



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE April 2, 2004

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

The County had local tax revenue of \$7,547,256 for the year ended June 30, 2003, which included \$576,826 in tax credits from the state. The County forwarded \$5,493,220 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,054,036 of the local tax revenue to finance County operations, a one percent decrease from the prior year. Other revenues included \$2,364,996 from other governments and \$24,294 in interest on investments.

Expenditures for County operations totaled \$5,049,148, a two percent increase over the prior year. Expenditures included \$1,916,921 for roads and transportation, \$848,038 for mental health and \$663,662 for public safety and legal services.

This report contains recommendations to the Board of Supervisors and other County officials. For example, the County should investigate alternatives to eliminate the General Fund unreserved deficit balance of \$182,519. The County responded favorably to the comments.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's Office.

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WAYNE COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
General Purpose Financial Statements:	<u>Exhibit</u>	
Combined Balance Sheet – All Fund Types and Account Groups	A	8-11
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund	B	12-13
Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) – All Governmental Fund Types and Expendable Trust Fund	C	14-15
Notes to Financial Statements		16-27
Supplemental Information:	<u>Schedule</u>	
General Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	1	30-32
Statement of Expenditures	2	33-35
Special Revenue Funds:		
Combining Balance Sheet	3	36-37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	38-47
Debt Service Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	5	49
Trust and Agency Funds:		
Combining Balance Sheet - Trust and Agency Funds	6	50-53
Combining Statement of Changes in Assets and Liabilities - Agency Funds	7	54-57
Comparison of Taxes and Intergovernmental Revenues	8	58
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		59-60
Schedule of Findings		61-67
Staff		68

Wayne County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2003)		
Jerry O'Dell	Board of Supervisors	Jan 2003
Donald Greenlee	Board of Supervisors	Jan 2003
Larry Andrews	Board of Supervisors	Jan 2005
Sue Ruble	County Auditor	Jan 2005
Kim Swearingin	County Treasurer	Jan 2003
Angie Horton (Appointed)	County Recorder	Nov 2002
Keith Davis	County Sheriff	Jan 2005
Alan Wilson	County Attorney	Jan 2003
Kay Middlebrook	County Assessor	Jan 2004
(After January 2003)		
Larry Andrews	Board of Supervisors	Jan 2005
Donald Greenlee	Board of Supervisors	Jan 2007
Jerry O'Dell	Board of Supervisors	Jan 2007
Sue Ruble	County Auditor	Jan 2005
Kim Swearingin	County Treasurer	Jan 2007
Angie Horton	County Recorder	Jan 2005
Keith Davis	County Sheriff	Jan 2005
Alan Wilson	County Attorney	Jan 2007
Kay Middlebrook	County Assessor	Jan 2004

Wayne County



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Independent Auditor's Report

To the Officials of Wayne County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Wayne County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Wayne County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include materials and supplies inventory, pertaining primarily to the Special Revenue Funds, although required by U.S. generally accepted accounting principles. The amounts of such inventory are not determinable.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Wayne County at June 30, 2003, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust fund of Wayne County for the year ended June 30, 2003.

Wayne County has included general fixed assets in the general purpose financial statements for the first time for the year ended June 30, 2003.

As discussed in Note 11, Wayne County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2004 on our consideration of Wayne County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed qualified opinions on those financial statements for the effects of the omission of the general fixed assets account group and the materials and supplies inventory, pertaining primarily to the Special Revenue Funds. The supplemental information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of the omission of the materials and supplies inventory, pertaining primarily to the Special Revenue Funds, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 23, 2004

Financial Statements

Wayne County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types	
	General	Special Revenue
Assets and Other Debits		
Cash and pooled investments:		
County Treasurer	\$ 889,922	1,005,668
Other County officials	-	2,920
Receivables:		
Property tax:		
Delinquent	3,703	2,126
Succeeding year	983,000	905,000
Interest and penalty on property tax	6,582	-
Accounts	594	401
Accrued interest	717	-
Assessments	-	-
Due from other funds (note 3)	15,994	552,680
Due from other governments	105,572	175,268
Prepaid insurance	27,234	21,445
Property and equipment (note 4)	-	-
Amount to be provided for retirement of general long-term debt	-	-
	\$ 2,033,318	2,665,508
Total assets and other debits	\$ 2,033,318	2,665,508

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
487,306	-	-	2,382,896
29,686	-	-	32,606
23,593	-	-	29,422
5,062,000	-	-	6,950,000
-	-	-	6,582
12,356	-	-	13,351
-	-	-	717
15,860	-	-	15,860
-	-	-	568,674
5,523	-	-	286,363
35	-	-	48,714
-	3,637,378	-	3,637,378
-	-	111,187	111,187
5,636,359	3,637,378	111,187	14,083,750

Wayne County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types	
	General	Special Revenue
Liabilities, Fund Equity and Other Credits		
Liabilities:		
Accounts payable	\$ 14,472	68,381
Salaries and benefits payable	17,356	34,981
Due to other funds (note 3)	550,000	-
Due to other governments (note 5)	34,596	37,405
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	983,000	905,000
Other	52,023	23,663
Capital lease purchase agreement (note 6)	-	-
Compensated absences	4,086	11,684
Total liabilities	1,655,533	1,081,114
Fund equity and other credits:		
Investment in general fixed assets	-	-
Fund balances:		
Reserved for:		
Prepaid insurance	27,234	21,445
Supplemental levy purposes	533,070	-
Unreserved	(182,519)	1,562,949
Total fund equity and other credits	377,785	1,584,394
Total liabilities, fund equity and other credits	\$ 2,033,318	2,665,508

See notes to financial statements.

