governmental services to residents	202,718	-	202,718
Administration	649,726	-	649,726
Non-program	26,891	-	26,891
Debt service	17,704	-	17,704
Capital projects	3,384	-	3,384
Total disbursements	<u>9,229,715</u>	<u>2,518</u>	<u>9,227,197</u>
Excess (deficiency) of receipts over (under) disbursements	(2,647,045)	1,437	(2,648,482)
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,647,045)	1,437	(2,648,482)
Balance beginning of year	<u>6,167,687</u>	<u>6,180</u>	<u>6,161,507</u>
Balance end of year	<u>\$ 3,520,642</u>	<u>7,617</u>	<u>3,513,025</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
2,429,548	2,429,548	(62,236)
35,900	35,900	(4,754)
3,229,999	3,301,999	300,755
3,550	3,550	1,060
222,900	242,900	18,137
125,800	125,800	(23,792)
69,275	99,475	110,373
<u>6,116,972</u>	<u>6,239,172</u>	<u>339,543</u>
4,164,247	4,162,775	100,289
745,672	847,497	21,559
635,330	757,430	34,021
502,882	533,882	174,223
2,687,556	2,687,556	332,274
307,494	267,661	64,943
762,853	858,009	208,283
88,250	88,250	61,359
-	-	(17,704)
44,750	44,750	41,366
<u>9,939,034</u>	<u>10,247,810</u>	<u>1,020,613</u>
(3,822,062)	(4,008,638)	1,360,156
<u>3,645,000</u>	<u>3,645,000</u>	<u>(3,645,000)</u>
(177,062)	(363,638)	(2,284,844)
<u>1,698,306</u>	<u>1,698,306</u>	<u>4,463,201</u>
<u>1,521,244</u>	<u>1,334,668</u>	<u>2,178,357</u>

Wayne County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,582,670	179	6,582,849
Expenditures	9,229,715	336,668	9,566,383
Net	(2,647,045)	(336,489)	(2,983,534)
Other financing sources, net	-	-	-
Beginning fund balances	6,167,687	283,961	6,451,648
Ending fund balances	\$ 3,520,642	(52,528)	3,468,114

See accompanying independent auditor's report.

Wayne County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$308,776. The budget amendment is reflected in the final budgeted amounts. Also, jail project disbursements were budgeted under the public safety and legal services function but were reclassified to the capital projects function in the financial statements.

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, 2009, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements in four departments exceeded the amounts appropriated.

Wayne County

Other Supplementary Information

Wayne County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Wetlands	Bobwhite State Park
Assets					
Cash and pooled investments:					
County Treasurer	\$ 1,438	3	36,937	1,873	12,471
Component units	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	170
Accrued interest	1	1	8	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 1,439	4	36,945	1,873	12,641
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	-	-	-	797
Fund balances:					
Reserved for debt service	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	1,439	4	36,945	1,873	11,844
Total fund balances	1,439	4	36,945	1,873	11,844
Total liabilities and fund balances	\$ 1,439	4	36,945	1,873	12,641

See accompanying independent auditor's report.

Special Revenue							
Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Foreiture	Local Option Sales Tax	Group Home	Conservation Land Acquisition	Total
261,570	-	-	1,977	111,386	26,685	10,001	464,341
-	553	7,064	-	-	-	-	7,617
-	-	-	-	-	-	-	170
1	-	-	-	-	-	3	14
-	-	-	-	2,793	-	-	2,793
261,571	553	7,064	1,977	114,179	26,685	10,004	474,935
-	-	-	-	-	-	-	797
-	-	-	-	114,179	-	-	114,179
261,571	553	7,064	1,977	-	26,685	10,004	359,959
261,571	553	7,064	1,977	114,179	26,685	10,004	474,138
261,571	553	7,064	1,977	114,179	26,685	10,004	474,935

Wayne County

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

Year ended June 30, 2009

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Wetlands	Bobwhite State Park
Revenues:					
Local option sales tax	\$ -	-	-	-	-
Intergovernmental	-	-	13,707	-	-
Charges for service	1,396	-	-	-	10,397
Use of money and property	20	7	363	-	-
Miscellaneous	-	-	-	-	19
Total revenues	1,416	7	14,070	-	10,416
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	-
County environment and education	-	-	9,505	-	11,063
Governmental services to residents	1,550	630	-	-	-
Administration	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	1,550	630	9,505	-	11,063
Excess (dericiency) of revenues over (under) expenditures	(134)	(623)	4,565	-	(647)
Fund balances beginning of year	1,573	627	32,380	1,873	12,491
Fund balances end of year	\$ 1,439	4	36,945	1,873	11,844

See accompanying independent auditor's report.

