



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

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 7, 2013

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

The County had local tax revenue of \$9,534,378 for the year ended June 30, 2012, which included \$485,119 in tax credits from the state. The County forwarded \$6,243,656 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,290,722 of the local tax revenue to finance County operations, a 4.4% increase from the prior year. Other revenues included charges for service of \$1,186,019, operating grants, contributions and restricted interest of \$2,896,683, capital grants, contributions and restricted interest of \$1,474,258, local option sales tax of \$326,157, unrestricted investment earnings of \$4,803 and other general revenues of \$123,224.

Expenses for County operations totaled \$7,278,459, a 4.6% increase from the prior year. Expenses included \$2,994,521 for roads and transportation, \$1,181,964 for public safety and legal services and \$901,143 for physical health and social services.

The significant increase in expenses is due primarily to increased County supported mental health services costs.

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/1210-0093-B00F.pdf>.

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**WAYNE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2012**

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**Wayne County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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, 2012, 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, 2012, 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 February 7, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2011 (which are not presented herein). We expressed unqualified opinions on the financial statements for the eight years ended June 30, 2011 and a qualified opinion on the financial statements for the year ended June 30, 2003 due to the omission of the materials and supplies inventories. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted standards. In our opinion, the supplementary information 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

February 7, 2013



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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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

Revenues of the County's governmental activities increased 5.7%, or approximately \$505,000, from fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$142,000, operating grants and contributions decreased approximately \$746,000 and capital grants, contributions and restricted interest increased approximately \$973,000.

Program expenses of the County's governmental activities were 4.6%, or approximately \$318,000, more in fiscal year 2012 than in fiscal year 2011. Mental health increased approximately \$176,000 and public safety and legal services increased approximately \$68,000

The County's net assets increased 21.1%, or approximately \$2,024,000, from June 30, 2011 to June 30, 2012.

### **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.

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

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has 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 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 emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Wayne County's net assets at the end of the fiscal year total approximately \$11.6 million. This compares to approximately \$9.6 million at the end of fiscal year 2011. The analysis that follows focuses on the changes in the net assets of governmental activities. Certain prior year amounts have been reclassified to conform to current year presentations.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
Current and other assets	\$ 11,589	8,140
Capital assets	10,130	8,907
Total assets	21,719	17,047
Long-term liabilities	6,547	3,988
Other liabilities	3,555	3,466
Total liabilities	10,102	7,454
Net assets:		
Invested in capital assets, net of related debt	6,577	5,162
Restricted	4,262	4,119
Unrestricted	778	312
Total net assets	\$ 11,617	9,593

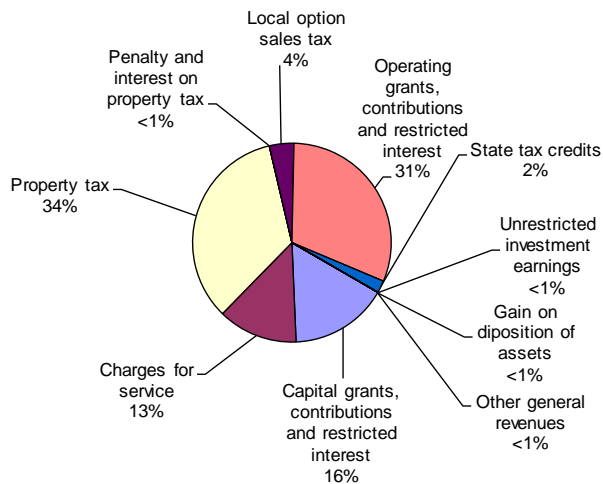
Net assets of Wayne County's governmental activities increased 21.1% (approximately \$11.6 million compared to approximately \$9.6 million). The largest portion of the County's net assets is invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt. The debt related 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 \$312,000 to approximately \$778,000 at the end of this year, an increase of 149%.

The increase of approximately \$466,000 in unrestricted net assets was a result of an increase in property tax and cuts in expenditures. Restricted net assets increased approximately \$143,000, primarily due to an increase in the general supplemental levy.

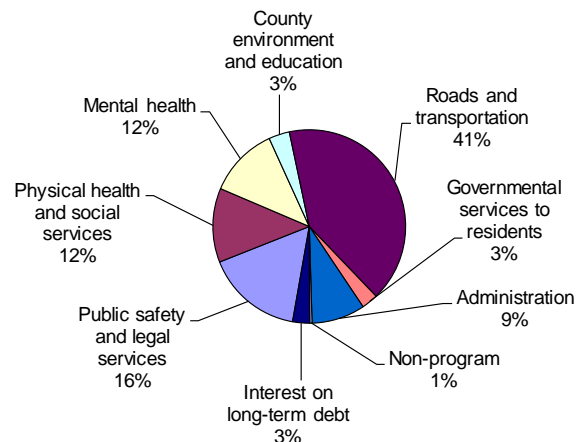
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2012	2011
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,186	988
Operating grants, contributions and restricted interest	2,897	3,643
Capital grants, contributions and restricted interest	1,474	501
<b>General revenues:</b>		
Property tax	3,148	3,006
Penalty and interest on property tax	43	47
State tax credits	143	146
Local option sales tax	326	375
Unrestricted investment earnings	5	2
Gain on disposition of assets	43	56
Other general revenues	37	33
<b>Total revenues</b>	<b>9,302</b>	<b>8,797</b>
<b>Program expenses:</b>		
Public safety and legal services	1,182	1,114
Physical health and social services	901	847
Mental health	858	682
County environment and education	254	267
Roads and transportation	2,994	2,939
Governmental services to residents	201	206
Administration	652	668
Non-program	28	87
Interest on long-term debt	208	150
<b>Total expenses</b>	<b>7,278</b>	<b>6,960</b>
<b>Increase in net assets</b>	<b>2,024</b>	<b>1,837</b>
<b>Net assets beginning of year</b>	<b>9,593</b>	<b>7,756</b>
<b>Net assets end of year</b>	<b>\$ 11,617</b>	<b>9,593</b>

**Revenues by Source**



**Expenses by Program**



Revenues for governmental activities increased approximately \$505,000 from the prior year, primarily due to an increase of approximately \$198,000 in charges for service. The increase was a result of the County providing additional health care services to residents of the County. Overall, property tax revenue increased approximately \$142,000, or 4.7%.