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
Trust and Agency			
1,861	-	-	84,714
6,659	-	-	58,996
18,674	-	-	568,674
5,574,986	-	-	5,646,987
15,800	-	-	15,800
-	-	-	1,888,000
-	-	-	75,686
-	-	36,228	36,228
7,281	-	74,959	98,010
5,625,261	-	111,187	8,473,095
-	3,637,378	-	3,637,378
-	-	-	48,679
-	-	-	533,070
11,098	-	-	1,391,528
11,098	3,637,378	-	5,610,655
5,636,359	3,637,378	111,187	14,083,750

Wayne County

Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2003

	<u>Governmental Fund</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Property and other County tax	\$ 1,014,567	895,030
Interest and penalty on property tax	33,296	-
Intergovernmental	448,557	2,060,878
Licenses and permits	50	3,420
Charges for service	127,093	116,052
Use of money and property	57,201	368
Miscellaneous	38,515	105,211
Total revenues	<u>1,719,279</u>	<u>3,180,959</u>
Expenditures:		
Operating:		
Public safety and legal services	515,472	148,190
Physical health and social services	518,191	9,066
Mental health	-	848,038
County environment and education	152,204	115,795
Roads and transportation	-	1,916,921
Governmental services to residents	129,012	7,854
Administration	518,242	-
Non-program	38,248	-
Capital projects	-	131,370
Total expenditures	<u>1,871,369</u>	<u>3,177,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(152,090)</u>	<u>3,725</u>
Other financing sources (uses):		
Operating transfers in	10,963	434,637
Operating transfers out	(166)	(434,637)
Capital lease purchase agreement	-	60,495
Total other financing sources (uses)	<u>10,797</u>	<u>60,495</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(141,293)</u>	<u>64,220</u>
Fund balances beginning of year	522,828	1,510,669
Increase (decrease) in reserve for prepaid insurance	<u>(3,750)</u>	<u>9,505</u>
Fund balances end of year	<u>\$ 377,785</u>	<u>1,584,394</u>

See notes to financial statements.

<u>Types</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Debt Service</u>	<u>Expendable Trust</u>	
-	-	1,909,597
-	-	33,296
-	-	2,509,435
-	-	3,470
-	-	243,145
-	-	57,569
-	56	143,782
-	56	4,900,294
-	-	663,662
-	-	527,257
-	-	848,038
-	-	267,999
-	-	1,916,921
-	-	136,866
-	-	518,242
-	-	38,248
-	545	131,915
-	545	5,049,148
-	(489)	(148,854)
-	166	445,766
(10,963)	-	(445,766)
-	-	60,495
(10,963)	166	60,495
(10,963)	(323)	(88,359)
10,963	11,421	2,055,881
-	-	5,755
-	11,098	1,973,277

Wayne County

Comparison of Receipts, Disbursements and
Changes in Balances - Actual to Budget (Cash Basis)

All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2003

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 1,909,514	-
Interest and penalty on property tax	33,302	-
Intergovernmental	2,525,015	-
Licenses and permits	3,470	-
Charges for service	241,016	-
Use of money and property	48,224	-
Miscellaneous	152,351	4,573
Total receipts	<u>4,912,892</u>	<u>4,573</u>
Disbursements:		
Public safety and legal services	657,548	14,042
Physical health and social services	515,005	-
Mental health	841,226	-
County environment and education	266,576	-
Roads and transportation	1,851,282	-
Governmental services to residents	136,857	-
Administration	519,091	-
Non-program	38,248	-
Capital projects	145,772	-
Total disbursements	<u>4,971,605</u>	<u>14,042</u>
Deficiency of receipts under disbursements	(58,713)	(9,469)
Other financing sources, net	-	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	(58,713)	(9,469)
Balance beginning of year	<u>1,968,321</u>	<u>12,389</u>
Balance end of year	<u>\$ 1,909,608</u>	<u>2,920</u>

See notes to financial statements.

Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
1,909,514	1,900,768	8,746	100%
33,302	10,000	23,302	333%
2,525,015	2,363,979	161,036	107%
3,470	1,320	2,150	263%
241,016	283,650	(42,634)	85%
48,224	86,685	(38,461)	56%
147,778	44,910	102,868	329%
<u>4,908,319</u>	<u>4,691,312</u>	<u>217,007</u>	<u>105%</u>
643,506	717,664	74,158	90%
515,005	533,286	18,281	97%
841,226	849,356	8,130	99%
266,576	273,446	6,870	97%
1,851,282	1,996,906	145,624	93%
136,857	217,346	80,489	63%
519,091	576,973	57,882	90%
38,248	108,500	70,252	35%
145,772	304,500	158,728	48%
<u>4,957,563</u>	<u>5,577,977</u>	<u>620,414</u>	<u>89%</u>
(49,244)	(886,665)		
<u>-</u>	<u>7,800</u>		
(49,244)	(878,865)		
<u>1,955,932</u>	<u>1,551,842</u>		
<u>1,906,688</u>	<u>672,977</u>		

Wayne County

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Blended Component Units

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

Wayne County Sheriff's Canine has been incorporated under Chapter 504A of the Code of Iowa to receive donations to aid the Wayne County Sheriff's office. These donations would 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 would 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 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. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are 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 that are not paid from other funds.

Special Revenue Funds - The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

Fiduciary Funds

Trust Funds - The Trust Funds are used to account for assets held by the County in a trustee capacity. These include an Expendable Trust Fund which is accounted for in essentially the same manner as Governmental Funds.

Agency Funds - The 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Groups

General Fixed Assets - This account group is established to account for the general fixed assets of the County.

General Long-Term Debt - This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and the Expendable Trust Fund are accounted for on a spending or "financial flow" measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and 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. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

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

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at 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 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 1 1/2% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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.

Assessments Receivable – Assessments receivable represent the amounts assessed to individuals for work done which benefits their property. Assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

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.

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or “infrastructure” general fixed assets, such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2003, no interest costs were capitalized since the County’s policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

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

Trusts Payable – Trusts payable represent 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

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. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of compensatory time and vacation expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County’s commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

F. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Expendable Trust Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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, and for the E911 System by the Joint E911 Service Board.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$1,713,402	5,877	1,719,279	3,199,434	(18,475)	3,180,959
Expenditures	1,854,095	17,274	1,871,369	3,116,965	60,269	3,177,234
Net	(140,693)	(11,397)	(152,090)	82,469	(78,744)	3,725
Other financing sources (uses)	10,797	-	10,797	-	60,495	60,495
Beginning fund balances	1,019,818	(496,990)	522,828	926,119	584,550	1,510,669
Increase (decrease) in reserve for prepaid insurance	-	(3,750)	(3,750)	-	9,505	9,505
Ending fund balances	\$ 889,922	(512,137)	377,785	1,008,588	575,806	1,584,394

	Governmental Fund Types		
	Debt Service		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ -	-	-
Expenditures	-	-	-
Net	-	-	-
Other financing sources (uses)	(10,963)	-	(10,963)
Beginning fund balances	10,963	-	10,963
Increase (decrease) in reserve for prepaid insurance	-	-	-
Ending fund balances	\$ -	-	-

