



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_

June 4, 2012

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 \$9,969,216 for the year ended June 30, 2011, which included \$509,771 in tax credits from the state. The County forwarded \$6,816,792 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,152,424 of the local tax revenue to finance County operations, a 34% increase from the prior year. Other revenues included charges for service of \$987,968, operating grants, contributions and restricted interest of \$3,643,485, capital grants, contributions and restricted interest of \$201,248, local option sales tax of \$374,505, unrestricted investment earnings of \$1,960 and other general revenues of \$135,798.

Expenses for County operations totaled \$6,659,841, a 3.8% decrease from the prior year. Expenses included \$2,939,478 for roads and transportation, \$1,114,207 for public safety and legal services and \$846,542 for physical health and social services.

The significant increase in revenues is due primarily to an increase in both the county-wide and rural services property tax levies.

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/1110-0093-B00F.pdf>.

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**WAYNE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2011**

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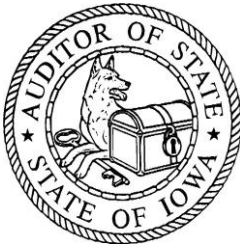
**Wayne County**  
**Officials**  
**(Before January 2011)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Donald Greenlee	Board of Supervisors	Jan 2011
Jerry O'Dell	Board of Supervisors	Jan 2011
Duffy Kester	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 2016

**(After January 2011)**

Duffy Kester	Board of Supervisors	Jan 2013
Billy Joe Alley	Board of Supervisors	Jan 2015
Amy Sinclair	Board of Supervisors	Jan 2015
Sue Ruble	County Auditor	Jan 2013
Kim Swearingin	County Treasurer	Jan 2015
Angie Horton	County Recorder	Jan 2015
Keith Davis	County Sheriff	Jan 2013
Alan Wilson	County Attorney	Jan 2015
Kay Middlebrook	County Assessor	Jan 2016

**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, 2011, 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.

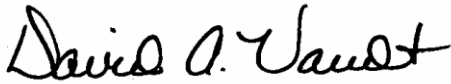
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2011, and the respective changes in financial position and cash flows, where applicable, 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 May 11, 2012 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 46 through 50 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 nine years ended June 30, 2010 (which are not presented herein). We expressed unqualified opinions on the financial statements for the seven years ended June 30, 2010, 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 qualified opinions on the financial statements for the year 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

May 11, 2012



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

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Wayne County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 39%, or approximately \$2,459,000, from fiscal year 2010 to fiscal year 2011. Operating grants, contributions and restricted interest increased approximately \$1,033,000 and capital grants, contributions and restricted interest increased approximately \$500,000. Property tax increased approximately \$784,000.
- Program expenses of the County's governmental activities were 0.5%, or approximately \$35,000, more in fiscal year 2011 than in fiscal year 2010.
- The County's net assets increased 23.7%, or approximately \$1,837,000, from June 30, 2010 to June 30, 2011.

### **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 financial 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

### *Fund Financial Statements*

The County has three 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) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) 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 townships, the County Hospital 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 combined net assets increased from a year ago, from approximately \$7.8 million to approximately \$9.6 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

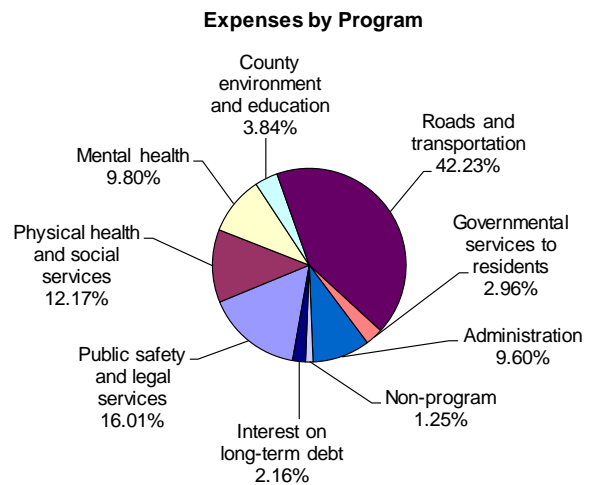
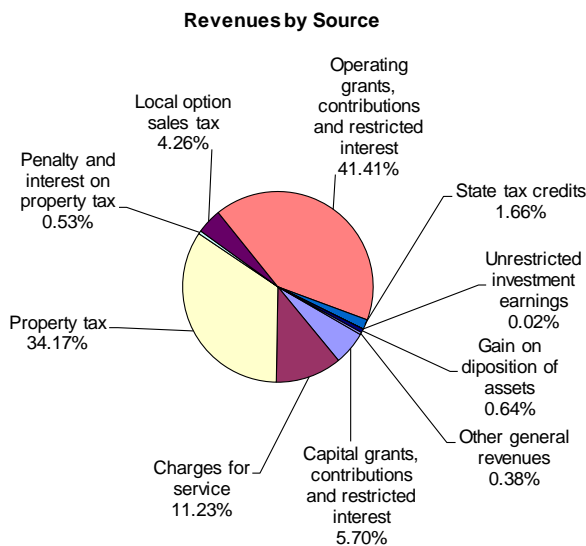
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2011	2010
Current and other assets	\$ 8,140	6,543
Capital assets	8,907	8,568
Total assets	<u>17,047</u>	<u>15,111</u>
Long-term liabilities	3,988	4,046
Other liabilities	3,466	3,309
Total liabilities	<u>7,454</u>	<u>7,355</u>
Net assets:		
Invested in capital assets, net of related debt	5,162	5,129
Restricted	4,119	2,890
Unrestricted	312	(263)
Total net assets	<u>\$ 9,593</u>	<u>7,756</u>

Net assets of Wayne County's governmental activities increased 23.7% (approximately \$9.6 million compared to approximately \$7.8 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from approximately \$(263,000) at June 30, 2010 to approximately \$312,000 at the end of this year, an increase of 219%.

This increase of approximately \$575,000 in unrestricted net assets was a result of an increase in property tax revenue and expenditure reductions. Restricted net assets increased approximately \$1,229,000, due to an increase in property tax revenue, expenditure reductions and an increase in FEMA and grant funds for various departments.