The cost of all governmental activities this year was approximately \$7.28 million compared to approximately \$6.96 million last year, a 4.6% increase. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$1.7 million because some of the cost was paid by those directly benefited from the programs (approximately \$1.2 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,371,000). Overall, the County's government program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2012 from approximately \$5,132,000 to approximately \$5,557,000, principally due to an increase in contributed capital for road projects from the Iowa Department of Transportation.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Wayne County completed the year, its governmental funds reported a combined fund balance of approximately \$7.7 million, an increase of approximately \$3.7 million from last year's total of approximately \$4 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 \$952,225, or 228%, to \$1,369,817. Revenues increased \$487,789, or 16.2%. The increase was due to increases in property tax revenue, nursing fees for offering vaccine to county residents and charges for in home care services. Expenditures decreased \$333,018, or 11.5%, as the General Fund paid the principal and interest which was due on the general obligation bonds in the prior year. These debt payments were made from the Special Revenue, Local Option Sales Tax Fund in the current year.
- The Special Revenue, Mental Health Fund balance decreased \$33,330 from the prior year to a deficit balance of (\$38,858). Revenues increased \$36,388, or 4.7%, from the prior year due to the receipt of funds from a closed community health center to which the County had initially contributed start-up funding. Expenditures increased \$157,110, or 22.8%, as a result of a decrease in State funding received by the County to subsidize costs during the current year. The number of individuals needing 24 hour care increased from 9 to 13 during the year, along with an increase in the number of individuals needing court-ordered medical treatment.
- The Special Revenue, Rural Services Fund balance decreased \$67,413 from the prior year to \$605,229. Revenues decreased \$246,440 due to a decrease in property tax revenue. Expenditures increased \$2,207 over the prior year.
- The Special Revenue, Secondary Roads Fund balance increased \$290,212, or 12.5%, to \$2,618,566. Revenues increased \$235,750 from the prior year and expenditures decreased \$11,732 from the prior year. The increase in revenues is primarily due to additional funds received from FEMA and the Iowa Department of Transportation.
- The Special Revenue, Local Option Sales Tax Fund balance increased \$2,748,150 from the prior year to \$2,890,527. The increase in fund balance is due to approximately \$2.7 million being held in escrow for the purpose of paying future principal and interest costs due on the refunded portion of the general obligation bonds issued in 2008. The funds will be held in escrow until June 1, 2016. Revenues decreased \$46,733 from the prior year to \$327,871 due to a decrease in local option sales tax revenue during the current fiscal year. This fund also reported expenditures of \$292,018, which represents the current year debt service payments for the 2008 general obligation bonds as well as

issuance costs of \$18,600 for the refunding bonds. Both issuances are to be funded by local option sales tax receipts. The prior year debt payments were reported in the General Fund.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Wayne County amended its budget one time. The amendment was made in May 2012 and included increased budgeted disbursements of \$140,000, \$127,500 and \$43,310 in mental health, capital projects and physical health and social services, respectively. The increases were necessary to prevent various departments from over spending budgeted amounts due to unanticipated expenses.

The County's receipts were \$767,735 more than budgeted, a variance of 10.9%. Intergovernmental receipts were \$503,985 more than budgeted due to additional services being rendered by county nursing services for Medicare recipients and FEMA funds received for work completed prior to the start of the fiscal year. Charges for service receipts were \$157,377 more than budgeted due to unanticipated prisoner care and nursing fees received during the year.

Total disbursements were \$2,270,751, or 24.6%, less than the amended budget. The County exceeded the budget in the debt service function by \$19,599 due to not budgeting for bond fiscal agent fees and bond issuance costs. Actual disbursements for the capital projects and roads and transportation functions were \$1,213,612 and \$467,579, respectively, less than budgeted. Actual costs in these areas were less than originally expected.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2012, Wayne County had approximately \$10.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.2 million, or 13.7%, over last year. This increase was due primarily to the purchase of equipment in the Secondary Roads and Sheriff's Departments and the completion of County road projects.

The County had depreciation expense of \$516,434 in fiscal year 2012 and total accumulated depreciation of \$5,354,338 at June 30, 2012. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2012, the County had \$6,245,000 in general obligation bonds/notes outstanding, compared to \$3,745,000 at June 30, 2011. During the year, the County issued \$2,755,000 of general obligation local option sales and services tax refunding bonds to pay the costs of refunding the outstanding principal of \$2,520,000 of the \$3,670,000 general obligation bonds, series 2008, maturing after June 1, 2017. The County paid \$255,000 of principal on the general obligation bonds/notes during the year ended June 30, 2012.

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 \$13.1 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 2013 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 2013 county-wide levy decreased from \$9.78481 per \$1,000 of taxable valuation to \$9.38883 per \$1,000 of taxable valuation, while the rural services levy increased from \$3.58119 per \$1,000 of taxable valuation to \$4.30842 per \$1,000 of taxable valuation. The fiscal year 2013 taxable valuations for incorporated areas and rural areas decreased 1% and 1.4%, respectively, from the prior year.

Budgeted disbursements in the fiscal year 2013 operating budget are \$7,762,448, a decrease of 16% from the final fiscal year 2012 budget. The decrease is mainly due to a reduction in the capital projects function as a result of the completion of the County jail.

## **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, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 4,476,529
Component units	6,930
U.S. Treasury securities on deposit with escrow agent	2,691,224
Receivables:	
Property tax:	
Delinquent	18,397
Succeeding year	3,097,000
Interest and penalty on property tax	31,057
Accounts	331,599
Accrued interest	618
Due from other governments	650,741
Inventories	224,282
Prepaid insurance	59,477
Capital assets (net of accumulated depreciation)	10,130,780
<b>Total assets</b>	<u>21,718,634</u>
<b>Liabilities</b>	
Accounts payable	107,128
Accrued interest payable	11,581
Salaries and benefits payable	91,746
Due to other governments	246,853
Deferred revenue - succeeding year property tax	3,097,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	260,000
Compensated absences	87,250
Portion due or payable after one year:	
General obligation bonds/notes	5,985,000
Compensated absences	101,931
Net OPEB liability	113,542
<b>Total liabilities</b>	<u>10,102,031</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	6,577,004
Restricted for:	
Supplemental levy purposes	447,065
Rural services purposes	605,229
Secondary roads purposes	2,720,662
Conservation purposes	290,077
Debt service	187,791
Other purposes	10,604
Unrestricted	778,171
<b>Total net assets</b>	<u>\$ 11,616,603</u>

See notes to financial statements.