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 56	-	56	4,912,892	(12,598)	4,900,294
Expenditures	545	-	545	4,971,605	77,543	5,049,148
Net	(489)	-	(489)	(58,713)	(90,141)	(148,854)
Other financing sources (uses)	166	-	166	-	60,495	60,495
Beginning fund balances	11,421	-	11,421	1,968,321	87,560	2,055,881
Increase (decrease) in reserve for prepaid insurance	-	-	-	-	5,755	5,755
Ending fund balances	\$ 11,098	-	11,098	1,909,608	63,669	1,973,277

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2003 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.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,290,931 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2003 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Trust and Agency:	
	County Board of Supervisors	\$ 50
	County Auditor	50
	County Recorder	4,636
	County Sheriff	6,921
	Auto License and Use Tax	3,566
	Drivers License	771
Special Revenue:		
Rural Services	General	550,000
	Trust and Agency:	
	County Sheriff	2,500
County Recorder's		
Records Management	Trust and Agency:	
	County Recorder	<u>180</u>
Total		<u>\$ 568,674</u>

(4) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Buildings	\$ 583,532	-	-	583,532
Equipment	<u>2,937,607</u>	116,239	-	<u>3,053,846</u>
Total	<u>\$3,521,139</u>	116,239	-	<u>3,637,378</u>

Equipment includes \$60,495 of assets acquired under a capital lease.

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 34,596
Special Revenue:		
Secondary Roads	Services	5,448
Mental Health		<u>31,957</u>
		<u>37,405</u>
Trust and Agency:		
County Assessor	Collections	204,149
Schools		3,217,456
Community Colleges		165,902
Corporations and Special Assessments		876,054
Auto License and Use Tax		105,461
County Hospital		649,220
E911		166,755
All other		<u>189,989</u>
		<u>5,574,986</u>
Total		<u>\$ 5,646,987</u>

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	Capital Lease Purchase Agreement	Compensated Absences	Total
Balance beginning of year	\$ -	71,896	71,896
Additions	60,495	3,063	63,558
Reductions	<u>24,267</u>	<u>-</u>	<u>24,267</u>
Balance end of year	<u>\$ 36,228</u>	<u>74,959</u>	<u>111,187</u>

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a tractor mower. The following is a schedule of the future minimum lease payments, including interest of 5.50% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2003:

Year Ending June 30,	Tractor Mower		
	Principal	Interest	Total
2004 *	\$ -	-	-
2005	11,435	1,993	13,428
2006	12,064	1,364	13,428
2007	<u>12,729</u>	<u>700</u>	<u>13,429</u>
Total	<u>\$ 36,228</u>	<u>4,057</u>	<u>40,285</u>

Payments under the capital lease purchase agreement for the year ended June 30, 2003 totaled \$26,856, including interest of \$2,589.

* The fiscal year 2004 payment was paid by the County on June 30, 2003 instead of July 22, 2003 (due date).

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$116,814, \$111,555, and \$101,950, respectively, equal to the required contributions for each year.

(8) Risk Management

Wayne County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2003 were \$95,809.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, 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 claims 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. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$1,000,000 and \$50,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed amounts appropriated by department. During the year ended June 30, 2003, disbursements in one department exceeded the amount appropriated.

(10) Financial Condition

The General Fund had an unreserved deficit fund balance of \$182,519 at June 30, 2003. The County plans to eliminate this deficit by decreasing expenditures in the General Fund.

(11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the County’s financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the County’s financial activities.

Wayne County

Supplemental Information

Schedule 1

Wayne County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other County tax:

Property tax	\$ 964,951	
Utility tax replacement excise tax	<u>49,616</u>	\$ 1,014,567

Interest and penalty on property tax		33,296
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Intergovernmental:

State shared revenues:

Franchise tax	<u>9,785</u>	
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State tax replacements:

State tax credits	83,365	
State allocation	<u>49,930</u>	
	<u>133,295</u>	

State and federal pass-thru revenues:

Human services administrative reimbursement	14,180	
Other	<u>45,962</u>	
	<u>60,142</u>	

Contributions from other governmental units

	<u>10,104</u>	
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State grants and entitlements:

Homemaker health grant	31,021	
Public health nursing grant	23,705	
Other	<u>9,710</u>	
	<u>64,436</u>	

Federal grants and entitlements:

Medicare and medicaid	163,921	
Other	<u>1,971</u>	
	<u>165,892</u>	

Payments in lieu of taxes	<u>4,903</u>	448,557
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Wayne County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues (continued):		
Licenses and permits		50
Charges for service:		
Office fees and collections:		
County Recorder	43,335	
County Sheriff	23,187	
Auto registration, use tax, drivers license and mailing	50,116	
Nursing services	1,711	
Conservation fees	8,211	
Other	<u>533</u>	127,093
Use of money and property:		
Interest on investments	23,926	
Rent	<u>33,275</u>	57,201
Miscellaneous		<u>38,515</u>
Total revenues		<u>1,719,279</u>
Expenditures:		
Operating:		
Public safety and legal services		515,472
Physical health and social services		518,191
County environment and education		152,204
Governmental services to residents		129,012
Administration		518,242
Non-program		<u>38,248</u>
Total expenditures		<u>1,871,369</u>
Deficiency of revenues under expenditures		<u>(152,090)</u>

Schedule 1

Wayne County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Other financing sources (uses):	
Operating transfers in (out):	
Debt Service	10,963
Expendable Trust:	
Conservation Land Acquisition Trust	<u>(166)</u>
Total other financing sources (uses)	<u>10,797</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(141,293)
Fund balance beginning of year	522,828
Decrease in reserve for prepaid insurance	<u>(3,750)</u>
Fund balance end of year	<u><u>\$ 377,785</u></u>

See accompanying independent auditor's report.

