



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

May 31, 2018

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Wayne County, Iowa.

The County had local tax revenue of \$9,729,092 for the year ended June 30, 2017, which included \$787,030 in tax credits from the state. The County forwarded \$5,947,803 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,781,289 of the local tax revenue to finance County operations, a 3.9% increase over the prior year. Other revenues included charges for service of \$1,130,484, operating grants, contributions and restricted interest of \$3,122,197, capital grants, contributions and restricted interest of \$888,755, local option sales tax of \$385,113, unrestricted investment earnings of \$24,710 and other general revenues of \$144,187.

Expenses for County operations for the year ended June 30, 2017 totaled \$7,944,241, a 12.8% increase over the prior year. Expenses included \$3,589,446 for roads and transportation, \$1,579,934 for public safety and legal services and \$818,535 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1710-0093-B00F>.

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**WAYNE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2017**

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**Wayne County**

**Officials**

**(Before January 2017)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Duffy Kester	Board of Supervisors	Jan 2017
David Dotts	Board of Supervisors	Jan 2019
John Sellers, Jr.	Board of Supervisors	Jan 2019
Sue Ruble	County Auditor	Jan 2017
Kim Swearingin	County Treasurer	Jan 2019
Angie Horton	County Recorder	Jan 2019
Keith Davis	County Sheriff	Jan 2017
Alan Wilson	County Attorney	Jan 2019
Kay Middlebrook	County Assessor	Jan 2022

**(After January 2017)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Dotts	Board of Supervisors	Jan 2019
John Sellers, Jr.	Board of Supervisors	Jan 2019
Duffy Kester	Board of Supervisors	Jan 2021
Tammy Clark	County Auditor	Jan 2021
Kim Swearingin	County Treasurer	Jan 2019
Angie Horton	County Recorder	Jan 2019
Keith Davis	County Sheriff	Jan 2021
Alan Wilson	County Attorney	Jan 2019
Kay Middlebrook	County Assessor	Jan 2022

**Wayne County**



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Independent Auditor's Report

To the Officials of Wayne County:

Report on the Financial Statements

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, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County as of June 30, 2017, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 48 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 22, 2018 on our consideration of Wayne County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Wayne County's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA  
Auditor of State

May 22, 2018

**Wayne County**

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

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Management of 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, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 10.6%, or approximately \$1,128,000, from fiscal year 2016 to fiscal year 2017. The decrease was primarily due to the decrease in capital grants, contributions and restricted interest of approximately \$1,333,000.
- Program expenses for fiscal year 2017 of the County's governmental activities increased 12.8% or approximately \$900,000 from fiscal year 2016 to fiscal year 2017. Roads and transportation expenses increased approximately \$723,000 and public safety and legal services increased approximately \$165,000.
- The County's net position at June 30, 2017 increased 9.7%, or approximately \$1,532,000 over the June 30, 2016 balance.

### **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 Position and a Statement of Activities. These provide information about the activities of Wayne County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wayne County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide 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, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 years.

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

### *Fund Financial Statements*

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the 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 governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Wayne County's combined net position at the end of the fiscal year increased from approximately \$15.7 million to approximately \$17.2 million. The analysis that follows focuses on the changes in the net position of governmental activities.

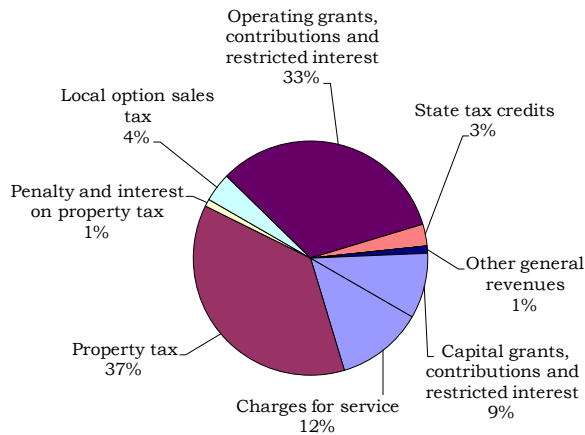
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2017	2016
Current and other assets	\$ 10,743	11,331
Capital assets	13,916	12,912
Total assets	24,659	24,243
Deferred outflows of resources	767	405
Long-term liabilities	5,158	4,873
Other liabilities	147	310
Total liabilities	5,305	5,183
Deferred inflows of resources	2,876	3,752
Net position:		
Net investment in capital assets	11,366	10,157
Restricted	5,996	5,603
Unrestricted	(117)	(47)
Total net position	\$ 17,245	15,713

Net position of Wayne County's governmental activities increased 9.7% (approximately \$17.245 million compared to approximately \$15.713 million). The largest portion of the County's net position is invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately (\$47,000) to approximately (\$117,000) at the end of this year.

