



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE March 25, 2005

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

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$7,803,219 for the year ended June 30, 2004, which included \$522,872 in tax credits from the state. The County forwarded \$5,782,920 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,020,299 of the local tax revenue to finance County operations. Other revenues included charges for service of \$624,628, operating grants, contributions and restricted interest of \$2,289,168, capital grants, contributions and restricted interest of \$1,054,262, unrestricted investment earnings of \$15,980 and other general revenues of \$82,797.

Expenses for County operations totaled \$5,034,632. Expenses included \$2,059,255 for roads and transportation, \$776,790 for mental health and \$649,944 for public safety and legal services.

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

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WAYNE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004

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Wayne County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Andrews	Board of Supervisors	Jan 2005
Donald Greenlee	Board of Supervisors	Jan 2007
Jerry O'Dell	Board of Supervisors	Jan 2007
Sue Ruble	County Auditor	Jan 2005
Kim Swearingin	County Treasurer	Jan 2007
Angie Horton	County Recorder	Jan 2007
Keith Davis	County Sheriff	Jan 2005
Alan Wilson	County Attorney	Jan 2007
Kay Middlebrook	County Assessor	Jan 2010

Wayne County



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Independent Auditor's Report

To the Officials of Wayne County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Iowa, as of and for the year ended June 30, 2004, 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

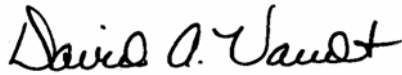
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County at June 30, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Wayne County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

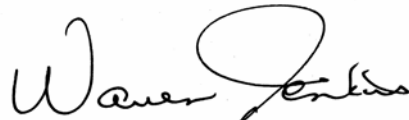
In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2005 on our consideration of Wayne County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed 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 three years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of the materials and supplies inventories for the three years ended June 30, 2003 and the omission of the general fixed assets account group for the two years ended June 30, 2002. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 18, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wayne County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Wayne County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- The County's governmental fund revenues increased approximately \$705,000, or 14%, from fiscal 2003 to fiscal 2004. Property and other county tax decreased approximately \$23,000.
- The County's governmental fund expenditures decreased approximately \$81,000, or 2%, from fiscal 2003 to 2004. Roads and transportation expenditures decreased by approximately \$31,000 and capital projects expenditures decreased approximately \$33,000.
- The County's net assets increased 31%, or approximately \$1,053,000, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wayne County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wayne County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wayne County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue 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, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include the General Fund and Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Wayne County's net assets for FY04 totals approximately \$4.5 million. This compares to FY03 at \$3.4 million. The analysis that follow focuses on the changes in the net assets for governmental activities.

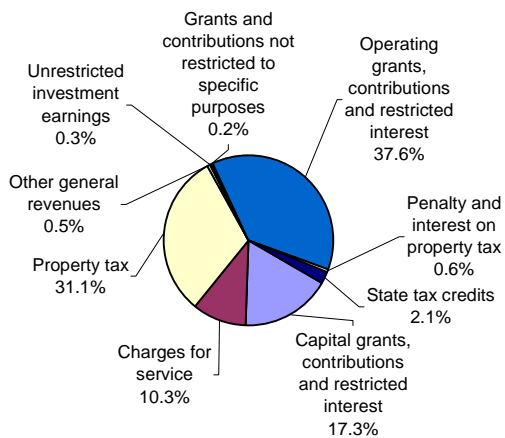
Net Assets of Governmental Activities	
(Expressed in Thousands)	
	June 30, 2004
Current and other assets	\$ 5,049
Capital assets	1,834
Total assets	<u>6,883</u>
Long-term liabilities	133
Other liabilities	2,262
Total liabilities	<u>2,395</u>
Net assets:	
Invested in capital assets, net of related debt	1,798
Restricted	2,322
Unrestricted	<u>368</u>
Total net assets	<u>\$ 4,488</u>

Net assets of Wayne County's governmental activities increased by approximately \$1.1 million from FY03. The largest portion of the County's net assets is the restricted net assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt is the next largest component. The debt related to the investment in capital assets is liquidated with sources other than capital assets. 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—is approximately \$368,000 at June 30, 2004.

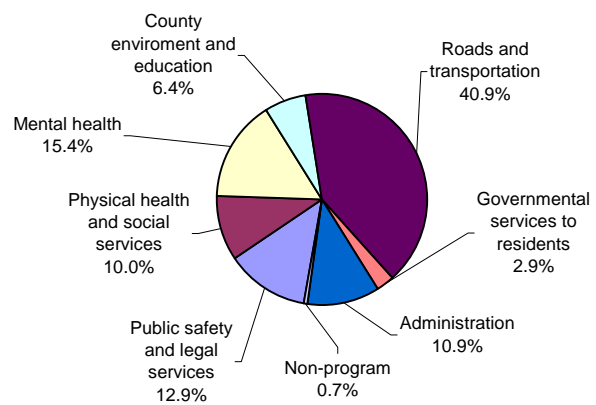
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 625
Operating grants, contributions and restricted interest	2,289
Capital grants, contributions and restricted interest	1,054
General revenues:	
Property tax	1,892
Penalty and interest on property tax	37
State tax credits	128
Grants and contributions not restricted to specific purposes	15
Unrestricted investment earnings	16
Other general revenues	31
Total revenues	6,087
Program expenses:	
Public safety and legal services	650
Physical health and social services	501
Mental health	777
County environment and education	320
Roads and transportation	2,059
Governmental services to residents	146
Administration	548
Non-program	33
Total expenses	5,034
Increase in net assets	1,053
Net assets beginning of year, as restated	3,435
Net assets end of year	\$ 4,488