Wayne County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Public safety and legal services:

Law enforcement:

Investigations	\$ 27,581	
Law enforcement communication	16,962	
Adult correctional services	49,642	
Administration	298,740	
Civil services	<u>757</u>	
	<u>393,682</u>	

Legal services:

Criminal prosecution	53,158	
Medical examinations	<u>13,452</u>	
	<u>66,610</u>	

Emergency services:

Emergency management	<u>20,227</u>	
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Court proceedings:

Juries and witnesses	<u>21,551</u>	
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Juvenile justice administration:

Juvenile victim restitution	13,102	
Court-appointed attorneys and court costs for juveniles	<u>300</u>	
	<u>13,402</u>	\$ 515,472

Physical health and social services:

Physical health services:

Health administration	<u>283,399</u>	
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Services to the poor:

Administration	23,749	
General welfare services	<u>36,682</u>	
	<u>60,431</u>	

Schedule 2

Wayne County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Physical health and social services (continued):

Services to military veterans:

Administration	10,094	
General services to veterans	<u>4,526</u>	
	<u>14,620</u>	

Children's and family services:

Youth guidance	<u>73,027</u>	
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Services to other adults:

Services to the elderly	<u>58,150</u>	
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Chemical dependency:

Treatment services	<u>28,564</u>	518,191
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County environment and education:

Conservation and recreation services:

Administration	44,592	
Maintenance and operations	<u>79,771</u>	
	124,363	

County development:

Economic development	12,841	
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Educational services:

Fair and 4-H clubs	<u>15,000</u>	152,204
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Governmental services to residents:

Representation services:

Elections administration	21,209	
Local elections	<u>3,672</u>	
	<u>24,881</u>	

State administrative services:

Motor vehicle registrations and licensing	37,835	
Recording of public documents	<u>66,296</u>	
	<u>104,131</u>	129,012

Administration:

Policy and administration:

General County management	93,421	
Administration management services	74,971	
Treasury management services	79,726	
Other policy and administration	<u>18,960</u>	
	<u>267,078</u>	

Wayne County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Administration (continued):

Central services:

General services	116,952	
Data processing services	<u>62,760</u>	
	<u>179,712</u>	

Risk management services:

Safety of the workplace	70,018	
Fidelity of public officials	<u>1,434</u>	
	<u>71,452</u>	518,242

Non-program:

County farm operations	2,730	
Other non-program current expenditures:		
Grants passed through to subrecipient	<u>35,518</u>	<u>38,248</u>

Total		<u>\$ 1,871,369</u>
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See accompanying independent auditor's report.

Wayne County
Special Revenue Funds
Combining Balance Sheet
June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Resource Enhancement and Protection
Assets				
Cash and pooled investments:				
County Treasurer	\$ 61,376	730,575	165,702	8,841
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	1,265	-	861	-
Succeeding year	712,000	-	193,000	-
Accounts	-	-	-	-
Due from other funds	552,500	-	-	-
Due from other governments	500	174,512	30	226
Prepaid insurance	-	21,445	-	-
Total assets	\$ 1,327,641	926,532	359,593	9,067
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 1,201	40,097	26,528	-
Salaries and benefits payable	1,366	27,484	6,131	-
Due to other governments	-	5,448	31,957	-
Deferred revenue:				
Succeeding year property tax	712,000	-	193,000	-
Other	1,265	21,551	847	-
Compensated absences	663	9,467	1,554	-
Total liabilities	716,495	104,047	260,017	-
Fund equity:				
Fund balances:				
Reserved for prepaid insurance	-	21,445	-	-
Unreserved	611,146	801,040	99,576	9,067
Total fund equity	611,146	822,485	99,576	9,067
Total liabilities and fund equity	\$ 1,327,641	926,532	359,593	9,067

See accompanying independent auditor's report.

County Recorder's Records Management	Conservation Wetlands	Bobwhite State Park	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Total
6,405	25,596	7,173	-	-	1,005,668
-	-	-	487	2,433	2,920
-	-	-	-	-	2,126
-	-	-	-	-	905,000
-	-	401	-	-	401
180	-	-	-	-	552,680
-	-	-	-	-	175,268
-	-	-	-	-	21,445
6,585	25,596	7,574	487	2,433	2,665,508
150	-	405	-	-	68,381
-	-	-	-	-	34,981
-	-	-	-	-	37,405
-	-	-	-	-	905,000
-	-	-	-	-	23,663
-	-	-	-	-	11,684
150	-	405	-	-	1,081,114
-	-	-	-	-	21,445
6,435	25,596	7,169	487	2,433	1,562,949
6,435	25,596	7,169	487	2,433	1,584,394
6,585	25,596	7,574	487	2,433	2,665,508

Wayne County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
Revenues:			
Property and other County tax:			
Property tax	\$634,756	-	224,255
Utility tax replacement excise tax	<u>24,494</u>	-	<u>11,525</u>
	<u>659,250</u>	-	<u>235,780</u>
Intergovernmental:			
State shared revenues:			
Road use tax	-	<u>1,653,267</u>	-
State tax replacements:			
State tax credits	41,700	-	19,374
Mental health property tax relief	-	-	<u>209,429</u>
	<u>41,700</u>	-	<u>228,803</u>
State and federal pass-thru revenues:			
Social services block grant	-	-	47,517
Public safety partnership and community policing grant	<u>5,076</u>	-	-
	<u>5,076</u>	-	<u>47,517</u>
Contributions from other governmental units	<u>29,996</u>	-	-
State grants and entitlements:			
Well closing grant	16,500	-	-
MH-DD allowed growth factor adjustment	-	-	32,562
Other	-	<u>5,110</u>	-
	<u>16,500</u>	<u>5,110</u>	<u>32,562</u>
Payments in lieu of taxes	-	-	<u>21</u>
	<u>93,272</u>	<u>1,658,377</u>	<u>308,903</u>

Resource Enhancement and Protection	County Recorder's Records Management	Conservation Wetlands	Bobwhite State Park	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Total
-	-	-	-	-	-	859,011
-	-	-	-	-	-	36,019
-	-	-	-	-	-	895,030
-	-	-	-	-	-	1,653,267
-	-	-	-	-	-	61,074
-	-	-	-	-	-	209,429
-	-	-	-	-	-	270,503
-	-	-	-	-	-	47,517
-	-	-	-	-	-	5,076
-	-	-	-	-	-	52,593
-	-	-	-	-	-	29,996
-	-	-	-	-	-	16,500
-	-	-	-	-	-	32,562
326	-	-	-	-	-	5,436
326	-	-	-	-	-	54,498
-	-	-	-	-	-	21
326	-	-	-	-	-	2,060,878