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

	Year ended June 30,	
	2011	2010
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 988	946
Operating grants, contributions and restricted interest	3,643	2,610
Capital grants, contributions and restricted interest	501	1
<b>General revenues:</b>		
Property tax	3,006	2,222
Penalty and interest on property tax	47	40
State tax credits	146	128
Local option sales tax	375	341
Unrestricted investment earnings	2	7
Gain on disposition of assets	56	6
Other general revenues	33	37
<b>Total revenues</b>	<b>8,797</b>	<b>6,338</b>
<b>Program expenses:</b>		
Public safety and legal services	1,114	1,117
Physical health and social services	847	818
Mental health	682	663
County environment and education	267	341
Roads and transportation	2,939	2,914
Governmental services to residents	206	200
Administration	668	671
Non-program	87	59
Interest on long-term debt	150	142
<b>Total expenses</b>	<b>6,960</b>	<b>6,925</b>
<b>Change in net assets</b>	<b>1,837</b>	<b>(587)</b>
<b>Net assets beginning of year</b>	<b>7,756</b>	<b>8,343</b>
<b>Net assets end of year</b>	<b>\$ 9,593</b>	<b>7,756</b>



Wayne County's net assets of governmental activities increased approximately \$1,837,000 during the year. Revenues for governmental activities increased approximately \$2,459,000 over the prior year, primarily due to an increase of approximately \$1,033,000 in operating grants, contributions and restricted interest. The increase was a result of FEMA grants received in fiscal year 2011 which were not received in fiscal year 2010. Overall, property tax revenue increased approximately \$784,000, or 35.3%.

The cost of all governmental activities this year was approximately \$6.96 million compared to approximately \$6.925 million last year, a 0.5% increase. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$1.8 million because some of the cost was paid by those directly benefited from the programs (approximately \$988,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,145,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in fiscal year 2011 from approximately \$3,556,000 to approximately \$5,133,000, principally due to an increase in road use tax, Federal Emergency Management Agency grants and contributed capital for road projects.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Wayne County completed the year, its governmental funds reported a combined fund balance of approximately \$4 million, an increase of more than \$800,000 above last year's total of approximately \$3.2 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance increased approximately \$399,000 to approximately \$418,000. Revenues increased approximately \$640,000, or 27%, and expenditures increased approximately \$231,000, or 8.7%. The increases were due to an increase in property tax revenue and issuance of general obligation bonds, with expenditures increasing due to the General Fund paying the principal and interest due on the general obligation bonds.
- The Special Revenue, Mental Health Fund balance increased approximately \$127,000 from the prior year. Revenues increased approximately \$234,000, or 43.3%, from the prior year due to the receipt of growth factor and fund allocations from the State of Iowa. Expenditures increased approximately \$35,000, or 5.4%, as a result of increased costs of certain services provided to clients and court ordered evaluations.
- The Special Revenue, Rural Services Fund balance increased approximately \$225,000 from the prior year. Revenues increased approximately \$226,000, primarily due to the increase in the rural property levy rates. Expenditures and transfers out decreased approximately \$36,000.
- The Special Revenue, Secondary Roads Fund balance increased approximately \$22,000, or 1%, to approximately \$2,328,000. Revenues increased approximately \$138,000 from the prior year and expenditures increased approximately \$160,000 over the prior year. The increase in revenues was due to additional funds received from FEMA and the Iowa Department of Transportation. The increase in expenditures is primarily the result of the purchase of equipment.
- The Capital Projects Fund balance decreased approximately \$50,000. Other financing sources decreased approximately \$469,000 from the prior year while expenditures decreased approximately \$296,000. The decrease in expenditures was primarily due to the costs associated with the jail project which was completed during fiscal year 2010.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Wayne County amended its budget one time. The amendment was made in May 2011 and resulted in an increase in budgeted disbursements of \$46,624, \$157,527 and \$29,361 in the county environment and education, roads and transportation and administration functions, respectively. The increases became necessary to prevent various departments from overspending budgeted amounts due to unanticipated expenses. The amendment also resulted in a decrease in budgeted disbursements of \$2,371 and \$117,797 in the public safety and legal services and physical health and social services functions, respectively.

The County's receipts were \$463,926 less than budgeted, a variance of 5.9%. Intergovernmental receipts were \$347,696 less than budgeted due to an overestimation of anticipated receipts. In addition, miscellaneous receipts were \$152,157 less than budgeted due to overestimated receipts and reimbursements.

Total disbursements were \$409,207, or 5.7%, less than the amended budget. The County exceeded the budget in the debt service function by \$285,108, primarily due to the issuance of general obligation bonds which was not anticipated at the time the budget was prepared. Actual disbursements for the county environment and education and administration functions were \$133,285 and \$190,738 less than budgeted, respectively. Actual costs in these areas were less than originally expected.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, Wayne County had approximately \$8.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$338,000, or 3.9%, over last year. The increase was due to the purchase of equipment in the Secondary Roads and Sheriff's Departments and the purchase and update of various hardware items to better provide services, surveillance, repairs and updates for roads and buildings.

The County had depreciation expense of \$497,325 in fiscal year 2011 and total accumulated depreciation of \$5,006,047 at June 30, 2011. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2011, Wayne County had \$3,745,000 of general obligation bonds/notes outstanding, compared to \$3,880,000 at June 30, 2010. During the year, the County paid \$135,000 of principal on the general obligation bonds/notes.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Wayne County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12.6 million. Additional information about the County's long-term debt is presented in Note 7 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 2012 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 2012 county-wide property tax levy increased from \$8.73392 per \$1,000 of taxable valuation to \$9.78481 per \$1,000 of taxable valuation, while the rural services property tax levy decreased from \$5.10704 per \$1,000 of taxable valuation to \$3.58119 per \$1,000 of taxable valuation. The fiscal year 2012 taxable valuations for incorporated areas and rural areas increased 4.3% and 4.4%, respectively, over the prior year.

Budgeted disbursements in the fiscal year 2012 operating budget are \$8,910,918, an increase of 23.6% from the final fiscal year 2011 budget. The increase is mainly due to increased costs of certain services provided, court ordered evaluations and unexpected disbursements due to general daily operating expenses.

## **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**

**Exhibit A**

Wayne County  
Statement of Net Assets  
June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 3,633,707
Component units	11,613
Receivables:	
Property tax:	
Delinquent	13,008
Succeeding year	3,139,000
Interest and penalty on property tax	29,257
Accounts	623,301
Accrued interest	155
Due from other governments	391,215
Inventories	239,985
Prepaid insurance	59,090
Capital assets (net of accumulated depreciation)	8,906,703
<b>Total assets</b>	<u>17,047,034</u>
<b>Liabilities</b>	
Accounts payable	144,490
Accrued interest payable	12,194
Salaries and benefits payable	75,458
Due to other governments	94,492
Deferred revenue - succeeding year property tax	3,139,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	255,000
Compensated absences	80,857
Portion due or payable after one year:	
General obligation bonds/notes	3,490,000
Compensated absences	88,582
Net OPEB liability	73,765
<b>Total liabilities</b>	<u>7,453,838</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	5,161,703
Restricted for:	
Supplemental levy purposes	217,838
Mental health purposes	
Rural services purposes	672,642
Secondary roads purposes	2,780,559
Conservation purposes	303,443
Debt service	130,184
Other purposes	15,141
Unrestricted	311,686
<b>Total net assets</b>	<u>\$ 9,593,196</u>

See notes to financial statements.