Revenue by Source



Expenses by Program



The County decreased property tax rates for 2004 by less than 1 percent. This decreased the County's property tax revenue by approximately \$23,000 in 2004. Based on decreases in the total assessed valuation and an increase in property tax rates, property tax revenue is budgeted to increase by approximately \$26,000 next year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Wayne County completed the year, its governmental funds reported a combined fund balance of \$2.7 million, an increase of more than \$600,000 above last year's total of \$2.1 million. The increase in fund balance is primarily attributable to a bequest given to the Conservation department in FY04 and reported in the Special Revenue, Duncan Bequest Fund. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a decline of approximately \$126,000 from the prior year to approximately \$256,000. The tax levy rate decreased from \$4.88 per \$1,000 of taxable valuation in FY03 to \$4.74 per \$1,000 of taxable valuation in FY04.
- The County has continued to look for ways to effectively manage the cost of mental health services. For FY04, expenditures totaled approximately \$770,000, a decrease of 9% from the prior year. Revenues decreased from FY03 by approximately \$23,000, or 3.5%. The Mental Health Fund balance at year end decreased by approximately \$118,000 from the prior year.
- The balance in the Rural Services Fund remained relatively constant from beginning to end of year. Revenues of the Rural Services Fund increased by approximately \$51,000 while expenditures decreased by approximately \$87,000.
- The Secondary Roads Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance increased \$338,000 from the prior year to approximately \$1.3 million. Inventories and transfers from the Rural Services Fund increased by approximately \$36,000 and \$60,000, respectively, from the prior year.
- The Conservation Foundation Fund, a blended component unit, is a new fund in FY04 with revenues of approximately \$547,000 from a bequest. The bequest was transferred to the Special Revenue, Duncan Bequest Fund and there is no ending balance in the Conservation Foundation Fund at June 30, 2004.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wayne County amended its budget two times. The first amendment was made in May 2004 and was made to provide for additional expenditures in certain departments. The second amendment was made in June 2004. This amendment resulted in a \$50,000 increase in budgeted receipts and disbursements for the Duncan Bequest Fund. The Conservation department used the proceeds for work on the Bob White State Park.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Wayne County had approximately \$1.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

The County had depreciation expense of \$244,347 in FY04 and total accumulated depreciation of \$2,808,906 at June 30, 2004. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2004, Wayne County had \$36,228 in a capital lease purchase agreement outstanding. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Wayne County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 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.

Budgeted disbursements in the FY 2005 operating budget are approximately \$5,659,000, a decrease of 1.4 percent from the final FY 2004 budget. Wayne County added no new programs to the 2005 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Wayne County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Wayne County Auditor's Office, 100 N. Lafayette, Corydon, Iowa, 50060.

Basic Financial Statements

Wayne County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments:	
County Treasurer	\$ 2,465,326
Other County officials	3,952
Receivables:	
Property tax:	
Delinquent	11,210
Succeeding year	2,057,000
Interest and penalty on property tax	12,637
Accounts	2,026
Due from other governments	294,955
Inventories	146,820
Prepaid insurance	54,885
Capital assets (net of accumulated depreciation)	1,833,950
	<u>6,882,761</u>
Total assets	
	<u>6,882,761</u>
Liabilities	
Accounts payable	101,348
Salaries and benefits payable	60,867
Due to other governments	42,785
Deferred revenue:	
Succeeding year property tax	2,057,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	11,435
Compensated absences	73,756
Portion due or payable after one year:	
Capital lease purchase agreement	24,793
Compensated absences	22,907
	<u>2,394,891</u>
Total liabilities	
	<u>2,394,891</u>
Net Assets	
Invested in capital assets, net of related debt	1,797,722
Restricted for:	
Supplemental levy purposes	477,117
Conservation purposes	557,850
Secondary roads purposes	1,241,180
Other purposes	45,669
Unrestricted	368,332
	<u>4,487,870</u>
Total net assets	
	<u>\$ 4,487,870</u>

See notes to financial statements.

Wayne County
Statement of Activities
Year ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 649,944	34,166	37,250	-	(578,528)
Physical health and social services	500,924	274,925	140,902	-	(85,097)
Mental health	776,790	120,998	324,721	-	(331,071)
County environment and education	320,062	13,738	10,172	546,554	250,402
Roads and transportation	2,059,255	29,808	1,776,042	507,708	254,303
Governmental services to residents	146,206	145,162	81	-	(963)
Administration	548,553	5,831	-	-	(542,722)
Non-program	32,898	-	-	-	(32,898)
Total	\$ 5,034,632	624,628	2,289,168	1,054,262	(1,066,574)
General Revenues:					
Property and other county tax levied for general purposes					1,892,098
Penalty and interest on property tax					37,311
State tax credits					128,201
Grants and contributions not restricted to specific purpose					14,712
Unrestricted investment earnings					15,980
Miscellaneous					30,774
Total general revenues					2,119,076
Change in net assets					1,052,502
Net assets beginning of year, as restated					3,435,368
Net assets end of year					\$ 4,487,870

See notes to financial statements.