Wayne County  
Statement of Activities  
Year ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		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	\$ 1,181,964	122,921	59,261	27	(999,755)
Physical health and social services	901,143	775,915	109,580	-	(15,648)
Mental health	857,847	47,145	511,691	-	(299,011)
County environment and education	254,081	44,779	18,817	-	(190,485)
Roads and transportation	2,994,521	55,851	2,195,620	1,474,231	731,181
Governmental services to residents	200,572	129,455	-	-	(71,117)
Administration	652,507	7,828	-	-	(644,679)
Non-program	27,803	2,125	-	-	(25,678)
Interest and fees on long-term debt	208,021	-	1,714	-	(206,307)
<b>Total</b>	<b>\$ 7,278,459</b>	<b>1,186,019</b>	<b>2,896,683</b>	<b>1,474,258</b>	<b>(1,721,499)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,024,852
Debt service					123,226
Penalty and interest on property tax					43,445
State tax credits					142,644
Local option sales tax					326,157
Unrestricted investment earnings					4,803
Gain on disposition of assets					43,059
Miscellaneous					36,720
<b>Total general revenues</b>					<b>3,744,906</b>
Change in net assets					2,023,407
Net assets beginning of year					9,593,196
Net assets end of year					<b>\$ 11,616,603</b>

See notes to financial statements.

Wayne County  
Balance Sheet  
Governmental Funds

June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ 1,678,161	179,021	228,904	1,956,508
Component units	-	-	-	-
U.S. Treasury securities on deposit with escrow agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	15,737	1,816	844	-
Succeeding year	1,938,000	240,000	800,000	-
Interest and penalty on property tax	31,057	-	-	-
Accounts	47,996	1,747	-	281,856
Accrued interest	614	-	-	-
Advance to other funds	-	-	390,000	-
Due from other governments	130,983	-	5,700	461,174
Inventories	-	-	-	224,282
Prepaid insurance	36,402	-	-	23,075
<b>Total assets</b>	<b>\$ 3,878,950</b>	<b>422,584</b>	<b>1,425,448</b>	<b>2,946,895</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 34,808	14,345	10,241	47,734
Salaries and benefits payable	46,561	3,846	9,134	32,205
Advance from other funds	390,000	-	-	-
Due to other governments	45,093	201,462	-	298
Deferred revenue:				
Succeeding year property tax	1,938,000	240,000	800,000	-
Other	54,671	1,816	844	248,092
Total liabilities	2,509,133	461,469	820,219	328,329
Fund balances:				
Nonspendable:				
Inventories	-	-	-	224,282
Prepaid expenditures	36,402	-	-	23,075
Advance to other funds	-	-	390,000	-
Restricted for:				
Supplemental levy purposes	448,864	-	-	-
Rural services purposes	-	-	215,229	-
Secondary roads purposes	-	-	-	2,371,209
Conservation land acquisition	6,300	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	878,251	(38,885)	-	-
Total fund balances	1,369,817	(38,885)	605,229	2,618,566
<b>Total liabilities and fund balances</b>	<b>\$ 3,878,950</b>	<b>422,584</b>	<b>1,425,448</b>	<b>2,946,895</b>

See notes to financial statements.

Local Option Sales Tax	Nonmajor	Total
146,416	287,519	4,476,529
-	6,930	6,930
2,691,224	-	2,691,224
-	-	18,397
-	119,000	3,097,000
-	-	31,057
-	-	331,599
3	1	618
-	-	390,000
52,884	-	650,741
-	-	224,282
-	-	59,477
2,890,527	413,450	11,977,854
-	-	107,128
-	-	91,746
-	-	390,000
-	-	246,853
-	119,000	3,097,000
-	-	305,423
-	119,000	4,238,150
-	-	224,282
-	-	59,477
-	-	390,000
-	-	448,864
-	-	215,229
-	-	2,371,209
-	283,777	290,077
2,890,527	69	2,890,596
-	10,604	10,604
-	-	839,366
2,890,527	294,450	7,739,704
2,890,527	413,450	11,977,854

**Wayne County**

Wayne County

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

June 30, 2012

**Total governmental fund balances (page 19)** \$ 7,739,704

***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 \$15,485,118 and the accumulated depreciation is \$5,354,338. 10,130,780

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 305,423

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. (6,559,304)

**Net assets of governmental activities (page 16)** \$ 11,616,603

See notes to financial statements.

Wayne County

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

Year ended June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,092,146	241,463	685,851	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	41,645	-	-	-
Intergovernmental	876,470	470,090	88,560	2,524,780
Licenses and permits	77	-	11,060	520
Charges for service	393,227	47,145	8,475	3
Use of money and property	24,819	-	-	-
Miscellaneous	71,777	52,902	60	55,331
Total revenues	<u>3,500,161</u>	<u>811,600</u>	<u>794,006</u>	<u>2,580,634</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	823,988	-	221,402	-
Physical health and social services	856,904	-	36,212	-
Mental health	-	844,930	-	-
County environment and education	115,427	-	98,083	-
Roads and transportation	-	-	-	2,793,124
Governmental services to residents	192,159	-	3,020	-
Administration	551,179	-	-	-
Non-program	23,092	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>2,562,749</u>	<u>844,930</u>	<u>358,717</u>	<u>2,793,124</u>
Excess (deficiency) of revenues over (under) expenditures	<u>937,412</u>	<u>(33,330)</u>	<u>435,289</u>	<u>(212,490)</u>
<b>Other financing sources (uses):</b>				
General obligation bonds issued	-	-	-	-
Discount on general obligation bonds	-	-	-	-
Operating transfers in	14,813	-	-	502,702
Operating transfers out	-	-	(502,702)	-
Total other financing sources (uses)	<u>14,813</u>	<u>-</u>	<u>(502,702)</u>	<u>502,702</u>
Net change in fund balances	952,225	(33,330)	(67,413)	290,212
Fund balances beginning of year	417,592	(5,555)	672,642	2,328,354
Fund balances end of year	<u>\$ 1,369,817</u>	<u>(38,885)</u>	<u>605,229</u>	<u>2,618,566</u>

See notes to financial statements.