Wayne County  
Statement of Activities  
Year ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,114,207	93,914	72,713	182	(947,398)
Physical health and social services	846,542	605,137	146,497	-	(94,908)
Mental health	682,401	48,473	476,322	-	(157,606)
County environment and education	266,448	36,817	41,512	-	(188,119)
Roads and transportation	2,939,478	15,748	2,906,342	501,066	483,678
Governmental services to residents	205,946	119,176	-	-	(86,770)
Administration	668,270	9,596	-	-	(658,674)
Non-program	86,779	59,107	-	-	(27,672)
Interest on long-term debt	149,770	-	99	-	(149,671)
<b>Total</b>	<b>\$ 6,959,841</b>	<b>987,968</b>	<b>3,643,485</b>	<b>501,248</b>	<b>(1,827,140)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					3,006,106
Penalty and interest on property tax					46,853
State tax credits					146,318
Local option sales tax					374,505
Unrestricted investment earnings					1,960
Gain on disposition of assets					55,741
Miscellaneous					33,144
<b>Total general revenues</b>					<b>3,664,627</b>
Change in net assets					1,837,487
Net assets beginning of year					7,755,709
Net assets end of year					<b>\$ 9,593,196</b>

See notes to financial statements.

Wayne County  
Balance Sheet  
Governmental Funds

June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ 746,172	88,224	248,752	1,997,820
Component units	-	-	-	-
Receivables:				
Property tax:				
Delinquent	10,744	1,392	872	-
Succeeding year	2,089,000	243,000	684,000	-
Interest and penalty on property tax	29,257	-	-	-
Accounts	43,783	2,266	-	577,252
Accrued interest	134	-	-	-
Advances to other funds	-	-	430,000	-
Due from other governments	141,559	459	3,975	188,659
Inventories	-	-	-	239,985
Prepaid insurance	36,027	-	-	23,063
<b>Total assets</b>	<b>\$ 3,096,676</b>	<b>335,341</b>	<b>1,367,599</b>	<b>3,026,779</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 34,882	11,944	3,865	88,751
Salaries and benefits payable	34,771	3,655	6,220	29,737
Advance from other funds	430,000	-	-	-
Due to other governments	10,902	80,905	-	2,685
Deferred revenue:				
Succeeding year property tax	2,089,000	243,000	684,000	-
Other	79,529	1,392	872	577,252
Total liabilities	<b>2,679,084</b>	<b>340,896</b>	<b>694,957</b>	<b>698,425</b>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	239,985
Prepaid expenditures	36,027	-	-	23,063
Advances to other funds	-	-	430,000	-
Restricted for:				
Supplemental levy purposes	220,183	-	-	-
Rural services purposes	-	-	242,642	-
Secondary roads purposes	-	-	-	2,065,306
Conservation land acquisition	6,299	-	-	-
Capital projects	-	-	-	-
Other purposes	37	-	-	-
Unassigned	155,046	(5,555)	-	-
Total fund balances	<b>417,592</b>	<b>(5,555)</b>	<b>672,642</b>	<b>2,328,354</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,096,676</b>	<b>335,341</b>	<b>1,367,599</b>	<b>3,026,779</b>

See notes to financial statements.

Capital Projects	Nonmajor	Total
125,000	387,511	3,593,479
-	11,613	11,613
-	-	13,008
-	123,000	3,139,000
-	-	29,257
-	-	623,301
7	14	155
-	-	430,000
-	56,563	391,215
-	-	239,985
-	-	59,090
125,007	578,701	8,530,103
-	-	139,442
-	1,075	75,458
-	-	430,000
-	-	94,492
-	123,000	3,139,000
-	-	659,045
-	124,075	4,537,437
-	-	239,985
-	-	59,090
-	-	430,000
-	-	220,183
-	-	242,642
-	-	2,065,306
-	297,107	303,406
125,007	-	125,007
-	157,519	157,556
-	-	149,491
125,007	454,626	3,992,666
125,007	578,701	8,530,103

**Wayne County**

Wayne County

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

June 30, 2011

**Total governmental fund balances (page 19)** \$ 3,992,666

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$13,912,750 and the accumulated depreciation is \$5,006,047. 8,906,703

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 659,045

The Internal Service Fund is used by management to charge the costs of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Assets. 35,180

Long-term liabilities, including general obligation bonds/notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (4,000,398)

**Net assets of governmental activities (page 16)** \$ 9,593,196

See notes to financial statements.

Wayne County

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

Year ended June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 1,840,018	237,854	925,274	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	41,749	453	-	-
Intergovernmental	781,564	480,478	101,561	2,329,090
Licenses and permits	-	-	12,558	495
Charges for service	310,821	48,473	-	46
Use of money and property	21,985	-	-	-
Miscellaneous	16,235	7,954	1,053	15,253
Total revenues	<u>3,012,372</u>	<u>775,212</u>	<u>1,040,446</u>	<u>2,344,884</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	803,413	-	204,691	-
Physical health and social services	805,884	-	33,459	-
Mental health	-	687,820	-	-
County environment and education	103,239	-	115,400	-
Roads and transportation	-	-	-	2,781,392
Governmental services to residents	197,446	-	2,960	-
Administration	661,985	-	-	-
Non-program	31,092	-	-	-
Debt service	271,967	-	-	-
Capital projects	20,741	-	-	-
Total expenditures	<u>2,895,767</u>	<u>687,820</u>	<u>356,510</u>	<u>2,781,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>116,605</u>	<u>87,392</u>	<u>683,936</u>	<u>(436,508)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	5,101	-	-	-
Operating transfers in	322,289	40,000	-	458,688
Operating transfers out	(45,155)	-	(458,688)	-
Total other financing sources (uses)	<u>282,235</u>	<u>40,000</u>	<u>(458,688)</u>	<u>458,688</u>
Net change in fund balances	398,840	127,392	225,248	22,180
Fund balances beginning of year, as restated	<u>18,752</u>	<u>(132,947)</u>	<u>447,394</u>	<u>2,306,174</u>
Fund balances end of year	<u>\$ 417,592</u>	<u>(5,555)</u>	<u>672,642</u>	<u>2,328,354</u>

See notes to financial statements.