Wayne County
Balance Sheet
Governmental Funds

June 30, 2004

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Conservation Foundation
Assets					
Cash and pooled investments:					
County Treasurer	\$ 686,922	38,981	89,307	1,064,519	508,368
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	6,548	1,287	3,375	-	-
Succeeding year	1,069,000	254,000	734,000	-	-
Interest and penalty on property tax	12,637	-	-	-	-
Accounts	1,698	-	135	-	-
Advances to other funds	-	-	525,000	-	-
Due from other funds	-	-	-	226	-
Due from other governments	124,765	-	3,500	152,494	-
Inventories	-	-	-	146,820	-
Prepaid insurance	30,477	-	-	24,408	-
Total assets	\$ 1,932,047	294,268	1,355,317	1,388,467	508,368
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 17,454	22,152	1,976	59,347	-
Salaries and benefits payable	20,070	5,644	2,329	32,824	-
Advances from other funds	525,000	-	-	-	-
Due to other funds	-	-	226	-	508,368
Due to other governments	11,724	27,990	-	3,071	-
Deferred revenue:					
Succeeding year property tax	1,069,000	254,000	734,000	-	-
Other	32,570	1,287	3,375	12,524	-
Total liabilities	1,675,818	311,073	741,906	107,766	508,368
Fund balances:					
Reserved for:					
Inventories	-	-	-	146,820	-
Prepaid insurance	30,477	-	-	24,408	-
Supplemental levy purposes	475,401	-	1,136	-	-
Advances to other funds	-	-	525,000	-	-
Unreserved, reported in:					
General fund	(249,649)	-	-	-	-
Special revenue funds	-	(16,805)	87,275	1,109,473	-
Total fund balances	256,229	(16,805)	613,411	1,280,701	-
Total liabilities and fund balances	\$ 1,932,047	294,268	1,355,317	1,388,467	508,368

See notes to financial statements.

Nonmajor Special Revenue	Total
77,229	2,465,326
3,952	3,952
-	11,210
-	2,057,000
-	12,637
193	2,026
-	525,000
508,368	508,594
14,196	294,955
-	146,820
-	54,885
<u>603,938</u>	<u>6,082,405</u>
419	101,348
-	60,867
-	525,000
-	508,594
-	42,785
-	2,057,000
-	49,756
<u>419</u>	<u>3,345,350</u>
-	146,820
-	54,885
-	476,537
-	525,000
-	(249,649)
<u>603,519</u>	<u>1,783,462</u>
<u>603,519</u>	<u>2,737,055</u>
<u>603,938</u>	<u>6,082,405</u>

Wayne County

Wayne County

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

June 30, 2004

Total governmental fund balances (page 17) \$ 2,737,055

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$4,642,856 and the accumulated depreciation is \$2,808,906. 1,833,950

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 49,756

Long-term liabilities, including a capital lease purchase agreement payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (132,891)

Net assets of governmental activities (page 14) \$ 4,487,870

See notes to financial statements.

Wayne County

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

Year ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 980,338	192,608	713,684	-
Interest and penalty on property tax	31,256	-	-	-
Intergovernmental	529,275	338,840	88,227	1,763,519
Licenses and permits	100	-	2,545	465
Charges for service	138,036	104,881	-	-
Use of money and property	41,931	-	-	-
Miscellaneous	7,327	16,117	1,866	50,893
Total revenues	<u>1,728,263</u>	<u>652,446</u>	<u>806,322</u>	<u>1,814,877</u>
Expenditures:				
Operating:				
Public safety and legal services	482,567	-	169,731	-
Physical health and social services	501,091	-	5,856	-
Mental health	-	770,381	-	-
County environment and education	168,773	-	127,970	-
Roads and transportation	-	-	3,107	1,882,918
Governmental services to residents	131,731	-	3,360	-
Administration	536,846	-	-	-
Non-program	32,897	-	-	-
Capital projects	-	-	-	88,378
Total expenditures	<u>1,853,905</u>	<u>770,381</u>	<u>310,024</u>	<u>1,971,296</u>
Excess (deficiency) of revenues over (under) expenditures	(125,642)	(117,935)	496,298	(156,419)
Other financing sources (uses):				
Operating transfers in	-	-	-	494,696
Operating transfers out	-	-	(494,696)	-
Total other financing sources (uses)	-	-	(494,696)	494,696
Net change in fund balances	(125,642)	(117,935)	1,602	338,277
Fund balances beginning of year, as restated	381,871	101,130	611,809	942,424
Fund balances end of year	<u>\$ 256,229</u>	<u>(16,805)</u>	<u>613,411</u>	<u>1,280,701</u>

See notes to financial statements.