Wayne County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health
Revenues (continued):			
Licenses and permits	2,940	480	-
Charges for service:			
Resident care	-	-	110,618
Document management fee	-	-	-
Other	-	-	-
	-	-	110,618
Use of money and property:			
Interest on investments	-	-	-
Miscellaneous:			
Sales of other commodities	-	6,605	-
Other	20	71,389	20,474
	20	77,994	20,474
Total revenues	755,482	1,736,851	675,775
Expenditures:			
Operating:			
Public safety and legal services:			
Law enforcement:			
Uniformed patrol services	118,528	-	-
Administration	15,620	-	-
	134,148	-	-
Physical health and social services:			
Physical health services:			
Sanitation	9,066	-	-
	9,066	-	-
Mental health:			
Persons with mental health problems - mental illness:			
General administration	-	-	6,497
Personal and environmental support	-	-	1,440
Treatment services	-	-	48,277
Institutional, hospital, and commitment services	-	-	61,193
	-	-	117,407

Resource Enhancement and Protection	County Recorder's Records Management	Conservation Wetlands	Bobwhite State Park	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Total
-	-	-	-	-	-	3,420
-	-	-	-	-	-	110,618
-	1,741	-	-	-	-	1,741
-	-	-	3,693	-	-	3,693
-	1,741	-	3,693	-	-	116,052
251	117	-	-	-	-	368
-	-	-	-	-	-	6,605
-	-	-	2,150	2,195	2,378	98,606
-	-	-	2,150	2,195	2,378	105,211
577	1,858	-	5,843	2,195	2,378	3,180,959
-	-	-	-	-	-	118,528
-	-	-	-	7,848	6,194	29,662
-	-	-	-	7,848	6,194	148,190
-	-	-	-	-	-	9,066
-	-	-	-	-	-	9,066
-	-	-	-	-	-	6,497
-	-	-	-	-	-	1,440
-	-	-	-	-	-	48,277
-	-	-	-	-	-	61,193
-	-	-	-	-	-	117,407

Wayne County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural</u>	<u>Secondary</u>	<u>Mental</u>
	<u>Services</u>	<u>Roads</u>	<u>Health</u>
Expenditures (continued):			
Operating:			
Mental health:			
Persons with chronic mental illness:			
General administration	-	-	88,625
Personal and environmental support	-	-	21,845
Treatment services	-	-	1,600
Vocational and day services	-	-	10,840
Licensed or certified living arrangements	-	-	42,517
Institutional, hospital, and commitment services	-	-	17,617
	-	-	<u>183,044</u>
Persons with mental retardation:			
General administration	-	-	189,823
Coordination services	-	-	4,726
Personal and environmental support	-	-	46,959
Vocational and day services	-	-	140,385
Licensed or certified living arrangements	-	-	162,632
Institutional, hospital, and commitment services	-	-	3,062
	-	-	<u>547,587</u>
	-	-	<u>848,038</u>
County environment and education:			
Environmental quality:			
Natural resources conservation	21,938	-	-
Solid waste disposal	20,500	-	-
Environmental restoration	49,719	-	-
	<u>92,157</u>	-	-

Resource Enhancement and Protection	County Recorder's Records Management	Conservation Wetlands	Bobwhite State Park	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Total
-	-	-	-	-	-	88,625
-	-	-	-	-	-	21,845
-	-	-	-	-	-	1,600
-	-	-	-	-	-	10,840
-	-	-	-	-	-	42,517
-	-	-	-	-	-	17,617
-	-	-	-	-	-	183,044
-	-	-	-	-	-	189,823
-	-	-	-	-	-	4,726
-	-	-	-	-	-	46,959
-	-	-	-	-	-	140,385
-	-	-	-	-	-	162,632
-	-	-	-	-	-	3,062
-	-	-	-	-	-	547,587
-	-	-	-	-	-	848,038
-	-	-	-	-	-	21,938
-	-	-	-	-	-	20,500
-	-	-	-	-	-	49,719
-	-	-	-	-	-	92,157

Wayne County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
Expenditures (continued):			
Operating:			
County environment and education:			
Conservation and recreation services:			
Maintenance and operations	-	-	-
County development:			
Economic development	7,409	-	-
Educational services:			
Libraries	9,642	-	-
	<u>109,208</u>	<u>-</u>	<u>-</u>
Roads and transportation:			
Secondary roads administration and engineering:			
Administration	-	353,985	-
Engineering	-	112,580	-
	<u>-</u>	<u>466,565</u>	<u>-</u>
Roadway maintenance:			
Bridges and culvert	-	51,078	-
Roads	-	675,130	-
Snow and ice control	-	39,420	-
Traffic controls	-	33,874	-
Road clearing	79,287	84,813	-
	<u>79,287</u>	<u>884,315</u>	<u>-</u>
General roadway:			
Equipment	60,495	60,525	-
Equipment operation	-	319,559	-
Tools, materials, and supplies	-	18,286	-
Real estate and buildings	-	27,889	-
	<u>60,495</u>	<u>426,259</u>	<u>-</u>
	<u>139,782</u>	<u>1,777,139</u>	<u>-</u>

Resource Enhancement and Protection	County Recorder's Records Management	Conservation Wetlands	Bobwhite State Park	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Total
-	-	-	6,587	-	-	6,587
-	-	-	-	-	-	7,409
-	-	-	-	-	-	9,642
-	-	-	6,587	-	-	115,795
-	-	-	-	-	-	353,985
-	-	-	-	-	-	112,580
-	-	-	-	-	-	466,565
-	-	-	-	-	-	51,078
-	-	-	-	-	-	675,130
-	-	-	-	-	-	39,420
-	-	-	-	-	-	33,874
-	-	-	-	-	-	164,100
-	-	-	-	-	-	963,602
-	-	-	-	-	-	121,020
-	-	-	-	-	-	319,559
-	-	-	-	-	-	18,286
-	-	-	-	-	-	27,889
-	-	-	-	-	-	486,754
-	-	-	-	-	-	1,916,921

Wayne County
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health
Expenditures (continued):			
Operating:			
Governmental services to residents:			
Representation services:			
Township officials	4,945	-	-
State administrative services:			
Recording of public documents	-	-	-
	4,945	-	-
Capital projects:			
Roadway construction	-	119,358	-
Conservation land acquisition and development	-	-	-
	-	119,358	-
Total expenditures	397,149	1,896,497	848,038
Excess (deficiency) of revenues over (under) expenditures	358,333	(159,646)	(172,263)
Other financing sources (uses):			
Operating transfers in (out):			
Special Revenue:			
Rural Services	-	434,637	-
Secondary Roads	(434,637)	-	-
Capital lease purchase agreement	60,495	-	-
Total other financing sources (uses)	(374,142)	434,637	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(15,809)	274,991	(172,263)
Fund balances beginning of year	626,955	537,989	271,839
Increase in reserve for prepaid insurance	-	9,505	-
Fund balances end of year	\$611,146	822,485	99,576

See accompanying independent auditor's report.