Capital Projects	Nonmajor	Total
-	-	3,003,146
-	374,505	374,505
-	-	42,202
-	11,328	3,704,021
-	-	13,053
-	1,577	360,917
182	3,316	25,483
-	17,697	58,192
182	408,423	7,581,519
-	12,933	1,021,037
-	-	839,343
-	-	687,820
-	26,574	245,213
-	-	2,781,392
-	336	200,742
-	-	661,985
-	-	31,092
-	13,141	285,108
-	-	20,741
-	52,984	6,774,473
182	355,439	807,046
-	-	5,101
-	5,155	826,132
(49,872)	(272,417)	(826,132)
(49,872)	(267,262)	5,101
(49,690)	88,177	812,147
174,697	366,449	3,180,519
125,007	454,626	3,992,666

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, 2011

**Net change in fund balances - Total governmental funds (page 23)** \$ 812,147

**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	\$ 283,996	
Capital assets contributed by the Iowa Department of Transportation	501,066	
Depreciation expense	<u>(497,325)</u>	287,737

In the Statement of Activities, the gain on the disposition of assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 50,640

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	2,507	
Other	<u>597,388</u>	599,895

Repayment of long-term liabilities is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 135,000

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	(41,434)	
Other postemployment benefits	(35,926)	
Interest on long-term debt	<u>338</u>	(77,022)

The Internal Service Fund is used by management to charge the costs of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 29,090

**Change in net assets of governmental activities (page 17)** \$ 1,837,487

See notes to financial statements.

Wayne County  
Statement of Net Assets  
Proprietary Fund

June 30, 2011

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 40,228
<b>Liabilities</b>	
Accounts payable	<u>5,048</u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 35,180</u>

See notes to financial statements.

Wayne County  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2011

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 451,890
Reimbursements from employees and others		50,886
Total operating revenues		<u>502,776</u>
Operating expenses:		
Medical claims	\$ 33,027	
Insurance premiums	428,030	
Administrative fees	<u>12,629</u>	<u>473,686</u>
Operating income		29,090
Net assets beginning of year		<u>6,090</u>
Net assets end of year		<u><u>\$ 35,180</u></u>
See notes to financial statements.		

Wayne County  
 Statement of Cash Flows  
 Proprietary Fund  
 Year ended June 30, 2011

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 451,890
Cash received from employees and others	50,886
Cash paid to suppliers for services	(472,545)
Net cash provided by operating activities	30,231
Cash and cash equivalents beginning of year	9,997
Cash and cash equivalents end of year	\$ 40,228
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 29,090
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	1,141
Net cash provided by operating activities	\$ 30,231

See notes to financial statements.

Wayne County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2011

**Assets**

Cash and pooled investments:

County Treasurer	\$ 716,640
Other County officials	14,560

Receivables:

Property tax:

Delinquent	50,062
Succeeding year	6,483,000

Accounts	15,060
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<b>Total assets</b>	<u>7,279,322</u>
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**Liabilities**

Accounts payable	803
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Salaries and benefits payable	2,483
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Due to other governments	7,260,124
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Trusts payable	8,979
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Compensated absences	6,933
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<b>Total liabilities</b>	<u>7,279,322</u>
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<b>Net assets</b>	<u><u>\$ -</u></u>
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See notes to financial statements.

Wayne County

Notes to Financial Statements

June 30, 2011

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

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

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

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Wayne County Assessor’s Conference Board, Wayne County Emergency Management Commission and the Wayne County Joint 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 the following 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, proprietary 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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

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

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balances and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, Pooled Investments and Cash Equivalents – 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.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 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
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Infrastructure	30 - 60
Buildings and improvements	20 - 50
Intangibles	5 - 20
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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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, 2011. 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund 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, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements in certain departments exceeded the amounts appropriated.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2011 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 \$4,033,674 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated.

**(3) Advances To and From Other Funds**

The detail of advances to/from other funds at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Rural Services	General	\$ 430,000

In a prior year, the County approved a loan from the Special Revenue, Rural Services Fund to supplement General Fund operations. The County has approved a schedule to repay the borrowing from the Special Revenue, Rural Services Fund at a minimum of \$15,000 each year. However, during the current year, the County did not make the required annual repayment of \$15,000. During the year ended June 30, 2010, the County approved an advance to/from other funds for a loan of \$75,000 from the General Fund to the Special Revenue, Mental Health Fund. During the year ended June 30, 2011, the County repaid the advance of \$75,000 to the General Fund from the Special Revenue, Mental Health Fund.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 272,417
	Capital Projects	49,872
		<u>322,289</u>
Special Revenue: Mental Health	General	40,000
Secondary Roads	Special Revenue: Rural Services	458,688
		<u>498,688</u>
Debt Service	General	5,155
Total		<u>\$ 826,132</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, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Infrastructure, road network	\$ 254,209	-	-	254,209
Construction in progress, road network	-	501,066	(501,066)	-
Total capital assets not being depreciated	<u>254,209</u>	<u>501,066</u>	<u>(501,066)</u>	<u>254,209</u>
Capital assets being depreciated:				
Buildings	4,781,761	-	-	4,781,761
Improvements other than buildings	113,439	-	-	113,439
Equipment and vehicles	3,899,294	340,246	(147,766)	4,091,774
Infrastructure, road network	4,170,501	501,066	-	4,671,567
Total capital assets being depreciated	<u>12,964,995</u>	<u>841,312</u>	<u>(147,766)</u>	<u>13,658,541</u>
Less accumulated depreciation for:				
Buildings	683,976	101,574	-	785,550
Improvements other than buildings	10,841	3,781	-	14,622
Equipment and vehicles	3,182,293	151,469	(142,156)	3,191,606
Infrastructure, road network	773,768	240,501	-	1,014,269
Total accumulated depreciation	<u>4,650,878</u>	<u>497,325</u>	<u>(142,156)</u>	<u>5,006,047</u>
Total capital assets being depreciated, net	<u>8,314,117</u>	<u>343,987</u>	<u>(5,610)</u>	<u>8,652,494</u>
Governmental activities capital assets, net	<u>\$ 8,568,326</u>	<u>845,053</u>	<u>(506,676)</u>	<u>8,906,703</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 108,257
Physical health and social services	1,150
Mental health	8,123
County environment and education	20,093
Roads and transportation	345,173
Governmental services to residents	5,820
Administration	8,709
Total depreciation expense - governmental activities	<u>\$ 497,325</u>