Conservation Foundation	Nonmajor Special Revenue	Total
-	-	1,886,630
-	-	31,256
-	8,253	2,728,114
-	-	3,110
-	43,661	286,578
8,771	227	50,929
537,783	4,753	618,739
546,554	56,894	5,605,356
-	2,198	654,496
-	-	506,947
-	-	770,381
186	44,645	341,574
-	-	1,886,025
-	5,094	140,185
-	-	536,846
-	-	32,897
-	10,091	98,469
186	62,028	4,967,820
546,368	(5,134)	637,536
-	546,368	1,041,064
(546,368)	-	(1,041,064)
(546,368)	546,368	-
-	541,234	637,536
-	62,285	2,099,519
-	603,519	2,737,055

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, 2004

Net change in fund balances - Total governmental funds (page 21) \$ 637,536

***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	\$ 183,469	
Capital assets contributed by the Iowa Department of Transportation	507,708	
Depreciation expense	<u>(244,347)</u>	446,830

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	5,467	
Other	<u>(31,397)</u>	(25,930)

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(5,934)

Change in net assets of governmental activities (page 15)

\$ 1,052,502

See notes to financial statements.

Wayne County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2004

Assets

Cash and pooled investments:	
County Treasurer	\$ 564,925
Other County officials	9,212
Receivables:	
Property tax:	
Delinquent	40,066
Succeeding year	5,456,000
Accounts	10,851
Assessments	12,972
Due from other governments	2,876
Prepaid insurance	50
Total assets	6,096,952

Liabilities

Accounts payable	2,660
Salaries and benefits payable	6,241
Due to other governments	6,050,463
Trusts payable	30,646
Compensated absences	6,942
Total liabilities	6,096,952

Net assets	\$ -
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See notes to financial statements.

Wayne County

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

Wayne County Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to promote conservation in Wayne County. The financial activity of this component unit has been displayed as a Special Revenue Fund of the County.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Conservation Foundation Fund is used to account for donations to be used to promote conservation activities in Wayne County.

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

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

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

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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), 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	\$ 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)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	2 - 10

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

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time and vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. At June 30, 2004, disbursements in two departments exceeded the amount appropriated. Also, although the Board of Supervisors acted to amend appropriations, disbursements in three departments exceeded the appropriation prior to amendment.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 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's investments are categorized to give an indication of the level of risk assumed by the County at year end. The county's investments are all category 1, which means the investments are insured or registered or the securities are held by the County or its agent in the county's name.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County's investments at June 30, 2004 are as follows:

Type	Fair Value
U.S. government securities	<u>\$ 399,150</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,272,177 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 226
Duncan Bequest	Conservation Foundation	<u>508,368</u>
Total		<u>\$ 508,594</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 494,696
Duncan Bequest	Conservation Foundation	546,368
Total		\$ 1,041,064

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, 2004 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land, road network	\$ -	254,209	-	254,209
Construction in progress, road network	-	253,499	(253,499)	-
Total capital assets not being depreciated	-	507,708	(253,499)	254,209
Capital assets being depreciated:				
Buildings	765,480	-	-	765,480
Equipment and vehicles	3,186,199	183,469	-	3,369,668
Infrastructure, road network	-	253,499	-	253,499
Total capital assets being depreciated	3,951,679	436,968	-	4,388,647
Less accumulated depreciation for:				
Buildings	459,902	17,736	-	477,638
Equipment and vehicles	2,104,657	222,819	-	2,327,476
Infrastructure, road network	-	3,792	-	3,792
Total accumulated depreciation	2,564,559	244,347	-	2,808,906
Total capital assets being depreciated, net	1,387,120	192,621	-	1,579,741
Governmental activities capital assets, net	\$ 1,387,120	700,329	(253,499)	1,833,950

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 18,978
Physical health and social services		1,105
Mental health		6,882
County environment and education		10,310
Roads and transportation		191,119
Governmental services to residents		7,943
Administration		<u>8,010</u>
Total depreciation expense - governmental activities		<u>\$ 244,347</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$ 11,724</u>
Special Revenue:		
Mental Health	Services	27,990
Secondary Roads	Services	<u>3,071</u>
		<u>31,061</u>
Total for governmental funds		<u>\$ 42,785</u>
Agency:		
County Assessor	Collections	\$ 227,479
Schools		3,627,871
Community Colleges		164,403
Corporations and Special Assessments		745,567
Auto License and Use Tax		117,438
County Hospital		763,155
All other		<u>404,550</u>
Total for agency funds		<u>\$ 6,050,463</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Capital Lease Purchase Agreement	Compen- sated Absences	Total
Balance beginning of year, as restated	\$ 36,228	90,729	126,957
Increases	-	78,637	78,637
Decreases	-	72,703	72,703
Balance end of year	<u>\$ 36,228</u>	<u>96,663</u>	<u>132,891</u>
Due within one year	<u>\$ 11,435</u>	<u>73,756</u>	<u>85,191</u>

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a tractor mower. The following is a schedule of the future minimum lease payments, including interest of 5.50% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2004:

Year ending June 30,	Tractor Mower		
	Principal	Interest	Total
2005	\$ 11,435	1,993	13,428
2006	12,064	1,364	13,428
2007	12,729	700	13,429
Total	\$ 36,228	4,057	40,285

There were no payments under the capital lease purchase agreement for the year ended June 30, 2004. The fiscal year 2004 payment was made by the County on June 30, 2003 instead of July 22, 2003 (due date).

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$116,545, \$116,814 and \$111,555, respectively, equal to the required contributions for each year.