Resource Enhancement and Protection	County Recorder's Records Management	Conservation Wetlands	Bobwhite State Park	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Total
-	-	-	-	-	-	4,945
-	2,909	-	-	-	-	2,909
-	2,909	-	-	-	-	7,854
-	-	-	-	-	-	119,358
10,985	-	1,027	-	-	-	12,012
10,985	-	1,027	-	-	-	131,370
10,985	2,909	1,027	6,587	7,848	6,194	3,177,234
(10,408)	(1,051)	(1,027)	(744)	(5,653)	(3,816)	3,725
-	-	-	-	-	-	434,637
-	-	-	-	-	-	(434,637)
-	-	-	-	-	-	60,495
-	-	-	-	-	-	60,495
(10,408)	(1,051)	(1,027)	(744)	(5,653)	(3,816)	64,220
19,475	7,486	26,623	7,913	6,140	6,249	1,510,669
-	-	-	-	-	-	9,505
9,067	6,435	25,596	7,169	487	2,433	1,584,394

Wayne County

Wayne County

Debt Service Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2003

Revenues:	
None	\$ -
Expenditures:	
None	<u>-</u>
Excess of revenues over expenditures	-
Other financing uses:	
Operating transfers out:	
General	<u>(10,963)</u>
Deficiency of revenues under expenditures and other financing uses	(10,963)
Fund balance beginning of year	<u>10,963</u>
Fund balance end of year	<u><u>\$ -</u></u>

See accompanying independent auditor's report.

Wayne County
Trust and Agency Funds
Combining Balance Sheet

June 30, 2003

	Expendable Trust Fund	Agency			
	Conservation Land Acquisition Trust	County Offices			
		Board of Supervisors	County Auditor	County Recorder	County Sheriff
Assets					
Cash and pooled investments:					
County Treasurer	\$ 11,098	-	-	-	-
Other County officials	-	4,762	50	10,675	14,199
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Total assets	\$ 11,098	4,762	50	10,675	14,199
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other funds	-	50	50	4,816	9,421
Due to other governments	-	-	-	5,859	48
Trusts payable	-	4,712	-	-	4,730
Compensated absences	-	-	-	-	-
Total liabilities	-	4,762	50	10,675	14,199
Fund equity:					
Unreserved fund balance	11,098	-	-	-	-
Total liabilities and fund equity	\$ 11,098	4,762	50	10,675	14,199

Funds					
Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations and Special Assessments	Townships
1,137	105,157	61,653	3,303	16,058	2,506
-	-	-	-	-	-
198	379	10,803	599	9,136	220
54,000	106,000	3,145,000	162,000	835,000	125,000
-	-	-	-	-	-
-	-	-	-	15,860	-
-	-	-	-	-	-
-	35	-	-	-	-
<u>55,335</u>	<u>211,571</u>	<u>3,217,456</u>	<u>165,902</u>	<u>876,054</u>	<u>127,726</u>
-	-	-	-	-	-
-	141	-	-	-	-
-	-	-	-	-	-
55,335	204,149	3,217,456	165,902	876,054	127,726
-	-	-	-	-	-
-	7,281	-	-	-	-
<u>55,335</u>	<u>211,571</u>	<u>3,217,456</u>	<u>165,902</u>	<u>876,054</u>	<u>127,726</u>
-	-	-	-	-	-
<u>55,335</u>	<u>211,571</u>	<u>3,217,456</u>	<u>165,902</u>	<u>876,054</u>	<u>127,726</u>

Wayne County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	County Hospital	Advance Tax	Agency Tax Sale Redemption
Assets					
Cash and pooled investments:					
County Treasurer	109,027	17	12,965	1,252	5,106
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	3	2,255	-	-
Succeeding year	-	1,000	634,000	-	-
Accounts	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Total assets	109,027	1,020	649,220	1,252	5,106
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other funds	3,566	-	-	-	-
Due to other governments	105,461	1,020	649,220	-	-
Trusts payable	-	-	-	1,252	5,106
Compensated absences	-	-	-	-	-
Total liabilities	109,027	1,020	649,220	1,252	5,106
Fund equity:					
Unreserved fund balance	-	-	-	-	-
Total liabilities and fund equity	109,027	1,020	649,220	1,252	5,106

See accompanying independent auditor's report.

Funds						
E911	Anatomical Gift	Drivers License	Employee Medical Reimbursement	Home Health Aide Agency	Total	
156,049	1	199	211	1,567	487,306	
-	-	-	-	-	29,686	
-	-	-	-	-	23,593	
-	-	-	-	-	5,062,000	
12,356	-	-	-	-	12,356	
-	-	-	-	-	15,860	
-	-	572	-	4,951	5,523	
-	-	-	-	-	35	
168,405	1	771	211	6,518	5,636,359	
1,650	-	-	211	-	1,861	
-	-	-	-	6,518	6,659	
-	-	771	-	-	18,674	
166,755	1	-	-	-	5,574,986	
-	-	-	-	-	15,800	
-	-	-	-	-	7,281	
168,405	1	771	211	6,518	5,625,261	
-	-	-	-	-	11,098	
168,405	1	771	211	6,518	5,636,359	

Wayne County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	County Offices			
	Board of Supervisors	County Auditor	County Recorder	County Sheriff
Assets and Liabilities				
Balances beginning of year	\$ 8,557	50	4,681	8,031
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Drivers license fees	-	-	-	-
Office fees and collections	-	-	96,406	54,311
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	128,820	-	-	190,859
Miscellaneous	-	-	-	-
Total additions	128,820	-	96,406	245,170
Deductions:				
Agency remittances:				
To other funds	-	-	42,786	53,228
To other governments	-	-	47,626	392
Trusts paid out	132,615	-	-	185,382
Total deductions	132,615	-	90,412	239,002
Balances end of year	\$ 4,762	50	10,675	14,199

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations and Special Assessments	Townships
55,432	247,349	3,011,615	162,962	854,217	121,389
54,262	105,899	3,150,725	232,200	757,022	125,036
4,452	8,526	241,797	13,035	105,956	7,790
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	9,615	-
-	-	-	-	-	-
5	1,641	267	15	-	-
58,719	116,066	3,392,789	245,250	872,593	132,826
-	-	-	-	-	-
58,816	151,844	3,186,948	242,310	850,756	126,489
-	-	-	-	-	-
58,816	151,844	3,186,948	242,310	850,756	126,489
55,335	211,571	3,217,456	165,902	876,054	127,726