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 10,902
Special Revenue:		
Mental Health	Services	80,905
Secondary Roads	Services	2,685
		<u>83,590</u>
Total for governmental funds		<u>\$ 94,492</u>
Agency:		
County Offices	Collections	\$ 5,581
Agricultural Extension Education		76,820
County Assessor		276,088
Schools		4,161,611
Community Colleges		227,743
Corporations and Special Assessments		803,756
Townships		157,804
Auto License and Use Tax		136,034
County Hospital		1,069,360
Other		345,327
Total for agency funds		<u>\$ 7,260,124</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	General Obligation Bonds/Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 3,880,000	128,005	37,839	4,045,844
Increases	-	139,403	40,760	180,163
Decreases	135,000	97,969	4,834	237,803
Balance end of year	<u>\$ 3,745,000</u>	<u>169,439</u>	<u>83,433</u>	<u>3,988,204</u>
Due within one year	\$ 255,000	80,857	-	335,857



## Bonds/Notes Payable

A summary of the County's June 30, 2011 general obligation bond/note indebtedness is as follows:

Year Ending June 30,	General Obligation Bonds Issued June 15, 2008			
	Interest Rates	Principal	Interest	Total
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	3.65	155,000	118,330	273,330
2016	3.80	160,000	112,672	272,672
2017-2021	3.80-4.10	905,000	463,853	1,368,853
2022-2026	4.15-4.35	1,105,000	259,470	1,364,470
2027-2028	4.35-4.40	510,000	33,880	543,880
Total		\$ 3,270,000	1,373,140	4,643,140

Year Ending June 30,	General Obligation Notes Issued June 24, 2010				Total		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2012	2.50%	\$ 115,000	13,413	128,413	255,000	146,330	401,330
2013	2.50	115,000	10,536	125,536	260,000	138,974	398,974
2014	3.00	120,000	7,663	127,663	270,000	131,243	401,243
2015	3.25	125,000	4,063	129,063	280,000	122,393	402,393
2016	-	-	-	-	160,000	112,672	272,672
2017-2021	-	-	-	-	905,000	463,853	1,368,853
2022-2026	-	-	-	-	1,105,000	259,470	1,364,470
2027-2028	-	-	-	-	510,000	33,880	543,880
Total		\$ 475,000	35,675	510,675	3,745,000	1,408,815	5,153,815

During the year ended June 30, 2011, the County retired \$135,000 of general obligation bonds.

### **(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 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$185,919, \$167,399 and \$148,738, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 74 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 40,382
Interest on net OPEB obligation	1,513
Adjustment to annual required contribution	(1,135)
Annual OPEB cost	<u>40,760</u>
Contributions made	<u>(4,834)</u>
Increase in net OPEB obligation	35,926
Net OPEB obligation beginning of year	<u>37,839</u>
Net OPEB obligation end of year	<u>\$ 73,765</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$4,834 to the medical plan.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 40,382	6.3%	\$ 37,839
2011	40,760	11.9	73,765

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$305,633, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$305,633. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,432,000 and the ratio of the UAAL to covered payroll was 12.6%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP 2000 Combined Mortality Table projected to 2010 using Scale AA. Projected claim costs of the medical plan are \$850 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 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 150% 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, 2011 were \$116,511.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 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, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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 \$500,000 and \$100,000, 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.

#### **(11) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the premiums and partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual deduction limitations of \$3,000.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$451,890.

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$5,048 which is for incurred but not reported (IBNR) and reported but not paid claims. The County was not required to obtain an actuarial report for the period ended June 30, 2011 since its plan qualifies as a "mini plan." The net assets of the Employee Group Health Fund was \$35,180 at June 30, 2011 and is reported as a designation for anticipated future catastrophic losses of the County. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 3,907
Incurred claims (including claims incurred but not reported as of June 30, 2011)	33,027
Payments on claims during the fiscal year	<u>(31,886)</u>
Unpaid claims end of year	<u>\$ 5,048</u>

As of June 5, 2011, a self insurance account within the General Fund was established by the County to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered by Employee Benefits System. The County assumes liability for claims between \$250 and \$1,000 for single coverage and \$1,000 and \$2,000 for family coverage.

Payments to the self insurance account were recorded as expenditures of the operating funds for the pay period ended June 18, 2011.

**(12) Financial Condition**

The Special Revenue, Mental Health Fund had an unassigned deficit fund balance of \$5,555 at June 30, 2011. The County plans to eliminate this deficit by decreasing future expenditures.

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Special Revenue				
	General	Group Home	Bobwhite State Park	Conservation Land Acquisition	Conser- vation Wetlands
Balances June 30, 2010, as previously reported	\$ (25,260)	22,353	11,605	10,017	37
Change in fund type classification per implementation of GASB Statement No. 54	44,012	(22,353)	(11,605)	(10,017)	(37)
Balances July 1, 2010, as restated	<u>\$ 18,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**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, 2011

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 3,348,572	-	3,348,572
Interest and penalty on property tax	41,749	-	41,749
Intergovernmental	3,568,970	-	3,568,970
Licenses and permits	13,053	-	13,053
Charges for service	356,348	-	356,348
Use of money and property	25,714	-	25,714
Miscellaneous	65,093	15,639	49,454
Total receipts	<u>7,419,499</u>	<u>15,639</u>	<u>7,403,860</u>
<b>Disbursements:</b>			
Public safety and legal services	1,027,826	10,925	1,016,901
Physical health and social services	838,665	-	838,665
Mental health	661,360	-	661,360
County environment and education	306,270	-	306,270
Roads and transportation	2,774,724	-	2,774,724
Governmental services to residents	204,040	-	204,040
Administration	658,289	-	658,289
Non-program	31,092	-	31,092
Debt service	285,108	-	285,108
Capital projects	25,651	-	25,651
Total disbursements	<u>6,813,025</u>	<u>10,925</u>	<u>6,802,100</u>
Excess of receipts over disbursements	606,474	4,714	601,760
Other financing sources, net	5,101	-	5,101
Excess of receipts and other financing sources over disbursements and other financing uses	611,575	4,714	606,861
Balance beginning of year	2,993,517	6,899	2,986,618
Balance end of year	<u>\$ 3,605,092</u>	<u>11,613</u>	<u>3,593,479</u>

See accompanying independent auditor's report.