(9) Risk Management

Wayne County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses

and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2004 were \$108,220.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$1,000,000 and \$50,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Financial Condition

The General Fund had an unreserved deficit fund balance of \$249,649 and the Mental Health Fund had an unreserved deficit fund balance of \$16,805 at June 30, 2004. The County plans to eliminate these deficits by decreasing future expenditures in the General Fund and the Mental Health Fund.

(11) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accountings.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 1,973,277
GASB Interpretation 6 adjustments	15,770
Prior period adjustment for inventories as of June 30, 2003	110,472
Net assets July 1, 2003, as restated for governmental funds	<u>2,099,519</u>
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$2,564,559	1,387,120
Long-term liabilities	(126,957)
Deferral of long-term assets	75,686
Net assets July 1, 2003, as restated	<u>\$ 3,435,368</u>

Wayne County

Required Supplementary Information

Wayne County

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

Required Supplementary Information

Year ended June 30, 2004

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 1,886,716	-
Interest and penalty on property tax	31,256	-
Intergovernmental	2,672,999	-
Licenses and permits	2,975	-
Charges for service	282,435	-
Use of money and property	48,936	8,771
Miscellaneous	646,690	541,013
Total receipts	<u>5,572,007</u>	<u>549,784</u>
Disbursements:		
Public safety and legal services	657,632	2,198
Physical health and social services	523,248	-
Mental health	779,210	-
County environment and education	338,764	186
Roads and transportation	1,879,449	-
Governmental services to residents	142,054	-
Administration	536,939	-
Non-program	32,898	-
Capital projects	122,143	-
Total disbursements	<u>5,012,337</u>	<u>2,384</u>
Excess (deficiency) of receipts over (under) disbursements	559,670	547,400
Other financing sources, net	-	(38,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	559,670	509,400
Balance beginning of year	<u>1,909,608</u>	<u>2,920</u>
Balance end of year	<u>\$ 2,469,278</u>	<u>512,320</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,886,716	1,912,758	1,912,758	(26,042)
31,256	25,900	25,900	5,356
2,672,999	2,557,277	2,557,277	115,722
2,975	2,220	2,220	755
282,435	276,249	296,249	(13,814)
40,165	60,974	60,974	(20,809)
105,677	63,252	116,252	(10,575)
5,022,223	4,898,630	4,971,630	50,593
655,434	736,548	771,454	116,020
523,248	532,775	538,775	15,527
779,210	787,831	813,831	34,621
338,578	340,258	406,985	68,407
1,879,449	2,117,426	2,117,426	237,977
142,054	213,716	213,716	71,662
536,939	599,832	611,332	74,393
32,898	54,100	57,100	24,202
122,143	207,472	207,472	85,329
5,009,953	5,589,958	5,738,091	728,138
12,270	(691,328)	(766,461)	778,731
38,000	12,661	12,661	25,339
50,270	(678,667)	(753,800)	804,070
1,906,688	1,351,107	1,351,107	555,581
1,956,958	672,440	597,307	1,359,651

Wayne County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,572,007	33,349	5,605,356
Expenditures	5,012,337	(44,517)	4,967,820
Net	559,670	77,866	637,536
Beginning fund balances, as restated	1,909,608	189,911	2,099,519
Ending fund balances	\$ 2,469,278	267,777	2,737,055

See accompanying independent auditor's report.

Wayne County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. 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, two budget amendments increased budgeted disbursements by \$148,133. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted by function. However, at June 30, 2004, disbursements in two departments exceeded the amount appropriated. Also, although the Board of Supervisors acted to amend appropriations, disbursements in three departments exceeded the appropriation prior to amendment.

Wayne County

Other Supplementary Information

Wayne County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
Assets			
Cash and pooled investments:			
County Treasurer	\$ 4,782	22,739	11,881
Other County officials	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Due from other governments	-	14,196	-
Total assets	\$ 4,782	36,935	11,881
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	-	-
Fund equity:			
Unreserved fund balances	4,782	36,935	11,881
Total liabilities and fund equity	\$ 4,782	36,935	11,881

See accompanying independent auditor's report.

Conservation Wetlands	Bobwhite State Park	Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Conservation Land Acquisition	Total
21,001	5,139	523	-	-	11,164	77,229
-	-	-	1,339	2,613	-	3,952
-	193	-	-	-	-	193
-	-	508,368	-	-	-	508,368
-	-	-	-	-	-	14,196
21,001	5,332	508,891	1,339	2,613	11,164	603,938
-	419	-	-	-	-	419
21,001	4,913	508,891	1,339	2,613	11,164	603,519
21,001	5,332	508,891	1,339	2,613	11,164	603,938

Wayne County

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

Year ended June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
Revenues:			
Intergovernmental	\$ -	-	8,253
Charges for service	1,900	38,395	-
Use of money and property	31	50	57
Miscellaneous	-	-	-
Total revenues	<u>1,931</u>	<u>38,445</u>	<u>8,310</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	-
Governmental services to residents	3,584	1,510	-
Capital projects	-	-	5,496
Total expenditures	<u>3,584</u>	<u>1,510</u>	<u>5,496</u>
Excess (deficiency) of revenues over (under) expenditures	(1,653)	36,935	2,814
Other financing sources:			
Operating transfers in	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,653)	36,935	2,814
Fund balances beginning of year	<u>6,435</u>	-	<u>9,067</u>
Fund balances end of year	<u>\$ 4,782</u>	<u>36,935</u>	<u>11,881</u>

See accompanying independent auditor's report.