Special Revenue								
Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Forfeiture	Local Option Sales Tax	Group Home	Conservation Land Acquisition	Debt Service	Total
-	-	-	-	285,414	-	-	-	285,414
-	-	-	-	-	-	-	-	13,707
-	-	-	-	-	-	-	-	11,793
12,481	1	-	-	-	-	145	-	13,017
-	-	3,954	-	-	-	-	-	3,973
12,481	1	3,954	-	285,414	-	145	-	327,904
-	-	2,518	-	-	-	-	-	2,518
57,727	-	-	-	-	-	-	-	78,295
-	-	-	-	-	-	-	-	2,180
-	-	-	-	-	2,387	-	-	2,387
-	-	-	-	269,128	-	-	17,704	286,832
-	-	-	-	-	-	3,345	-	3,345
57,727	-	2,518	-	269,128	2,387	3,345	17,704	375,557
(45,246)	1	1,436	-	16,286	(2,387)	(3,200)	(17,704)	(47,653)
306,817	552	5,628	1,977	97,893	29,072	13,204	17,704	521,791
261,571	553	7,064	1,977	114,179	26,685	10,004	-	474,138

Wayne County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,447	121,978	84,614
Other County officials	9,180	-	-	-
Receivables:				
Property tax:				
Delinquent	-	247	490	14,128
Succeeding year	-	64,000	124,000	3,578,000
Accounts	-	-	-	-
Total assets	\$ 9,180	65,694	246,468	3,676,742
Liabilities				
Accounts payable	\$ -	-	5	-
Salaries and benefits payable	-	-	655	-
Due to other governments	2,869	65,694	239,021	3,676,742
Trusts payable	6,311	-	-	-
Compensated absences	-	-	6,787	-
Total liabilities	\$ 9,180	65,694	246,468	3,676,742

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
4,353	24,986	3,018	127,954	20,537	317,363	706,250
-	-	-	-	-	-	9,180
748	9,136	237	-	3,511	3	28,500
195,000	700,000	134,000	-	913,000	1,000	5,709,000
-	-	-	-	-	257	257
200,101	734,122	137,255	127,954	937,048	318,623	6,453,187
-	-	-	-	-	526	531
-	-	-	-	-	140	795
200,101	734,122	137,255	127,954	937,048	298,670	6,419,476
-	-	-	-	-	19,287	25,598
-	-	-	-	-	-	6,787
200,101	734,122	137,255	127,954	937,048	318,623	6,453,187

Wayne County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 16,091	58,616	279,403	3,452,886
Additions:				
Property and other county tax	-	63,978	123,813	3,573,931
E911 surcharge	-	-	-	-
State tax credits	-	3,850	7,625	227,842
Office fees and collections	178,258	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Drivers license fees	-	-	-	-
Trusts	98,724	-	-	-
Miscellaneous	-	6	6,087	361
Total additions	276,982	67,834	137,525	3,802,134
Deductions:				
Agency remittances:				
To other funds	114,849	-	-	-
To other governments	66,766	60,756	170,460	3,578,278
Trusts paid out	102,278	-	-	-
Total deductions	283,893	60,756	170,460	3,578,278
Balances end of year	\$ 9,180	65,694	246,468	3,676,742

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
176,761	697,615	129,011	117,356	831,624	280,908	6,040,271
194,524	704,940	132,962	-	912,746	729	5,707,623
-	-	-	-	-	49,926	49,926
11,591	59,499	7,740	-	54,651	49	372,847
-	-	-	-	-	1,397	179,655
-	-	-	1,418,675	-	-	1,418,675
-	5,526	-	-	-	-	5,526
-	-	-	-	-	40,893	40,893
-	-	-	-	-	151,179	249,903
18	304	-	-	85	267,263	274,124
206,133	770,269	140,702	1,418,675	967,482	511,436	8,299,172
-	-	-	62,301	-	-	177,150
182,793	733,762	132,458	1,345,776	862,058	473,721	7,606,828
-	-	-	-	-	-	102,278
182,793	733,762	132,458	1,408,077	862,058	473,721	7,886,256
200,101	734,122	137,255	127,954	937,048	318,623	6,453,187