Budgeted Amounts		Final to Net Variance
Original	Final	
3,350,629	3,350,629	(2,057)
-	-	41,749
3,743,150	3,916,666	(347,696)
4,380	4,380	8,673
330,000	338,000	18,348
56,500	56,500	(30,786)
191,694	201,611	(152,157)
<u>7,676,353</u>	<u>7,867,786</u>	<u>(463,926)</u>
1,109,374	1,107,003	90,102
1,042,868	925,071	86,406
751,535	751,535	90,175
392,931	439,555	133,285
2,619,500	2,777,027	2,303
264,389	264,389	60,349
819,666	849,027	190,738
32,700	32,700	1,608
-	-	(285,108)
65,000	65,000	39,349
<u>7,097,963</u>	<u>7,211,307</u>	<u>409,207</u>
578,390	656,479	(54,719)
-	5,801	(700)
578,390	662,280	(55,419)
4,190,982	4,190,982	(1,204,364)
<u>4,769,372</u>	<u>4,853,262</u>	<u>(1,259,783)</u>

Wayne County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,419,499	162,020	7,581,519
Expenditures	6,813,025	(38,552)	6,774,473
Net	606,474	200,572	807,046
Other financing sources, net	5,101	-	5,101
Beginning fund balances	2,993,517	187,002	3,180,519
Ending fund balances	\$ 3,605,092	387,574	3,992,666

See accompanying independent auditor's report.

Wayne County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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, the Internal Service Fund 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 \$113,344. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements in certain departments exceeded the amounts appropriated.

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Wayne County

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

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Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 306	306	0.00%	\$ 2,389	12.8%
2011	Jul 1, 2009	-	306	306	0.00	2,432	12.6

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**Other Supplementary Information**

Wayne County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2011

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Duncan Bequest
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ 1,540	4	29,700	268,477
Component units	-	-	-	-
Receivables:				
Succeeding year property tax	-	-	-	-
Accrued interest	-	-	2	3
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 1,540</b>	<b>4</b>	<b>29,702</b>	<b>268,480</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Salaries and benefits payable	\$ -	-	1,075	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	1,075	-
Fund balances:				
Restricted for:				
Conservation purposes	-	-	28,627	268,480
Debt service	-	-	-	-
Other purposes	1,540	4	-	-
Total fund balances	1,540	4	28,627	268,480
<b>Total liabilities and fund balances</b>	<b>1,540</b>	<b>4</b>	<b>29,702</b>	<b>268,480</b>

See accompanying independent auditor's report.

Special Revenue					
Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Foreiture	Local Option Sales Tax	Debt Service	Total
-	-	1,984	85,805	1	387,511
5,862	5,751	-	-	-	11,613
-	-	-	-	123,000	123,000
-	-	-	9	-	14
-	-	-	56,563	-	56,563
5,862	5,751	1,984	142,377	123,001	578,701
-	-	-	-	-	1,075
-	-	-	-	123,000	123,000
-	-	-	-	123,000	124,075
-	-	-	-	-	297,107
-	-	-	-	1	1
5,862	5,751	1,984	142,377	-	157,518
5,862	5,751	1,984	142,377	1	454,626
5,862	5,751	1,984	142,377	123,001	578,701

Wayne County

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

Year ended June 30, 2011

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Duncan Bequest
<b>Revenues:</b>				
Local option sales tax	\$ -	-	-	-
Intergovernmental	-	-	11,328	-
Charges for service	1,577	-	-	-
Use of money and property	-	-	27	3,183
Miscellaneous	-	-	-	-
Total revenues	1,577	-	11,355	3,183
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	22,534	4,040
Governmental services to residents	336	-	-	-
Debt service	-	-	-	-
Total expenditures	336	-	22,534	4,040
Excess (deficiency) of revenues over (under) expenditures	1,241	-	(11,179)	(857)
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,241	-	(11,179)	(857)
Fund balances beginning of year, as restated	299	4	39,806	269,337
Fund balances end of year	\$ 1,540	4	28,627	268,480

See accompanying independent auditor's report.



Special Revenue					
Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Forfeiture	Local Option Sales Tax	Debt Service	Total
-	-	-	374,505	-	374,505
-	-	-	-	-	11,328
-	-	-	-	-	1,577
2	-	-	99	5	3,316
5,360	10,277	2,060	-	-	17,697
5,362	10,277	2,060	374,604	5	408,423
189	10,736	2,008	-	-	12,933
-	-	-	-	-	26,574
-	-	-	-	-	336
-	-	-	-	13,141	13,141
189	10,736	2,008	-	13,141	52,984
5,173	(459)	52	374,604	(13,136)	355,439
-	-	-	-	5,155	5,155
-	-	-	(272,417)	-	(272,417)
-	-	-	(272,417)	5,155	(267,262)
5,173	(459)	52	102,187	(7,981)	88,177
689	6,210	1,932	40,190	7,982	366,449
5,862	5,751	1,984	142,377	1	454,626

Wayne County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	1,421	114,923	82,722
Other County officials	14,560	-	-	-
Receivables:				
Property tax:				
Delinquent	-	399	974	22,889
Succeeding year	-	75,000	169,000	4,056,000
Accounts	-	-	-	-
<b>Total assets</b>	<b>\$ 14,560</b>	<b>76,820</b>	<b>284,897</b>	<b>4,161,611</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	1,876	-
Due to other governments	5,581	76,820	276,088	4,161,611
Trusts payable	8,979	-	-	-
Compensated absences	-	-	6,933	-
<b>Total liabilities</b>	<b>\$ 14,560</b>	<b>76,820</b>	<b>284,897</b>	<b>4,161,611</b>

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
4,486	23,133	2,667	136,034	20,582	330,672	716,640
-	-	-	-	-	-	14,560
1,257	18,623	137	-	5,778	5	50,062
222,000	762,000	155,000	-	1,043,000	1,000	6,483,000
-	-	-	-	-	15,060	15,060
<b>227,743</b>	<b>803,756</b>	<b>157,804</b>	<b>136,034</b>	<b>1,069,360</b>	<b>346,737</b>	<b>7,279,322</b>
-	-	-	-	-	803	803
-	-	-	-	-	607	2,483
227,743	803,756	157,804	136,034	1,069,360	345,327	7,260,124
-	-	-	-	-	-	8,979
-	-	-	-	-	-	6,933
<b>227,743</b>	<b>803,756</b>	<b>157,804</b>	<b>136,034</b>	<b>1,069,360</b>	<b>346,737</b>	<b>7,279,322</b>

Wayne County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2011

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 14,309	69,786	259,096	4,115,216
Additions:				
Property and other county tax	-	75,274	168,919	4,053,953
E911 surcharge	-	-	-	-
State tax credits	-	3,464	8,459	199,237
Drivers license fees	-	-	-	-
Office fees and collections	275,175	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	146,857	-	-	-
Miscellaneous	-	6	6,612	2,829
Total additions	422,032	78,744	183,990	4,256,019
Deductions:				
Agency remittances:				
To other funds	182,816	-	-	-
To other governments	93,831	71,710	158,189	4,209,624
Trusts paid out	145,134	-	-	-
Total deductions	421,781	71,710	158,189	4,209,624
Balances end of year	\$ 14,560	76,820	284,897	4,161,611