Conservation Wetlands	Bobwhite State Park	Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Conservation Land Acquisition	Total
-	-	-	-	-	-	8,253
-	3,366	-	-	-	-	43,661
-	-	23	-	-	66	227
-	1,523	-	1,394	1,836	-	4,753
-	4,889	23	1,394	1,836	66	56,894
-	-	-	542	1,656	-	2,198
-	7,145	37,500	-	-	-	44,645
-	-	-	-	-	-	5,094
4,595	-	-	-	-	-	10,091
4,595	7,145	37,500	542	1,656	-	62,028
(4,595)	(2,256)	(37,477)	852	180	66	(5,134)
-	-	546,368	-	-	-	546,368
(4,595)	(2,256)	508,891	852	180	66	541,234
25,596	7,169	-	487	2,433	11,098	62,285
21,001	4,913	508,891	1,339	2,613	11,164	603,519

Wayne County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,110	118,672	64,084
Other County officials	9,212	-	-	-
Receivables:				
Property tax:				
Delinquent	-	363	707	20,787
Succeeding year	-	60,000	116,000	3,543,000
Accounts	-	-	-	-
Assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid insurance	-	-	50	-
Total assets	\$ 9,212	61,473	235,429	3,627,871
Liabilities				
Accounts payable	\$ -	-	739	-
Salaries and benefits payable	-	-	269	-
Due to other governments	3,534	61,473	227,479	3,627,871
Trusts payable	5,678	-	-	-
Compensated absences	-	-	6,942	-
Total liabilities	\$ 9,212	61,473	235,429	3,627,871

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
3,297	21,247	2,577	117,438	12,934	223,566	564,925
-	-	-	-	-	-	9,212
1,106	12,348	528	-	4,221	6	40,066
160,000	699,000	131,000	-	746,000	1,000	5,456,000
-	-	-	-	-	10,851	10,851
-	12,972	-	-	-	-	12,972
-	-	-	-	-	2,876	2,876
-	-	-	-	-	-	50
164,403	745,567	134,105	117,438	763,155	238,299	6,096,952
-	-	-	-	-	1,921	2,660
-	-	-	-	-	5,972	6,241
164,403	745,567	134,105	117,438	763,155	205,438	6,050,463
-	-	-	-	-	24,968	30,646
-	-	-	-	-	-	6,942
164,403	745,567	134,105	117,438	763,155	238,299	6,096,952

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

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 29,686	55,335	211,571	3,217,456
Additions:				
Property and other county tax	-	60,430	116,078	3,542,376
E911 surcharge	-	-	-	-
State tax credits	-	3,978	7,751	229,044
Drivers license fees	-	-	-	-
Office fees and collections	170,548	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	202,584	-	-	-
Miscellaneous	-	-	106	-
Total additions	373,132	64,408	123,935	3,771,420
Deductions:				
Agency remittances:				
To other funds	124,071	-	-	-
To other governments	64,637	58,270	100,077	3,361,005
Trusts paid out	204,898	-	-	-
Total deductions	393,606	58,270	100,077	3,361,005
Balances end of year	\$ 9,212	61,473	235,429	3,627,871

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
165,902	876,054	127,726	109,027	649,220	183,284	5,625,261
160,029	631,498	130,950	-	746,058	830	5,388,249
-	-	-	-	-	43,538	43,538
11,815	88,151	7,542	-	46,329	61	394,671
-	-	-	-	-	42,824	42,824
-	-	-	-	-	-	170,548
-	-	-	-	-	7,970	7,970
-	-	-	1,295,850	-	-	1,295,850
-	6,782	340	-	-	-	7,122
-	-	-	-	-	105,113	307,697
-	74,557	-	-	-	184,216	258,879
171,844	800,988	138,832	1,295,850	792,387	384,552	7,917,348
-	-	-	52,539	-	-	176,610
173,343	931,475	132,453	1,234,900	678,452	243,035	6,977,647
-	-	-	-	-	86,502	291,400
173,343	931,475	132,453	1,287,439	678,452	329,537	7,445,657
164,403	745,567	134,105	117,438	763,155	238,299	6,096,952

Schedule 5

Wayne County

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 1,886,630	1,909,597	1,917,364	2,061,493
Interest and penalty on property tax	31,256	33,296	32,833	30,329
Intergovernmental	2,728,114	2,509,435	2,628,927	2,705,893
Licenses and permits	3,110	3,470	4,340	3,380
Charges for service	286,578	243,145	254,266	309,704
Use of money and property	50,929	57,569	63,847	139,244
Miscellaneous	618,739	143,782	128,498	31,891
Total	\$ 5,605,356	4,900,294	5,030,075	5,281,934
Expenditures:				
Operating:				
Public safety and legal services	\$ 654,496	663,662	675,716	544,095
Physical health and social services	506,947	527,257	446,912	432,350
Mental health	770,381	848,038	789,342	670,637
County environment and education	341,574	267,999	261,827	241,607
Roads and transportation	1,886,025	1,916,921	1,931,912	2,041,994
Governmental services to residents	140,185	136,866	125,352	114,128
Administration	536,846	518,242	473,438	428,470
Non-program	32,897	38,248	48,340	112,193
Debt service	-	-	65,528	65,527
Capital projects	98,469	131,915	151,487	289,535
Total	\$ 4,967,820	5,049,148	4,969,854	4,940,536

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Officials of Wayne County:

We have audited the financial statements of Wayne County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 18, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wayne County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved except for items (2), (10) and (11).