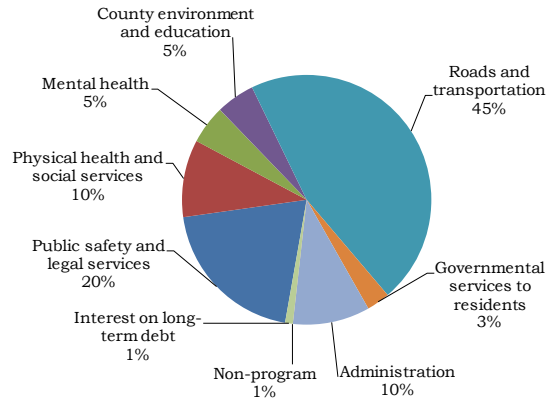
Changes in Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	\$ 1,130	1,066
Operating grants, contributions and restricted interest	3,122	3,140
Capital grants, contributions and restricted interest	889	2,222
General revenues:		
Property tax	3,522	3,437
Penalty and interest on property tax	50	41
State tax credits	259	204
Local option sales tax	385	363
Unrestricted investment earnings	25	31
Gain on disposition of capital assets	-	3
Other general revenues	94	97
<b>Total revenues</b>	<b>9,476</b>	<b>10,604</b>
Program expenses:		
Public safety and legal services	1,580	1,415
Physical health and social services	814	814
Mental health	422	406
County environment and education	396	312
Roads and transportation	3,589	2,866
Governmental services to residents	253	273
Administration	819	773
Non-program	16	26
Interest on long-term debt	55	159
<b>Total expenses</b>	<b>7,944</b>	<b>7,044</b>
Change in net position	1,532	3,560
Net position beginning of year	15,713	12,153
Net position end of year	<b>\$ 17,245</b>	<b>15,713</b>

**Revenues by Source**



**Expenses by Program**



Revenues for governmental activities decreased approximately \$1,128,000 from the prior year, primarily due to a decrease of approximately \$1,333,000 in capital grants, contributions and restricted interest.

The cost of all governmental activities this year was approximately \$7.944 million compared to approximately \$7.044 million last year, an 12.8% increase. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$2.8 million because some of the cost was paid by those directly benefited from the programs (approximately \$1.13 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4.01 million). Overall, the County's government program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2017 from approximately \$6,428,000 to approximately \$5,141,000 principally due to a decrease in capital grants, contributions and restricted interest.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Wayne County completed the year, its governmental funds reported a combined fund balance of approximately \$7.8 million, an increase of approximately \$360,000 from last year's total of approximately \$7.4 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance increased \$291,388, or 8.9%, to \$2,682,154. Revenues increased \$90,158 or 2.5%, primarily due to an increase in property tax. Expenditures increased \$116,843, or 3.5%, due to an increase in public safety and legal services expenditures.
- The Special Revenue, Mental Health Fund balance increased \$60,569 over the prior year balance to \$330,952. Revenues decreased \$2,857, or 1.1%, from the prior year due to a decrease in miscellaneous revenues. Expenditures increased \$63,682, or 48.3%, primarily due to an increase in the payments to the mental health region.
- The Special Revenue, Rural Services Fund balance increased \$216,770 over the prior year to \$1,170,603. Revenues increased \$56,270, primarily due to an increase in property tax. Expenditures decreased \$6,570 or 1.5%, primarily due to a decrease in public safety and legal services.
- The Special Revenue, Secondary Roads Fund balance decreased \$154,942, or 4.9%, to \$2,997,007. Revenues increased \$471,365 over the prior year and expenditures increased \$1,243,302 over the prior year. The increase in revenues is primarily due to an increase in the amount of bridge replacement funds received. The increase in expenditures is primarily due to the increase in equipment purchases compared to the prior year, and an increased amount of work on culverts, crossings, and bridges compared to the prior year.
- The Special Revenue, Local Option Sales Tax Fund balance increased \$104,786 to a balance of \$466,990. Revenues increased \$9,838 from the prior year and expenditures decreased \$47,106 from the prior year. The increase in revenues is primarily due to an increase in local option sales tax received. The decrease in expenditures is primarily due to the decrease in debt service expenditures.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Wayne County amended its budget one time. The amendment was made in May 2017 and increased budgeted disbursements by \$114,296, \$56,491, \$67,566, \$11,912, and \$40,976 for the public safety and legal services, physical health and social services, county environment and education, governmental services to residents, and administration functions, respectively. The increases were necessary to prevent various departments from over spending budgeted amounts due to unanticipated expenses.