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
220,444	828,989	142,971	150,229	1,015,636	307,622	7,124,298
221,816	764,701	154,618	-	1,013,248	810	6,453,339
-	-	-	-	-	68,837	68,837
10,854	56,238	6,344	-	78,816	41	363,453
-	-	-	-	-	24,363	24,363
-	-	-	-	-	4,193	279,368
-	-	-	1,666,084	-	-	1,666,084
-	4,023	-	-	-	-	4,023
-	-	-	-	-	189,523	336,380
19	297	-	-	86	228,160	238,009
232,689	825,259	160,962	1,666,084	1,092,150	515,927	9,433,856
-	-	-	65,218	-	-	248,034
225,390	850,492	146,129	1,615,061	1,038,426	283,056	8,691,908
-	-	-	-	-	193,756	338,890
225,390	850,492	146,129	1,680,279	1,038,426	476,812	9,278,832
227,743	803,756	157,804	136,034	1,069,360	346,737	7,279,322

Wayne County

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

For the Last Ten Years

	2011	2010	2009	2008
<b>Revenues:</b>				
Property and other county tax	\$ 3,003,146	2,218,985	2,080,278	2,058,897
Local option sales tax	374,505	340,386	285,414	94,285
Interest and penalty on property tax	42,202	32,241	31,146	32,998
Intergovernmental	3,704,021	3,246,841	3,611,502	3,662,984
Licenses and permits	13,053	7,768	5,560	4,759
Charges for service	360,917	274,480	258,327	264,126
Use of money and property	25,483	36,681	97,522	139,552
Miscellaneous	58,192	160,160	213,100	130,519
Total	<u>\$ 7,581,519</u>	<u>6,317,542</u>	<u>6,582,849</u>	<u>6,388,120</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	\$ 1,021,037	1,027,425	886,029	1,013,637
Physical health and social services	839,343	843,386	831,455	777,343
Mental health	687,820	652,568	750,522	699,214
County environment and education	245,213	315,010	410,099	455,226
Roads and transportation	2,781,392	2,621,430	2,367,802	2,473,899
Governmental services to residents	200,742	193,772	201,919	173,731
Administration	661,985	660,486	688,040	711,559
Non-program	31,092	25,813	26,891	16,142
Debt service	285,108	275,815	286,832	17,713
Capital projects	20,741	470,526	3,116,794	-
Total	<u>\$ 6,774,473</u>	<u>7,086,231</u>	<u>9,566,383</u>	<u>6,338,464</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
1,993,573	1,927,731	1,921,146	1,886,630	1,909,597	1,917,364
-	-	-	-	-	-
35,881	33,737	39,013	31,256	33,296	32,833
3,270,942	3,198,154	2,932,444	2,728,114	2,509,435	2,628,927
3,251	2,585	4,455	3,110	3,470	4,340
261,776	265,761	258,540	286,578	243,145	254,266
142,835	138,985	96,795	50,929	57,569	63,847
75,924	137,495	101,989	618,739	143,782	128,498
5,784,182	5,704,448	5,354,382	5,605,356	4,900,294	5,030,075
735,437	666,122	664,155	654,496	663,662	675,716
694,106	679,267	540,199	506,947	527,257	446,912
753,824	768,428	803,813	770,381	848,038	789,342
350,741	258,890	283,393	341,574	267,999	261,827
2,296,227	2,476,437	2,134,371	1,886,025	1,916,921	1,931,912
165,946	270,426	171,198	140,185	136,866	125,352
659,251	612,510	665,167	536,846	518,242	473,438
27,352	30,993	34,875	32,897	38,248	48,340
15,000	-	-	-	-	65,528
2,033	77,730	102,234	98,469	131,915	151,487
5,699,917	5,840,803	5,399,405	4,967,820	5,049,148	4,969,854

**Schedule 6**

## Wayne County

## Schedule of Expenditures of Federal Awards

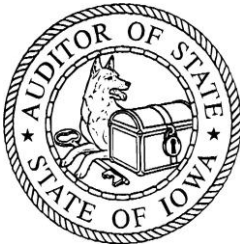
Year ended June 30, 2011

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 Reimbursement:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 4,834
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Safety Belt Performance Grants	20.609	PAP 10-406	505
Safety Belt Performance Grants	20.609	PAP 11-03	4,500
			<u>5,005</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5880BT93	11,318
Public Health Emergency Preparedness	93.069	588IBT393	22,516
			<u>33,834</u>
Immunization Grants	93.268	5881I479	1,675
Immunization Grants	93.268	5880I479	2,013
			<u>3,688</u>
ARRA - Immunization	93.712	5880I479	1,519
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Refugee and Entrant Assistance - State Administered Programs	93.566		3
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,182
Foster Care - Title IV-E	93.658		1,918
Adoption Assistance	93.659		465
Children's Health Insurance Program	93.767		22
Medical Assistance Program	93.778		4,640
Social Services Block Grant	93.667		1,653
Social Services Block Grant	93.667		34,481
			<u>36,134</u>
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 1930 DR IA	488,680
Multi-Jurisdictional Hazard Mitigation Plan	97.067	DR-1763-0067-01	12,515
			<u>501,195</u>
Total			<u>\$ 594,439</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 in 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.





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

David A. Vaudt, CPA  
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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, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated May 11, 2012. 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

Management of Wayne County is responsible for establishing and maintaining effective 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-11 through II-I-11 to be significant deficiencies.

Compliance and Other Matters

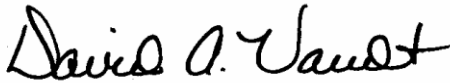
As part of obtaining reasonable assurance about whether Wayne County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in 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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Wayne County's responses to the findings 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, and 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.

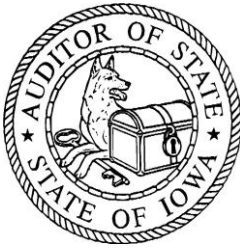
  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 11, 2012

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on 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 That Could Have a Direct and Material Effect  
on 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 Wayne County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2011. 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 could have a direct and material effect on its major federal program for the year ended June 30, 2011.