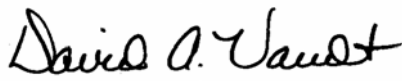
Internal Control Over Financial Reporting

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

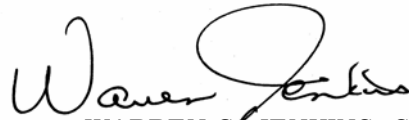
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 18, 2005

Wayne County
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

	<u>Applicable Offices</u>
(1) Incoming mail is opened by an employee who is not authorized to make entries to the accounting records. This employee prepares a listing of cash and checks received and then forwards the documents to the accounting personnel for processing. The listing of cash and checks received was not compared to the cash receipt records by an independent person.	Sheriff and Public Health Nurse
(2) Prenumbered receipts were issued for collections received directly from individuals (sheriff trust account, county fees, commissary and others). However, the prenumbered receipts were not compared to the amount deposited by an independent person.	Sheriff
(3) Collection and deposit preparation functions were not performed by an individual who does not record and account for cash receipts.	Public Health Nurse

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

Wayne County
Schedule of Findings
Year ended June 30, 2004

Responses –

Sheriff –

- (1) This recommendation will be followed.
- (2) Receipts and deposits will be compared.

Public Health Nurse – Starting February 1, 2005, clerical staff will log-in all moneys received, and the Business Manager will log-in all deposits. Starting March 1, 2005, a monthly report of each will be submitted to the Administrator to review receipts against deposits to maintain internal control.

Conclusion – Responses accepted.

- (B) Capital Assets – A physical observation of capital assets has not been performed periodically and reconciled to the detailed capital asset records by employees having no responsibility for the assets.

Recommendation – Capital assets should be tested periodically and reconciled to the detailed capital asset records by employees having no responsibility for the assets.

Response – A resolution, 05-02-12, is already in place regarding the physical inventory of capital assets. This policy will be enforced with the expectation of a response from each department by June 30 of each year. Insurance lists will also be updated at this time.

Conclusion – Response accepted.

- (C) County Treasurer – Monthly auto licenses and use tax changed transaction reports are not reviewed by an independent person.

Recommendation – Monthly changed transaction reports should be reviewed by an independent person to determine the propriety of the explanations of the changes.

Response – The monthly changed transactions were reviewed at the time of the change but were not initialed to evidence the review. To correct this matter in the future, we will review and initial at that time.

Conclusion – Response accepted.

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

Certain expenditures were paid from the County Sheriff's commissary account and have not been included in the County's budget or annual financial reports.

A log was not maintained for the drug buy cash funds.

Wayne County

Schedule of Findings

Year ended June 30, 2004

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

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.

More than one person should be involved when drug buy cash funds are taken out and a log should be maintained of how funds were used. The log should identify the officer, date, amount and the related investigation/case file. Also, the officer who used the funds should sign the log.

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

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

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

Conclusion – Response acknowledged. Forfeited property monies and Commissary profits should be remitted to the County Treasurer as recommended. All expenditures of these funds should be paid by claims approved by the Board of Supervisors and reflected in the County's accounting records and financial reports.

Wayne County

Schedule of Findings

Year ended June 30, 2004

- (E) Public Health Nurse – Accounts receivable listings are not maintained at the end of each month. Also, monthly reconciliations of nursing service billings and collections are not prepared.

Recommendation – Accounts receivable listings should be maintained and a reconciliation of nursing service billings and collections should be prepared monthly.

Response – Starting March 1, 2005, the Business Manager will keep a listing of all accounts receivable, and a reconciliation of nursing service billings and collections will be prepared monthly.

Conclusion – Response accepted.

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

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

Response – I have reviewed the above report finding as well as sections in the County employee's handbook and the union agreement regarding vacation accrual policies.

Fiscal constraints have necessitated a reduction in the number of Secondary Roads full time equivalent employees. While FTE's have been reduced, there have not been corresponding decreases in system size, level of service, or statutory and administrative requirements. From time to time, providing appropriate and necessary FTE's for planning, development, implementation, and management of construction and maintenance projects requires key employees to defer vacation time.

It is the Engineer's responsibility to comply with County policies as well as efficiently manage Secondary Roads resources. The Engineer's Office will take all reasonable steps to prevent excess vacation accrual. Where excess vacation accrual can not be reasonably avoided, the Engineer will request or recommend a waiver from the Board of Supervisors. If the waiver request is denied, the Engineer will direct effected employee(s) to use as much vacation as necessary to comply with County policy.

Conclusion – Response accepted.

Wayne County

Schedule of Findings

Year ended June 30, 2004

- (G) Credit Cards – The County has credit cards for use by various employees while on County business. The County does not have a written policy regarding use of these credit cards.