Local Option Sales Tax	Nonmajor	Total
-	123,210	3,142,670
326,157	-	326,157
-	-	41,645
-	14,840	3,974,740
-	-	11,657
-	1,646	450,496
1,714	2,052	28,585
-	12,647	192,717
327,871	154,395	8,168,667
-	17,330	1,062,720
-	-	893,116
-	-	844,930
-	24,424	237,934
-	-	2,793,124
-	1,500	196,679
-	-	551,179
-	-	23,092
292,018	128,913	420,931
-	110,221	110,221
292,018	282,388	7,133,926
35,853	(127,993)	1,034,741
2,755,000	-	2,755,000
(42,703)	-	(42,703)
-	-	517,515
-	(14,813)	(517,515)
2,712,297	(14,813)	2,712,297
2,748,150	(142,806)	3,747,038
142,377	437,256	3,992,666
2,890,527	294,450	7,739,704

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, 2012

**Net change in fund balances - Total governmental funds (page 23)** \$ 3,747,038

**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	\$ 223,221	
Capital assets contributed by the Iowa Department of Transportation	1,474,231	
Depreciation expense	<u>(516,434)</u>	1,181,018

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. 43,059

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

Property tax	5,390	
Other	<u>(359,012)</u>	(353,622)

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

Issued	(2,755,000)	
Repaid	<u>255,000</u>	(2,500,000)

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	(19,742)	
Other postemployment benefits	(39,777)	
Interest on long-term debt	<u>613</u>	(58,906)

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. (35,180)

**Change in net assets of governmental activities (page 17)** \$ 2,023,407

See notes to financial statements.

Wayne County

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

Year ended June 30, 2012

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from employees and others		\$ 2,125
Operating expenses:		
Insurance premiums	\$ 2,729	
Administrative fees	<u>1,982</u>	<u>4,711</u>
Operating loss		(2,586)
Non-operating expenses:		
Reimbursements to other funds		<u>(32,594)</u>
Change in net assets		(35,180)
Net assets beginning of year		<u>35,180</u>
Net assets end of year		<u><u>\$ -</u></u>
See notes to financial statements.		

Wayne County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from employees and others	\$ 2,125
Cash paid to suppliers for services	(9,759)
Net cash used by operating activities	<u>(7,634)</u>
Cash flows from noncapital financing activities:	
Reimbursements to other county funds	<u>(32,594)</u>
Net decrease in cash and cash equivalents	(40,228)
Cash and cash equivalents beginning of year	<u>40,228</u>
Cash and cash equivalents end of year	<u>\$ -</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating loss	\$ (2,586)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts payable	<u>(5,048)</u>
Net cash used by operating activities	<u>\$ (7,634)</u>

See notes to financial statements.

Wayne County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2012

**Assets**

Cash and pooled investments:

County Treasurer	\$ 791,909
Other County officials	21,164

Receivables:

Property tax:

Delinquent	66,521
Succeeding year	5,913,000

<b>Total assets</b>	<u>6,792,594</u>
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**Liabilities**

Accounts payable	1,409
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Salaries and benefits payable	2,956
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Due to other governments	6,763,687
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Trusts payable	16,515
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Compensated absences	8,027
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<b>Total liabilities</b>	<u>6,792,594</u>
--------------------------	------------------

**Net assets**

\$	<u><u>-</u></u>
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See notes to financial statements.

Wayne County

Notes to Financial Statements

June 30, 2012

**(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 Local Option Sales Tax Fund is used to account for local option sales tax revenues used in the funding of the general obligation bonds issued for the acquisition and construction of the jail.

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 and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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 unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time, sick leave 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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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.

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, 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, 2012 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 \$2,434,146 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes. Also, at June 30, 2012, an escrow agent held U.S. Treasury notes for the County with a carrying amount and fair value of \$2,688,973 which mature December 1, 2012 through June 1, 2016.

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

The detail of advances to/from other funds at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Rural Services	General	<u>\$ 390,000</u>

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. During the year ended June 30, 2012, the County repaid \$40,000.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects	\$ 14,813
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>502,702</u>
Total		<u>\$ 517,515</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, 2012 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	-	1,474,231	(1,474,231)	-
Total capital assets not being depreciated	<u>254,209</u>	<u>1,474,231</u>	<u>(1,474,231)</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	4,091,774	303,071	(204,934)	4,189,911
Infrastructure, road network	4,671,567	1,474,231	-	6,145,798
Total capital assets being depreciated	<u>13,658,541</u>	<u>1,777,302</u>	<u>(204,934)</u>	<u>15,230,909</u>
Less accumulated depreciation for:				
Buildings	785,550	96,642	-	882,192
Improvements other than buildings	14,622	3,781	-	18,403
Equipment and vehicles	3,191,606	169,143	(168,143)	3,192,606
Infrastructure, road network	1,014,269	246,868	-	1,261,137
Total accumulated depreciation	<u>5,006,047</u>	<u>516,434</u>	<u>(168,143)</u>	<u>5,354,338</u>
Total capital assets being depreciated, net	<u>8,652,494</u>	<u>1,260,868</u>	<u>(36,791)</u>	<u>9,876,571</u>
Governmental activities capital assets, net	<u>\$ 8,906,703</u>	<u>2,735,099</u>	<u>(1,511,022)</u>	<u>10,130,780</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 113,503
Physical health and social services	1,150
Mental health	8,123
County environment and education	18,664
Roads and transportation	363,866
Governmental services to residents	2,420
Administration	8,708
Total depreciation expense - governmental activities	<u>\$ 516,434</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 at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 45,093
Special Revenue:		
Mental Health	Services	201,462
Secondary Roads	Services	298
		<u>201,760</u>
Total for governmental funds		<u>\$ 246,853</u>
Agency:		
County Offices	Collections	\$ 4,649
Agricultural Extension Education		76,055
County Assessor		272,643
Schools		3,726,516
Community Colleges		199,045
Corporations and Special Assessments		807,934
Townships		145,819
Auto License and Use Tax		130,462
County Hospital		1,006,469
Other		394,095
Total for agency funds		<u>\$ 6,763,687</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General Obligation Bonds/Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 3,745,000	169,439	73,765	3,988,204
Increases	2,755,000	125,181	51,785	2,931,966
Decreases	255,000	105,439	12,008	372,447
Balance end of year	<u>\$ 6,245,000</u>	<u>189,181</u>	<u>113,542</u>	<u>6,547,723</u>
Due within one year	\$ 260,000	87,250	-	347,250