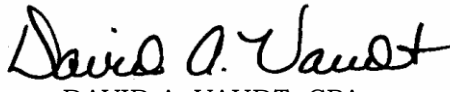
Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

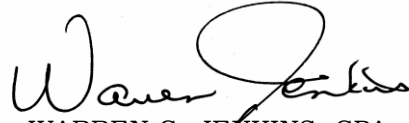
A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance 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, and 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

May 11, 2012

Wayne County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any 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 no audit findings which were 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, 2011

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 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 more individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Collection and deposit preparation functions were not performed by an individual who does not record and account for cash receipts.	Treasurer, Recorder, Sheriff, Agricultural Extension and County Care Facility
(2) 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 and Agricultural Extension
(3) The listing of cash and checks received by mail was not compared to the cash receipt records by an independent person.	Sheriff
(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.	Treasurer, Recorder, Agricultural Extension and County Care Facility
(5) The person who signs checks was not independent of the person preparing the checks, approving disbursements and recording cash receipts.	Recorder and County Care Facility

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Officials should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.



Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Responses –

Treasurer – With only three employees in the office, it is very difficult to segregate duties. The Treasurer tries to do as little counter work as possible so the other employees are handling the money. Then, at the end of the day, the Treasurer can account for the money received.

Recorder – The Recorder's Office does the best it can to implement 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. Recorder's Office personnel will continue to review each others work for accuracy.

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 does not currently have a staffing level to accommodate this concern without difficulty. All 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. Efforts will be made to improve, but employee job functions and responsibilities limit the ability to do this. A review will be made of procedures to compare the receipts with deposits to maximize internal control as much as possible under the circumstances.

Agricultural Extension – Agricultural Extension acknowledges it is a small office and detailed receipts and deposit tickets are not recorded by an independent person. However, the Extension Council meets monthly and reviews accounting details.

County Care Facility – The Care Facility will continue to review internal controls and determine if additional segregated duties can be attained.

Conclusions – Responses accepted.

- II-B-11 Financial Reporting – During the audit, we identified material amounts of receivables not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables are identified and included in the County's financial statements.

Response – We will continue to direct everyone to watch any State checks received to determine if they need to be accrued. We will also try to double check with departments to ensure the item should be accrued.

Conclusion – Response accepted.

Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- II-C-11 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 report.

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

Response – Recommendation taken under advisement. Expenditures are for items for the jail using profits from the Commissary. Discussion with the Board of Supervisors will be held to determine what will work best for our situation. The concern is the ability to have funds available to purchase resale Commissary items. The expenditures made from the Commissary have been for needed items only.

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.

- II-D-11 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 to determine the allowable carryover of vacation hours in accordance with the union agreement.

Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-E-11 Computer Systems – During our review of internal control, the existing control activities in the County’s computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the County’s computer systems were noted:

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.

Also, 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 implemented to improve the County’s control over computer systems.

Response – We will review the matter with our software provider.

Conclusion – Response accepted.

II-F-11 Capital Assets – Capital assets are not tested periodically by an independent person to determine the assets exist and all assets are included on the capital asset listing.

Recommendation – A person who does not have responsibility for capital assets should periodically test capital assets to ensure the accuracy of the capital asset listing.

Response – We will have the Board of Supervisors review the assets and sign off on the review.

Conclusion – Response accepted.

II-G-11 Accounts Receivable Reconciliation – The County Public Health Office’s monthly billings, collections and unpaid accounts were not reconciled throughout the year.

Recommendation – The County Public Health Office should reconcile billings, collections and unpaid accounts monthly.

Response – Public Health will discuss with the administrator how to make a better report for the monthly reconciliations and unpaid accounts and collections to attain a more accurate balance at the end of each month. Public Health feels if it had a better tool to obtain the information it would be better tracked.

Conclusion – Response accepted.

Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- II-H-11 County Annual Financial Report – For the year ended June 30, 2011, the County prepared its financial statements on the cash basis of accounting. However, the amounts were not accurately reported by fund.

Recommendation – The Board of Supervisors should review the County’s report to ensure accurate balances are reported by fund.

Response – There was some confusion on our part with regards to the new GASB requirements. The financial report has been corrected and filed.

Conclusion – Response accepted.

- II-I-11 Tax Increment Financing – The County Auditor does not prepare a reconciliation of tax increment financing remitted to the amount of debt certified. During the year ended June 30, 2011, the County remitted \$20,140 of tax increment financing to the City of Corydon. The City has represented it has no tax increment financing debt outstanding. According to the City’s Annual Financial Report, the City reported excess cash on hand in the Special Revenue, Tax Increment Financing Fund of approximately \$57,000 at June 30, 2011 for which the City has no associated debt.

Recommendation – The County should work with the City of Corydon to recover the excess tax increment financing received by the City. The amount recovered should be reapportioned to the taxing authorities within that tax district in the County.

Response – We will contact the City of Corydon and see if we cannot recover the monies from the TIF district and reapportion that amount back to the various taxing authorities within that tax district.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Wayne County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL 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, 2011

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

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the debt service function. Disbursements in certain 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 – The Board of Supervisors will review this matter with each Department Head and work towards eliminating this from occurring again.

Conclusion – Response accepted.

IV-B-11 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-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-11 Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Kay Middlebrook, County Assessor, and Melinda Middlebrook, County CPC Administrator, wife and daughter-in-law, respectively, of the owner of Middlebrook Amoco	Fuel, service and repairs: County Assessor Mental Health Department Other County departments	\$ 848 298 254

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

IV-E-11 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-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- IV-G-11 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-11 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-11 Financial Condition – Although the Special Revenue, Mental Health Fund had positive cash balances at June 30, 2011, on a modified accrual basis, an unreserved fund balance deficit of \$5,555 was reported in the Special Revenue, Mental Health Fund.

During fiscal year 1998, the Board approved a \$550,000 interfund loan from the Special Revenue, Rural Services Fund to the General Fund. While the Board has established a repayment schedule for the loan, the \$430,000 balance of the loan at June 30, 2011 will not be fully repaid until the year 2039 if the minimum annual repayment of \$15,000 is made on the loan. In fiscal year 2011, the County did not make the annual minimum repayment of \$15,000 on the loan.

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

Response – The County will continue to investigate alternatives to eliminate the fund balance deficit.

Conclusion – Response accepted.

- IV-J-11 Emergency Management – Disbursements during the year ended June 30, 2011 for the Emergency Management Commission exceeded the amount budgeted.

Recommendation – The budget should be have been amended in sufficient amount in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The Board of Supervisors will review the disbursements of Emergency Management with its Board and work towards this not occurring again.

Conclusion – Response accepted.

Wayne County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.



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Wayne County

Staff

This audit was performed by:

Jennifer Campbell, CPA, Manager  
Timothy D. Houlette, CPA, Senior Auditor II  
Cory A. Lee, Assistant Auditor  
Ann C. McMinimee, Assistant Auditor  
Justin M. Schermann, Assistant Auditor  
Wesley A. Large, Auditor Intern  
Samuel M. Wagner, Auditor Intern

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State