Recommendation – The Board should adopt a written policy governing the use of County owned credit cards. The policy should specify the individuals who are authorized to use the cards and should include the types of expenses allowed to be charged and the documentation required to be submitted to support the expense incurred and to allow authorization for payment. Board policy should prohibit the use of County owned credit cards for personal expenses.

Response – The County will compose and adopt the recommended policy and procedure during the current fiscal year and it will become part of the official County handbook.

Conclusion – Response accepted.

- (H) Travel Policy – The County does not have a written policy regarding reimbursements for travel expenses other than mileage reimbursements.

Recommendation – The Board should adopt a written policy regarding travel reimbursements. The policy should specify rate limits for lodging and meals, use of County vehicles, proper approval of travel claims and proper documentation required to be submitted to support the expenses. The policy should also specify the required information to be included on a travel claim, including purpose of the claim, who the claim was for, date claim was incurred, location of activity, starting point and destinations of travel and itemization of expenses.

Response – The County will compose and adopt the recommended policy and procedure during the current fiscal year and it will become part of the official County handbook.

Conclusion – Response accepted.

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

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

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

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

Wayne County

Schedule of Findings

Year ended June 30, 2004

Response – We will work with our software vendor and try to develop a written disaster recovery plan and will work with each department regarding policies for confidentiality of passwords, password changes and logging off procedures. County Auditor Sue Ruble has agreed to be a contact with CMS to develop the county-wide standards and implementation of policy changes for the data system.

Conclusion – Response accepted.

Wayne County

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.

At June 30, 2004, disbursements in two departments exceeded the amount appropriated. Also, although the Board of Supervisors acted to amend appropriations, disbursements in three departments exceeded the appropriation prior to amendment.

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

Response – In the future, the Board of Supervisors will take necessary precautions to ensure budgetary expenditures are not approved when they exceed the appropriation. Any department will be required to justify the expense and present budget amendments prior to payments of said expense.

Conclusion – Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Kenny Holmes, Conservation Board Member and Conservation Foundation Board Member, owner of Holmes Tiling, Inc.	Supplies, tile installation, repairs and fence removal	\$ 17,156
Dale Housh, Conservation Board Member, owner of Lockridge, Inc.	Supplies and repairs	13,308

Wayne County

Schedule of Findings

Year ended June 30, 2004

Recommendation – These transactions may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa. The County should consult legal counsel to determine the disposition of these matters.

Response – The County Attorney, Alan Wilson, has been contacted to determine the best course of action. A letter is being forwarded to the Conservation Board notifying them that these are potentially illegal transactions and will no longer be approved for payment by the Board of Supervisors without first going through the bid process and being determined to be in the best interest of the County.

Conclusion – Response accepted.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Financial Condition – Although the General Fund and the Mental Health Fund both had a positive cash balance at June 30, 2004, on a modified accrual basis, an unreserved fund balance deficit of \$249,649 was reported in the General Fund and an unreserved fund balance deficit of \$16,805 was reported in the Mental Health Fund.

During fiscal 1998, the Board approved a \$550,000 interfund loan from the Special Revenue, Rural Services Fund to the General Fund. The Board has not established a formal repayment schedule for the loan and, at June 30, 2004, \$525,000 remains outstanding on the loan. In accordance with Chapter 331.432 of the Code of Iowa, it is unlawful to make permanent transfers of money between the General Fund and the Rural Services Fund.

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other county funds or other formal short-term debt instruments or obligations. The County should continue to investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

The Board of Supervisors should approve a formal repayment schedule to repay the interfund loan between the Rural Services Fund and the General Fund.

Wayne County

Schedule of Findings

Year ended June 30, 2004

Response – The GAAP deficit is difficult to address in any concrete manner. Our only course of action to decrease this deficit is through closely monitored expenditures. We will take particular care during the final quarter of each fiscal year and deny any non-essential expenditures to decrease this deficit.

The interfund loan will be repaid in \$10,000 annual increments, which will be included as a budget item beginning with the FY07 budget.

Conclusion – Response accepted.

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

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

Response – We will watch the coding on the claims submitted and contact the Department Head and change the coding of these claims and make the disbursements from the correct expenditure functions.

Conclusion – Response accepted.

- (12) County Vehicles – One employee of the County Engineer’s Office uses a county vehicle to commute between work and home. The County did not include the taxable portion in the employee’s income.

Recommendation – The County should ensure compliance with Internal Revenue Service regulations regarding taxability of personal use of certain County provided vehicles.

Response – Tim Ehrich, County Engineer, is currently consulting legal counsel to determine if modification of said pickup to include a permanent installed fuel tank would remove it from the IRS record keeping and taxation requirements in accordance with IRS regulations. If this does not remedy the issue, a taxable fringe benefit will be assessed for the employee as dictated by code, likely as a daily amount of \$3.

Conclusion – Response accepted.

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

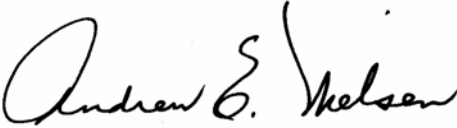
Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

Wayne County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Tammy L. Mason, CPA, Senior Auditor
Selina V. Johnson, CPA, Senior II Auditor
Scott D. Trauger, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State