Bonds/Notes Payable

A summary of the County's June 30, 2012 general obligation bond/note indebtedness is as follows:

Year Ending June 30,	General Obligation Local Option Sales and Services Tax Bonds			
	Issued June 15, 2008			
	Interest Rates	Principal	Interest	Total
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	3.90	165,000	106,593	271,593
2018-2022	4.00-4.20	945,000	427,245	1,372,245
2023-2027	4.30-4.40	1,150,000	211,925	1,361,925
2028	4.40	260,000	11,440	271,440
Total		<u>\$ 3,130,000</u>	<u>1,240,223</u>	<u>4,370,223</u>

Year Ending June 30,	General Obligation Notes			
	Issued June 24, 2010			
	Interest Rates	Principal	Interest	Total
2013	2.50%	\$ 115,000	10,536	125,536
2014	3.00	120,000	7,663	127,663
2015	3.25	125,000	4,063	129,063
2016		-	-	-
2017		-	-	-
2018-2022		-	-	-
2023-2027		-	-	-
2028		-	-	-
Total		<u>\$ 360,000</u>	<u>22,262</u>	<u>382,262</u>

Year Ending June 30,	General Obligation Local Option Sales and Services Refunding Bonds					Total	
	Issued June 15, 2012						
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2013		-	53,094	53,094	260,000	192,068	452,068
2014		-	55,242	55,242	270,000	186,485	456,485
2015		-	55,242	55,242	280,000	177,635	457,635
2016		-	55,242	55,242	160,000	167,914	327,914
2017	1.20%	\$ 205,000	55,243	260,243	370,000	161,836	531,836
2018-2022	1.30-1.95	1,095,000	231,295	1,326,295	2,040,000	658,540	2,698,540
2023-2027	2.05-2.65	1,200,000	122,493	1,322,493	2,350,000	334,418	2,684,418
2028	2.75	255,000	7,013	262,013	515,000	18,453	533,453
Total		<u>\$ 2,755,000</u>	<u>634,864</u>	<u>3,389,864</u>	<u>6,245,000</u>	<u>1,897,349</u>	<u>8,142,349</u>



On June 15, 2012, the County issued \$2,755,000 of general obligation refunding bonds for a crossover advance refunding of \$2,520,000 of general obligation local option sales and services tax bonds dated June 15, 2008. The bonds bear interest at 1.20% to 2.75% per annum and mature June 1, 2028. The crossover refunding date is June 1, 2016.

For the crossover advance refunding, the County entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities, along with additional cash, were placed with an escrow agent to pay the principal and interest on the refunding general obligation bonds (new debt) until the crossover refunding date. On the crossover refunding date of June 1, 2016, the refunded general obligation bonds (old debt) will be paid using the amounts held by the escrow agent. From that point forward, the local option sales tax revenue will be used to pay the refunding general obligation bonds (new debt). The transactions and balances of the escrow account are recorded by the County since the refunded debt is not considered extinguished.

The refunding was undertaken to reduce total debt service payments over the next sixteen years by \$110,322 and resulted in an economic gain of \$91,138.

During the year ended June 30, 2012, the County retired \$255,000 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 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$206,701, \$185,919 and \$167,399, 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, retirees and their spouses. There are 76 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, 2012, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 51,767
Interest on net OPEB obligation	2,834
Adjustment to annual required contribution	(2,816)
Annual OPEB cost	<u>51,785</u>
Contributions made	<u>(12,008)</u>
Increase in net OPEB obligation	39,777
Net OPEB obligation beginning of year	<u>73,765</u>
Net OPEB obligation end of year	<u>\$ 113,542</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, 2012.

For the year ended June 30, 2012, the County contributed \$12,008 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
2012	51,785	23.2	113,542

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$397,291, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$397,291. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,396,000 and the ratio of the UAAL to covered payroll was 16.6%. As of June 30, 2012, 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, 2011 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 \$1,058 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 663 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, 2012 were \$117,606.

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, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, 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 administered through a service agreement with Auxiant. Effective July 1, 2011, Employee Benefit Systems (EBS) began administration of the plan under an agreement which is subject to automatic renewal. The cash remaining in the Internal Service, Employee Group Health Fund at year end was reimbursed to the contributing funds and the Employee Group Health Fund was closed.

The plan is funded by both employee and County contributions. The County self funds up to \$1,000 per individual or \$2,000 per family with employees contributing the first \$500 and \$1,000, respectively. Administrative services fees and premiums are paid monthly from the County's operating funds to a separate account administered by EBS. During the year ended June 30, 2012, the County paid \$505,357 to the account. At June 30, 2012, the account balance was \$16,553. The activity in this account is reported in the General Fund.

**(12) Financial Condition**

The Special Revenue, Mental Health Fund had an unassigned deficit fund balance of \$38,885 at June 30, 2012. The County plans to eliminate this deficit by decreasing future expenditures.