Wayne County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	County Hospital
Assets and Liabilities			
Balances beginning of year	<u>109,747</u>	<u>1,528</u>	<u>632,207</u>
Additions:			
Property and other County tax	-	832	634,857
State tax credits	-	68	50,763
Drivers license fees	-	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	1,267,747	-	-
Assessments	-	-	-
Trusts	-	-	-
Miscellaneous	-	-	55
Total additions	<u>1,267,747</u>	<u>900</u>	<u>685,675</u>
Deductions:			
Agency remittances:			
To other funds	47,521	-	-
To other governments	1,220,946	1,408	668,662
Trusts paid out	-	-	-
Total deductions	<u>1,268,467</u>	<u>1,408</u>	<u>668,662</u>
Balances end of year	<u><u>109,027</u></u>	<u><u>1,020</u></u>	<u><u>649,220</u></u>

See accompanying independent auditor's report.

Advance Tax	Tax Sale Redemption	E911	Anatomical Gift	Drivers License	Employee Medical Reimbursement	Home Health Aide Agency	Total
1,874	20,544	185,440	17	233	-	6,712	5,432,585
-	-	-	-	-	-	-	5,060,833
-	-	-	-	-	-	-	432,387
-	-	-	-	29,763	-	-	29,763
-	-	-	-	-	-	-	150,717
-	-	-	-	-	-	-	1,267,747
-	-	-	-	-	-	-	9,615
-	105,497	-	-	-	-	-	425,176
-	-	19,572	14	-	600	151,950	174,119
-	105,497	19,572	14	29,763	600	151,950	7,550,357
-	-	-	-	-	-	-	143,535
-	-	36,607	30	29,225	389	152,144	6,774,592
622	120,935	-	-	-	-	-	439,554
622	120,935	36,607	30	29,225	389	152,144	7,357,681
1,252	5,106	168,405	1	771	211	6,518	5,625,261

Schedule 8

Wayne County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property tax	\$ 1,823,962	1,828,430	1,963,722	2,012,612
Utility tax replacement excise tax	85,635	88,934	97,771	-
	<u>1,909,597</u>	<u>1,917,364</u>	<u>2,061,493</u>	<u>2,012,612</u>
Intergovernmental:				
State shared revenues:				
Road use tax	1,653,267	1,656,565	1,588,507	1,611,603
Other	9,785	11,032	9,696	13,058
State tax replacements:				
State tax credits	144,439	155,833	181,374	183,473
State allocation	49,930	52,609	55,772	55,932
Mental health property tax relief	209,429	209,430	209,429	209,429
State and federal pass-thru revenues:				
Mental health/mental retardation allocation	-	-	62,158	62,158
Social services block grant	47,517	49,637	52,867	53,359
Human services administrative reimbursement	14,180	17,260	25,580	15,211
Highway planning and construction grant	-	-	55,629	138,366
Other	51,038	62,756	110,836	87,852
Contributions from other intergovernmental units:				
Juvenile court contributions	-	11,525	23,427	10,247
Other	40,100	131,481	5,147	21,947
State grants and entitlements:				
Mental health allowed growth factor adjustment	32,562	-	66,445	41,572
Public health nursing grant	23,705	25,530	27,218	22,122
Well closing grant	16,500	9,822	11,501	19,504
Homemaker health grant	31,021	37,208	51,465	42,853
Resources enhancement and protection grant	-	6,176	9,123	8,443
Other	15,146	-	-	-
Federal grants and entitlements:				
Medicare and medicaid	163,921	136,225	148,590	122,966
Other	1,971	48,319	8,728	27,317
Payments in lieu of taxes	4,924	7,519	2,401	2,933
	<u>2,509,435</u>	<u>2,628,927</u>	<u>2,705,893</u>	<u>2,750,345</u>
Total	<u>\$ 4,419,032</u>	<u>4,546,291</u>	<u>4,767,386</u>	<u>4,762,957</u>

See accompanying independent auditor's report.



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

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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Officials of Wayne County:

We have audited the general purpose financial statements of Wayne County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 23, 2004. Our report expressed a qualified opinion on the financial statements due to the omission of materials and supplies inventory, pertaining primarily to Special Revenue Funds. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wayne County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have been resolved except for items (2), (10) and (11).

Internal Control Over Financial Reporting

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

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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 23, 2004

Wayne County
 Schedule of Findings
 Year ended June 30, 2003

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

(A) Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that 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:

	Applicable Offices
(1) Incoming mail is opened by an employee who is not authorized to make entries to the accounting records. This employee prepares a listing of cash and checks received and then forwards the documents to the accounting personnel for processing. The listing of cash and checks received should be compared to the cash receipt records by an independent person.	Sheriff
(2) Prenumbered receipts were issued for collections received directly from individuals (sheriff trust account, county fees, commissary, and others). However, the prenumbered receipts were not compared to the amount deposited by an independent person.	Sheriff
(3) The collection, deposit preparation and reconciliation functions were not performed by an individual who does not record and account for cash receipts.	County Care Facility/Venture Group Home
(4) Checks or warrants were not signed by an individual who does not otherwise participate in the preparation of the checks or warrants.	County Care Facility/Venture Group Home

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

Wayne County
Schedule of Findings
Year ended June 30, 2003

Responses -

Sheriff -

- (1) The listing prepared by the employee opening the mail has not been compared to the entries made by the accounting personnel. This recommendation will be followed.
- (2) Prenumbered receipts and deposits will be compared.

Care Facility/Venture Group Home - Because we do have a limited number of employees, it is hard to keep everything straight having employees that only work at night and weekends do checks, receipts or recording.

Conclusion -

Sheriff - Response accepted.

Care Facility/Venture Group Home - Response acknowledged. The Care Facility/Venture Group Home should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- (B) Inventory Records - The Secondary Roads Department performed a physical count of the inventory on hand at June 30, 2003. However, the dollar value of this inventory was not determined. As a result, the inventory balances were not reported as required by U.S. generally accepted accounting principles.

Recommendation - Inventory balances, both quantities and dollar values, should be determined at year end and reported in the financial statements.

Response - We will develop a system for reporting inventory balances and keeping them current.

Conclusion - Response accepted.