Wayne County

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

For the Last Nine Years

	2009	2008	2007	2006
Revenues:				
Property and other county tax	\$ 2,080,278	2,058,897	1,993,573	1,927,731
Local option sales tax	285,414	94,285	-	-
Interest and penalty on property tax	31,146	32,998	35,881	33,737
Intergovernmental	3,611,502	3,662,984	3,270,942	3,198,154
Licenses and permits	5,560	4,759	3,251	2,585
Charges for service	258,327	264,126	261,776	265,761
Use of money and property	97,522	139,552	142,835	138,985
Miscellaneous	213,100	130,519	75,924	137,495
Total	\$ 6,582,849	6,388,120	5,784,182	5,704,448
Expenditures:				
Operating:				
Public safety and legal services	\$ 886,029	1,013,637	735,437	666,122
Physical health and social services	831,455	777,343	694,106	679,267
Mental health	750,522	699,214	753,824	768,428
County environment and education	410,099	455,226	350,741	258,890
Roads and transportation	2,367,802	2,473,899	2,296,227	2,476,437
Governmental services to residents	201,919	173,731	165,946	270,426
Administration	688,040	711,559	659,251	612,510
Non-program	26,891	16,142	27,352	30,993
Debt service	286,832	17,713	15,000	-
Capital projects	3,116,794	-	2,033	77,730
Total	\$ 9,566,383	6,338,464	5,699,917	5,840,803

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003	2002	2001
1,921,146	1,886,630	1,909,597	1,917,364	2,061,493
-	-	-	-	-
39,013	31,256	33,296	32,833	30,329
2,932,444	2,728,114	2,509,435	2,628,927	2,705,893
4,455	3,110	3,470	4,340	3,380
258,540	286,578	243,145	254,266	309,704
96,795	50,929	57,569	63,847	139,244
101,989	618,739	143,782	128,498	31,891
5,354,382	5,605,356	4,900,294	5,030,075	5,281,934
664,155	654,496	663,662	675,716	544,095
540,199	506,947	527,257	446,912	432,350
803,813	770,381	848,038	789,342	670,637
283,393	341,574	267,999	261,827	241,607
2,134,371	1,886,025	1,916,921	1,931,912	2,041,994
171,198	140,185	136,866	125,352	114,128
665,167	536,846	518,242	473,438	428,470
34,875	32,897	38,248	48,340	112,193
-	-	-	65,528	65,527
102,234	98,469	131,915	151,487	289,535
5,399,405	4,967,820	5,049,148	4,969,854	4,940,536

Schedule 6

Wayne County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		\$ 4,093
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Safety Belt Performance Grants	20.609	09-406, Task 170	4,160
U.S. Department of Health and Human Services:			
Des Moines County Public Health:			
Public Health Emergency Preparedness	93.069	BT93	15,247
Iowa Department of Public Health:			
Immunization Grants	93.268	5889I479	1,573
Immunization Grants	93.268	5888I479	2,645
			<u>4,218</u>
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5889OB24	3,629
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		3,794
Refugee and Entrant Assistance - State Administered Programs	93.566		7
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,074
Foster Care - Title IV-E	93.658		2,284
Adoption Assistance	93.659		551
State Children's Insurance Program	93.767		31
Medical Assistance Program	93.778		4,992
Social Services Block Grant	93.667		2,486
Social Services Block Grant	93.667		39,052
			<u>41,538</u>

Wayne County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1727 DR IA	52,429
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1763 DR IA	430,617
			<u>483,046</u>
INRCOG (Region V):			
Homeland Security Grant Program	97.067	2006 HSGP	2,614
Total			<u>\$ 571,271</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Wayne County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 2010. 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 Part II of the accompanying Schedule of Findings and Questioned Costs 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 II-A-09 and II-B-09 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 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 and Questioned Costs. 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, including federal awarding agencies and pass-through entities. 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

March 17, 2010

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Wayne County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Wayne County:

Compliance

We have audited the compliance of Wayne County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. Wayne County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Wayne County's management. Our responsibility is to express an opinion on Wayne County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wayne County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wayne County's compliance with those requirements.

In our opinion, Wayne County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

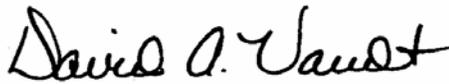
The management of Wayne County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Wayne County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wayne County's internal control over compliance.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 17, 2010

Wayne County
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Wayne County did not qualify as a low-risk auditee.

Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-09 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 not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared and forwarded to the accounting personnel for processing.	Recorder
(2) The listing of cash and checks received by mail was not compared to the cash receipt records 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 Agricultural Extension
(4) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. Monthly reviews of bank reconciliations by an independent person were not documented.	Agricultural Extension
(5) The person who signs checks should be independent of the person preparing the checks, approving disbursements and recording cash receipts.	Recorder

Responses –

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. We will continue to review each others work for accuracy.

Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Sheriff – Attempts have been made each year to improve on this issue and we feel we have made improvements. The Wayne County Sheriff's Office is a 24 hour office. Employees meeting the description required do not work shifts which will accommodate the recommendations. Three out of three employees either sign checks or open the mail and record the checks and all work the same shift. We feel we have adequate checks and balances in place at this time but will take your recommendation under advisement and review our procedures. All current personnel available are utilized. A review will be made of procedures to compare the receipts with deposits.

Agricultural Extension – The collection and deposit comment will be forwarded to the Extension Council and the new regional extension education director to correct. Bank accounts will now be reviewed by an independent party.

Conclusions – Responses accepted.

II-B-09 Financial Reporting – During the audit, we identified material amounts of infrastructure not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly record the infrastructure in the financial statements.

Recommendation – The County should implement procedures to ensure infrastructure is included in the County's financial statements.

Response – We will work on a plan to implement procedures to ensure this is properly reported on the financial statements.

Conclusion – Response accepted.

II-C-09 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 – We will discuss the issue with other departments but foresee no changes in the Commissary at this time.

Conclusion – Response acknowledged. To strengthen internal control and accountability over public funds, the County Sheriff should remit Commissary profits to the County Treasurer and include expenditures made from the profits in the County budget. In addition, Chapter 331.552(2) requires the County Treasurer to disburse money owed or payable by the County on warrants or checks.

Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

II-D-09 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.

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

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 consult legal counsel for determining the allowable carryover of vacation hours in accordance with the union agreement.

II-E-09 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.

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.

Response – We will talk to our software provider and see if we can change this to comply.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Wayne County
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget – Disbursements for the year ended June 30, 2009 exceeded the amount budgeted in the debt service function. Disbursements in four departments exceeded the amounts appropriated.

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

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

Response – We will watch this more closely in the future and make amendments to the budget and appropriations as necessary.

Conclusion – Response accepted.

IV-B-09 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.

IV-C-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-09 Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Kenny Holmes, Conservation Board Member, owner of Holmes Tiling, Inc.	Snow removal - Group Home Well closings – Sanitation Department	\$ 260 3,700
Dale Housh, Conservation Board Member, owner of Lockridge, Inc.	Supplies – Conservation Department Supplies – Other County departments	1,087 3,275
Kay Middlebrook, County Assessor, husband is owner of Middlebrook Amoco Melinda Middlebrook, County CPC Administrator, father-in-law is owner of Middlebrook Amoco	Fuel, service and repairs – various County departments	840
Charles Horton, Board of Supervisors, sons are owners of Horton Flooring	Flooring in jail and group home	12,928

Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

The transactions with Holmes Tiling, Inc. for snow removal and well closings and the transactions with Lockridge, Inc. for supplies for other County departments 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 do 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 and the transactions with Lockridge, Inc. for supplies for the Conservation Department do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

The transactions with Horton Flooring for flooring may represent a conflict of interest in accordance with Chapters 331.342(9) and (10) since the transactions exceeded \$1,500 and the County did not obtain competitive bids for the contract which were publicly invited and opened.

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

Response – Our understanding was bids had been received and Mr. Horton was not part of the transaction. We will consult the County Attorney in regards to this matter.

Conclusion – Response accepted.

IV-E-09 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.

IV-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-09 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.

IV-H-09 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).

IV-I-09 Financial Condition – Although the General and the Special Revenue, Mental Health Funds had positive cash balances at June 30, 2009, on a modified accrual basis, unreserved fund balance deficits of \$203,690 and \$21,232 were reported in the General and the Special Revenue, Mental Health Funds, respectively.

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 \$465,000 balance of the loan at June 30, 2009 will not be fully repaid until the year 2040 if the minimum annual repayment of \$15,000 is made on the loan.

Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Recommendation – The County should continue to investigate alternatives to eliminate the deficit balances in order to return the General and the Special Revenue, Mental Health Funds to sound financial positions. 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 Special Revenue, Rural Services Fund, the County should continue to make the annual scheduled payments on the loan.

Response – We have a resolution in place requiring a yearly payment to the Special Revenue, Rural Services Fund to pay this money back. We are working on ways to increase the balance in the General Fund so we may repay this sooner. We will investigate alternatives to eliminate the deficit in the Special Revenue, Mental Health Fund.

Conclusion – Response accepted.

IV-J-09 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, 2009 for the County Extension Office did not exceed the amount budgeted.

Wayne County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Shelley M. Klingbeil, Staff Auditor
Brett M. Zeller, Staff Auditor
Dorothy O. Stover, Staff Auditor
Jeana R. Muhlbauer, Assistant Auditor
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Deputy Auditor of State