**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, 2012

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 3,472,506	-	3,472,506
Interest and penalty on property tax	41,645	-	41,645
Intergovernmental	3,690,452	-	3,690,452
Licenses and permits	11,657	-	11,657
Charges for service	427,477	-	427,477
Use of money and property	28,122	-	28,122
Miscellaneous	167,710	12,647	155,063
Total receipts	<u>7,839,569</u>	<u>12,647</u>	<u>7,826,922</u>
<b>Disbursements:</b>			
Public safety and legal services	1,046,360	17,330	1,029,030
Physical health and social services	889,714	-	889,714
Mental health	721,782	-	721,782
County environment and education	233,050	-	233,050
Roads and transportation	2,818,368	-	2,818,368
Governmental services to residents	196,174	-	196,174
Administration	522,583	-	522,583
Non-program	23,092	-	23,092
Debt service	420,930	-	420,930
Capital projects	110,222	-	110,222
Total disbursements	<u>6,982,275</u>	<u>17,330</u>	<u>6,964,945</u>
Excess (deficiency) of receipts over (under) disbursements	857,294	(4,683)	861,977
Other financing sources, net	<u>2,712,297</u>	-	<u>2,712,297</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,569,591	(4,683)	3,574,274
Balance beginning of year	<u>3,605,092</u>	<u>11,613</u>	<u>3,593,479</u>
Balance end of year	<u>\$ 7,174,683</u>	<u>6,930</u>	<u>7,167,753</u>

See accompanying independent auditor's report.



Budgeted Amounts		Final to
Original	Final	Net
		Variance
3,445,772	3,445,772	26,734
31,800	31,800	9,845
3,186,467	3,186,467	503,985
6,030	6,030	5,627
270,100	270,100	157,377
64,350	64,350	(36,228)
52,380	54,668	100,395
<u>7,056,899</u>	<u>7,059,187</u>	<u>767,735</u>
1,074,487	1,074,487	45,457
896,348	939,658	49,944
732,341	872,341	150,559
480,813	494,781	261,731
3,285,947	3,285,947	467,579
254,693	254,693	58,519
550,424	550,424	27,841
38,200	38,200	15,108
401,331	401,331	(19,599)
1,196,334	1,323,834	1,213,612
<u>8,910,918</u>	<u>9,235,696</u>	<u>2,270,751</u>
(1,854,019)	(2,176,509)	3,038,486
-	-	2,712,297
(1,854,019)	(2,176,509)	5,750,783
3,501,777	3,501,777	91,702
<u>1,647,758</u>	<u>1,325,268</u>	<u>5,842,485</u>

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Wayne County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,839,569	329,098	8,168,667
Expenditures	6,982,275	151,651	7,133,926
Net	857,294	177,447	1,034,741
Other financing sources, net	2,712,297	-	2,712,297
Beginning fund balances	3,605,092	387,574	3,992,666
Ending fund balances	\$ 7,174,683	565,021	7,739,704

See accompanying independent auditor's report.

Wayne County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 \$324,778. 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, 2012, 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
2012	Jul 1, 2011	-	397	397	0.00	2,396	16.6

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.

**Supplementary Information**

Wayne County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Resource Enhancement and Protection
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 1,686	4	20,911
Component units	-	-	-
Receivables:			
Succeeding year property tax	-	-	-
Accrued interest	-	-	-
<b>Total assets</b>	<b>\$ 1,686</b>	<b>4</b>	<b>20,911</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue	\$ -	-	-
Fund balances:			
Restricted for:			
Conservation purposes	-	-	20,911
Debt service	-	-	-
Other purposes	1,686	4	-
Total fund balances	1,686	4	20,911
<b>Total liabilities and fund balances</b>	<b>\$ 1,686</b>	<b>4</b>	<b>20,911</b>

See accompanying independent auditor's report.

Revenue						
Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Foreiture	Debt Service	Capital Projects	Total
262,865	-	-	1,984	69	-	287,519
-	1,782	5,148	-	-	-	6,930
-	-	-	-	119,000	-	119,000
1	-	-	-	-	-	1
262,866	1,782	5,148	1,984	119,069	-	413,450
-	-	-	-	119,000	-	119,000
262,866	-	-	-	-	-	283,777
-	-	-	-	69	-	69
-	1,782	5,148	1,984	-	-	10,604
262,866	1,782	5,148	1,984	69	-	294,450
262,866	1,782	5,148	1,984	119,069	-	413,450

Wayne County

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

Year ended June 30, 2012

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Resource Enhancement and Protection
<b>Revenues:</b>			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	9,074
Charges for service	1,646	-	-
Use of money and property	-	-	4
Miscellaneous	-	-	-
Total revenues	1,646	-	9,078
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	16,794
Governmental services to residents	1,500	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	1,500	-	16,794
Excess (deficiency) of revenues over (under) expenditures	146	-	(7,716)
Other financing uses:			
Operating transfers out	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	146	-	(7,716)
Fund balances beginning of year	1,540	4	28,627
Fund balances end of year	\$ 1,686	4	20,911

See accompanying independent auditor's report.



Revenue						
Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Forfeiture	Debt Service	Capital Projects	Total
-	-	-	-	123,210	-	123,210
-	-	-	-	5,766	-	14,840
-	-	-	-	-	-	1,646
2,016	-	-	-	5	27	2,052
-	8,199	4,448	-	-	-	12,647
2,016	8,199	4,448	-	128,981	27	154,395
-	12,279	5,051	-	-	-	17,330
7,630	-	-	-	-	-	24,424
-	-	-	-	-	-	1,500
-	-	-	-	128,913	-	128,913
-	-	-	-	-	110,221	110,221
7,630	12,279	5,051	-	128,913	110,221	282,388
(5,614)	(4,080)	(603)	-	68	(110,194)	(127,993)
-	-	-	-	-	(14,813)	(14,813)
(5,614)	(4,080)	(603)	-	68	(125,007)	(142,806)
268,480	5,862	5,751	1,984	1	125,007	437,256
262,866	1,782	5,148	1,984	69	-	294,450

Wayne County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	1,488	133,970	80,238
Other County officials	21,164	-	-	-
Receivables:				
Property tax:				
Delinquent	-	567	1,272	34,278
Succeeding year	-	74,000	148,000	3,612,000
<b>Total assets</b>	<b>\$ 21,164</b>	<b>76,055</b>	<b>283,242</b>	<b>3,726,516</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	110	-
Salaries and benefits payable	-	-	2,462	-
Due to other governments	4,649	76,055	272,643	3,726,516
Trusts payable	16,515	-	-	-
Compensated absences	-	-	8,027	-
<b>Total liabilities</b>	<b>\$ 21,164</b>	<b>76,055</b>	<b>283,242</b>	<b>3,726,516</b>