- (C) County Sheriff - The County Sheriff received forfeited and confiscated property monies. These collections were not reflected in the County's accounting system and have not been included in the County's annual budget or monthly financial reports.

Certain expenditures were paid from the County Sheriff's commissary account and have not been included in the County's budget or annual financial reports. In addition, phone cards are purchased from the commissary account and sold to inmates. The phone card activity was not tracked or reconciled and access to the commissary money was not restricted.

The cash on hand for the drug buy cash funds did not agree with the established amount. A log was not maintained for the drug buy cash funds and access to this money was not restricted.

Wayne County

Schedule of Findings

Year ended June 30, 2003

During the year ended June 30, 2003, the Wayne County Sheriff's Office and the Division of Criminal Investigations (DCI) investigated a report of money missing from certain accounts within the County Sheriff's office. The investigation identified a former employee as responsible for the missing funds. Criminal charges were filed and the case was subsequently prosecuted by the Attorney General's office. The County received restitution totaling \$1,868 from the former employee.

Recommendation - This activity should be included in the County's annual budget and financial statements. Proceeds are accepted by the County with the understanding they are for additional law enforcement efforts. This means monies so designated are not to replace those already budgeted. The receipt and disbursement of proceeds of this type may require a budget amendment at some time before the end of the fiscal year. All proceeds disbursed should be charged to the appropriate expenditure account in accordance with the Uniform Chart of Accounts for Iowa County Governments.

Also, 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. In addition, a log should be maintained to monitor the commissary activity. Access to the funds should be restricted to a limited number of employees.

Periodic independent cash counts should be performed on the drug buy cash funds to verify amounts on hand. More than one person should be involved when funds are taken out and a log should be maintained of how funds were used. The log should identify the officer, date, amount and the related investigation/case file. Also, the officer who used the funds should sign the log. Access to the funds should be restricted to a limited number of employees.

Response - The Sheriff's Office does receive monies from forfeited and confiscated property. A separate account is maintained for the monies. The County Sheriff does consult the Board of Supervisors before purchases of qualifying items are made from this account.

The commissary account is created from profits from the sale of phone cards. Profits are used to purchase items for jail use. Following an employee theft of cash bound to the account, a complete accounting is being done on the account. The clerk from the Sheriff's Office has control over the property sold by the account as well as the proceeds restricting the account to a limited number of employees. Major purchases from the account are approved by the Board of Supervisors.

Periodic independent cash counts will be made on the flash cash funds. The money was discovered missing after an employee committed theft. There were no authorized disbursements made from the funds within more than a year previous to the discovery of the money. Control measures have been implemented to deter the further theft of money from the funds. A log will be maintained to track the expenditures from the funds.

Conclusion - Response acknowledged. Forfeited property monies should be remitted to the County Treasurer as recommended. In addition, 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 records and financial reports.

Wayne County

Schedule of Findings

Year ended June 30, 2003

(D) Electronic Data Processing Systems – The County does not have written policies for:

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

Also, the County does not use a screen saver password or automatic log off when a terminal is left unattended. The County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. A disaster recovery plan should be developed. Screen saver password or automatic log off should be utilized.

Response – We will work with our software people and try to develop a written disaster recovery plan and with each department regarding confidentiality of passwords, password changes and logging off procedures.

Conclusion – Response accepted.

Wayne County
Schedule of Findings
Year ended June 30, 2003

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget - Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.

Disbursements in one department exceeded the amount appropriated. Also, although the Board of Supervisors acted to amend appropriations, disbursements in one department exceeded the appropriation prior to amendment.

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

Response - We will watch this and try to amend the budget before the expenditures are allowed.

Conclusion - Response accepted.

- (3) Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions - No business transactions between the County and County officials were noted.
- (6) Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

Wayne County

Schedule of Findings

Year ended June 30, 2003

- (9) Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- (10) Financial Condition - Although the General Fund had a positive cash balance at June 30, 2003, on a modified accrual basis, an unreserved fund balance deficit of \$182,519 was reported.

Also, a \$550,000 interfund loan between the Special Revenue, Rural Services Fund and the General Fund that was outstanding at June 30, 1998 was not retired during the fiscal year ended June 30, 2003. This non-current debt does not appear to have been issued in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Recommendation - Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other county funds, or other formal short-term debt instruments or obligations. Noncurrent debt should be authorized in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

The County should continue to investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response - We are working on preventing the various funds from being overspent, and if need be, we will authorize by resolution the debt and how we plan to receive funds to pay for the debt.

Conclusion - Response accepted.

- (11) Chart of Accounts - The County included expenditures for supplies and other operating expenditures in the capital projects function for the Special Revenue, Conservation Wetlands and Resource Enhancement and Protection Funds. This activity does not meet the definition of capital projects.

Also, the County did not properly include disbursements for a capital lease purchase agreement payment in the debt service function for the Special Revenue, Rural Services Fund.

Recommendation - Operating disbursements for the Conservation Board should be reported in the county environment and education function rather than the capital projects function.

Also, disbursements for capital lease payments should be reported and budgeted for in the debt service function.

Response - Each department codes their own expenditures and we have reviewed this with the Conservation Director and will correct the way these are being reported.

We have visited with the County Engineer and we will report the debt service in the proper function.

Conclusion - Response accepted.

Wayne County

Schedule of Findings

Year ended June 30, 2003

- (12) Capital Lease Purchase Agreement - During the year ended June 30, 2003, the County entered into a capital lease purchase agreement for a tractor mower for the Secondary Roads department. However, a public hearing was not held prior to the authorization of this agreement as required by Chapters 331.301(10)(e) or 331.478 and 331.479 of the Code of Iowa.

Recommendation - In the future, the County should hold a public hearing prior to the authorization of a capital lease purchase agreement as required by Chapter 331.301(10)(e) or Chapters 331.478 and 331.479 of the Code of Iowa.

Response - We will hold public hearings on all lease agreements before the lease is signed or agreed on.

Conclusion - Response accepted.

- (13) 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.

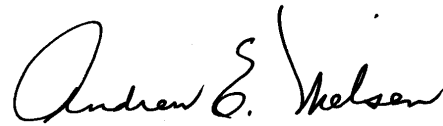
Disbursements during the year ended June 30, 2003 for the County Extension Office did not exceed the amount budgeted.

Wayne County

Staff

This audit was performed by:

Cynthia L. Weber, CPA, Manager
Tammy L. Mason, CPA, Senior Auditor
Kip M. Druecker, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State