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
4,375	23,219	2,656	130,462	20,619	394,882	791,909
-	-	-	-	-	-	21,164
1,670	20,715	163	-	7,850	6	66,521
193,000	764,000	143,000	-	978,000	1,000	5,913,000
199,045	807,934	145,819	130,462	1,006,469	395,888	6,792,594
-	-	-	-	-	1,299	1,409
-	-	-	-	-	494	2,956
199,045	807,934	145,819	130,462	1,006,469	394,095	6,763,687
-	-	-	-	-	-	16,515
-	-	-	-	-	-	8,027
199,045	807,934	145,819	130,462	1,006,469	395,888	6,792,594

Wayne County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 14,560	76,820	284,897	4,161,611
Additions:				
Property and other county tax	-	74,493	148,442	3,625,900
E911 surcharge	-	-	-	-
State tax credits	-	3,515	7,893	186,895
Drivers license fees	-	-	-	-
Office fees and collections	314,635	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	150,500	-	-	-
Miscellaneous	-	10	70,202	2,883
Total additions	465,135	78,018	226,537	3,815,678
Deductions:				
Agency remittances:				
To other funds	210,237	-	-	-
To other governments	99,925	78,783	228,192	4,250,773
Trusts paid out	148,369	-	-	-
Total deductions	458,531	78,783	228,192	4,250,773
Balances end of year	\$ 21,164	76,055	283,242	3,726,516

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
227,743	803,756	157,804	136,034	1,069,360	346,737	7,279,322
193,080	764,337	142,643	-	951,481	805	5,901,181
-	-	-	-	-	30,493	30,493
10,317	49,393	6,470	-	77,955	37	342,475
-	-	-	-	-	16,873	16,873
-	-	-	-	-	1,516	316,151
-	-	-	1,723,023	-	-	1,723,023
-	2,412	-	-	-	-	2,412
-	-	-	-	-	228,570	379,070
30	456	-	-	140	249,756	323,477
203,427	816,598	149,113	1,723,023	1,029,576	528,050	9,035,155
-	-	-	64,544	-	-	274,781
232,125	812,420	161,098	1,664,051	1,092,467	274,715	8,894,549
-	-	-	-	-	204,184	352,553
232,125	812,420	161,098	1,728,595	1,092,467	478,899	9,521,883
199,045	807,934	145,819	130,462	1,006,469	395,888	6,792,594

Wayne County

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

For the Last Ten Years

	2012	2011	2010	2009
<b>Revenues:</b>				
Property and other county tax	\$ 3,142,670	3,003,146	2,218,985	2,080,278
Local option sales tax	326,157	374,505	340,386	285,414
Interest and penalty on property tax	41,645	42,202	32,241	31,146
Intergovernmental	3,974,740	3,704,021	3,246,841	3,611,502
Licenses and permits	11,657	13,053	7,768	5,560
Charges for service	450,496	360,917	274,480	258,327
Use of money and property	28,585	25,483	36,681	97,522
Miscellaneous	192,717	58,192	160,160	213,100
<b>Total</b>	<b>\$ 8,168,667</b>	<b>7,581,519</b>	<b>6,317,542</b>	<b>6,582,849</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,062,720	1,021,037	1,027,425	886,029
Physical health and social services	893,116	839,343	843,386	831,455
Mental health	844,930	687,820	652,568	750,522
County environment and education	237,934	245,213	315,010	410,099
Roads and transportation	2,793,124	2,781,392	2,621,430	2,367,802
Governmental services to residents	196,679	200,742	193,772	201,919
Administration	551,179	661,985	660,486	688,040
Non-program	23,092	31,092	25,813	26,891
Debt service	420,931	285,108	275,815	286,832
Capital projects	110,221	20,741	470,526	3,116,794
<b>Total</b>	<b>\$ 7,133,926</b>	<b>6,774,473</b>	<b>7,086,231</b>	<b>9,566,383</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
2,058,897	1,993,573	1,927,731	1,921,146	1,886,630	1,909,597
94,285	-	-	-	-	-
32,998	35,881	33,737	39,013	31,256	33,296
3,662,984	3,270,942	3,198,154	2,932,444	2,728,114	2,509,435
4,759	3,251	2,585	4,455	3,110	3,470
264,126	261,776	265,761	258,540	286,578	243,145
139,552	142,835	138,985	96,795	50,929	57,569
130,519	75,924	137,495	101,989	618,739	143,782
6,388,120	5,784,182	5,704,448	5,354,382	5,605,356	4,900,294
1,013,637	735,437	666,122	664,155	654,496	663,662
777,343	694,106	679,267	540,199	506,947	527,257
699,214	753,824	768,428	803,813	770,381	848,038
455,226	350,741	258,890	283,393	341,574	267,999
2,473,899	2,296,227	2,476,437	2,134,371	1,886,025	1,916,921
173,731	165,946	270,426	171,198	140,185	136,866
711,559	659,251	612,510	665,167	536,846	518,242
16,142	27,352	30,993	34,875	32,897	38,248
17,713	15,000	-	-	-	-
-	2,033	77,730	102,234	98,469	131,915
6,338,464	5,699,917	5,840,803	5,399,405	4,967,820	5,049,148

**Wayne County**





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

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

To the Officials of Wayne County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 7, 2013. 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, 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 the accompanying Schedule of Findings as items (A) and (B) 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 the accompanying Schedule of Findings as items (C) through (I) 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 the accompanying Schedule of Findings.

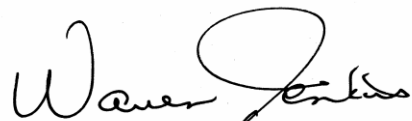
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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. 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, 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

February 7, 2013

Wayne County

Schedule of Findings

Year ended June 30, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or 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
(6) Accounting procedures and manuals should be developed to aid in training additional or replacement personnel, achieve uniformity in accounting and in the application of policies and procedures and save supervisory time by recording decisions so they will not have to be made each time the same, or similar, situation arises.	Auditor, Treasurer, Recorder and Sheriff
(7) Journal entries should be reviewed and approved by an independent individual not responsible for making the entry.	Auditor and Treasurer

Wayne County

Schedule of Findings

Year ended June 30, 2012

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.

Responses –

Treasurer – (1), (4), (6) and (7) - Due to the office only having three employees, segregation of duties is difficult. We will have items checked over by others and will prepare a procedure manual with the information needed.

Recorder – (1), (2), (4) and (5) - There are only two people who work in this office. It is impossible to segregate the different duties to be performed in this office. (6) - I will try to prepare a procedures manual in my spare time.

Sheriff – (1) - A review will be made of procedures to compare the receipts with deposits to maximize internal control as much as possible under the circumstances. (3) - 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 the 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. (6) - We acknowledge and recognize the need for the development of accounting procedures and manuals to help aid in training additional or replacement personnel for the reasons so stated. We will initiate steps to accomplish this task.

Auditor – (6) - The Auditor's Offices does use a General Accounting Manual that was purchased by the Auditor's Office and also uses information provided by the Auditor's Association and the State Auditor's Office, but will work in development of one for the Auditor's office. (7) - We are a small office, but we will work with the Board or other departments to correct this finding.

Agricultural Extension – (1), (2) and (4) - We are aware segregation of duties is very important and have developed the following strategy to help mitigate any losses in regards to the bank reconciliation preparation. As it is not feasible with the amount of staff available to have an independent person prepare the bank reconciliations, we will implement a review process. Monthly, the bank reconciliation reports along with the bank statement will be reviewed, initialed and dated by the board secretary at the Council meetings.

County Care Facility – (1), (4) and (5) - We do not have enough staff to segregate more banking duties. Another staff person does review receipts, checking and bank statements and will begin to sign off on them.

Wayne County

Schedule of Findings

Year ended June 30, 2012

Conclusions –

Treasurer – Response accepted.

Recorder – (6) - Response accepted. (1), (2), (4) and (5) - Responses acknowledged. To strengthen controls, officials should review the operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Sheriff - Response accepted.

Auditor - Response accepted.

Agricultural Extension – (4) - Response accepted. (1) and (2) - Response acknowledged. To strengthen controls, the collection and deposit preparation functions should be segregated from the person who records cash receipts. In addition, a listing of cash and checks received should be prepared by an individual not responsible for making entries to the accounting records.

County Care Facility - (1), (4) and (5) - Responses acknowledged. To strengthen controls, officials should review the operating procedure to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

- (B) 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 try to watch the items closer and do more research to be sure these are applied correctly.

Conclusion – Response accepted.

- (C) County Sheriff – Certain expenditures paid from the County Sheriff’s commissary account 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 – This recommendation is 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.

Wayne County

Schedule of Findings

Year ended June 30, 2012

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.

- (D) County Engineer – Certain Secondary Roads Department 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 County Engineer should ensure vacation balances do not exceed allowable limits in accordance with County policy and the union agreement.

Response – This has been an issue for some time and we have visited with the County Engineer and staff members with the comment being repeated, but will try again.

Conclusion – Response acknowledged. The County Engineer should consult legal counsel to determine the allowable carryover of vacation hours in accordance with the union agreement.

- (E) 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.

Wayne County

Schedule of Findings

Year ended June 30, 2012

Response – We will work with our software company and the various departments to correct this matter.

Conclusion – Response accepted.

- (F) Capital Assets – Capital assets are not tested periodically by an independent person to determine the assets exist and all assets are included in 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 commit to be better about checking into the purchases and deletions of assets of the various departments.

Conclusion – Response accepted.

- (G) 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 come up with an accurate beginning balance and take billed receipts and invoice billings to a reconciliation sheet for each month and make the proper adjustment to ensure an accurate balance is supported at the end of each month and each year.

Conclusion – Response accepted.

- (H) Tax Increment Financing – 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 \$54,500 at June 30, 2012 for which the City has no associated debt.

Effective July 1, 2012, House File 2460 requires any balance remaining in a TIF Fund created under section 403.19 of the Code of Iowa to be transferred to the County Treasurer to be apportioned to the funds of the respective taxing districts.

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.

Wayne County

Schedule of Findings

Year ended June 30, 2012

Response – We will visit with the Mayor and Council in regards to this matter, but understanding that they also have limited funds. But we also understand that if they do not have the debt for proper use of the funds, they do need to return the funds to Wayne County to be distributed to the various taxing authorities.

Conclusion – Response accepted.

(I) Timesheets – Salaried personnel of the County do not prepare and file timesheets.

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

Response – We will work on this and talk to the various County Departments. This has been an issue that had been brought up to these departments before.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Wayne County

Schedule of Findings

Year ended June 30, 2012

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the debt service function. In addition, disbursements in the physical health and social services function exceeded the budget prior to an amendment. Also, 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 – We will work with the various departments to try and prevent this from occurring in the future.

Conclusion – Response accepted.

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

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 - Board of Supervisors	\$ 1,587
	County Assessor	870
	Mental Health Department	158
	Recorder	126
	Sheriff	41

Recommendation – These transactions do not appear to represent a conflict of interest in accordance with Chapter 331.342(d) of the Code of Iowa since the County Assessor's and the County CPC administrator's employment are not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contracts.

Wayne County

Schedule of Findings

Year ended June 30, 2012

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) Financial Condition – Although the Special Revenue, Mental Health Fund had a positive cash balance at June 30, 2012, an unassigned fund balance deficit of \$38,885 on a modified accrual basis was reported in the Special Revenue, Mental Health Fund.

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

Response – With decreasing revenues and the uncertainty of what the State of Iowa’s mental health program is going to be, it will be somewhat difficult to control the fund balance, but we will work in the direction of correcting this matter.

Conclusion – Response accepted.

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

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

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Wayne County

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Timothy D. Houlette, CPA, Senior Auditor II  
Cory A. Lee, Staff Auditor  
Jason R. Ropte, Assistant Auditor  
Jessica L. Barloon, Assistant Auditor  
Benjamin D. Scieszinski, Auditor Intern

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State