The County's receipts were \$94,064 more than budgeted, a variance of 1%. Charges for services receipts were \$172,459 more than budgeted, primarily due to an increase in prisoner fees and nursing fees.

Total disbursements were \$1,089,181 or 11%, less than the amended budget. The County exceeded the budget in the mental health function by \$135,939, due to more costs than anticipated. Actual disbursements for physical health and social services, administration, public safety and legal services and capital projects were \$432,463, \$196,067, \$182,754 and \$284,793, respectively, less than budgeted as actual costs in these areas were less than originally expected.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2017, Wayne County had approximately \$13.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This is a net increase (including additions and deletions) of \$1,003,857, or 7.8%, from last year.

The County had depreciation expense of \$805,166 in fiscal year 2017 and total accumulated depreciation of \$7,151,997 at June 30, 2017. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2017, the County had \$2,550,000 of general obligation bonds outstanding, compared to \$2,755,000 at June 30, 2016. The County paid \$205,000 of principal on the general obligation bonds during the year ended June 30, 2017.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Wayne County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$25.9 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Wayne County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Wayne County Board of Supervisors is committed to limiting expenditure increases and reducing funding to non-mandated programs to provide essential services for the citizens of Wayne County.



The fiscal year 2018 county-wide property tax levy decreased from \$9.56784 per \$1,000 of taxable valuation to \$7.74144 per \$1,000 of taxable valuation while the rural services property tax levy decreased from \$5.2026 per \$1,000 of taxable valuation to \$3.95 per \$1,000 of taxable valuation. The fiscal year 2018 taxable valuations for incorporated areas and rural areas increased 5.42% and 5.73%, respectively, over the prior year.

Budgeted disbursements in the fiscal year 2018 operating budget are \$9,122,266, a decrease of 7.76% from the final fiscal year 2017 budget. The decrease of \$767,571 is mainly due to decreased expenditures in the capital projects and physical health and social services functions.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

**Wayne County**

## **Basic Financial Statements**

Wayne County  
Statement of Net Position  
June 30, 2017

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 7,069,367
Cash held by health plan trustee	27,385
Component units	22,882
Receivables:	
Property tax:	
Delinquent	9,196
Succeeding year	2,779,000
Interest and penalty on property tax	10,968
Accounts	10,868
Accrued interest	5,239
Due from other governments	417,599
Inventories	335,909
Prepaid insurance	54,628
Capital assets, net of accumulated depreciation	13,916,270
<b>Total assets</b>	<b>24,659,311</b>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	766,733
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	115,602
Accrued interest payable	4,399
Salaries and benefits payable	26,353
Due to other governments	1,286
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	215,000
Compensated absences	92,673
Portion due or payable after one year:	
General obligation bonds	2,335,000
Compensated absences	86,672
Net pension liability	2,114,079
Net OPEB liability	314,125
<b>Total liabilities</b>	<b>5,305,189</b>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	2,779,000
Pension related deferred inflows	96,608
<b>Total deferred inflows of resources</b>	<b>2,875,608</b>
<b>Net Position</b>	
Net investment in capital assets	11,366,270
Restricted for:	
Supplemental levy purposes	1,077,335
Mental health purposes	299,992
Rural services purposes	1,170,971
Secondary roads purposes	2,813,998
Conservation purposes	130,992
Debt service	462,591
Other purposes	40,011
Unrestricted	(116,913)
<b>Total net position</b>	<b>\$ 17,245,247</b>

See notes to financial statements.

Wayne County

Statement of Activities

Year ended June 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,579,934	334,179	4,012	71,685	(1,170,058)
Physical health and social services	813,603	409,804	82,801	-	(320,998)
Mental health	422,344	125,798	-	-	(296,546)
County environment and education	395,798	41,995	59,635	-	(294,168)
Roads and transportation	3,589,446	77,112	2,943,414	817,070	248,150
Governmental services to residents	253,176	128,413	-	-	(124,763)
Administration	818,535	13,183	32,335	-	(773,017)
Non-program	15,867	-	-	-	(15,867)
Interest and fees on long-term debt	55,538	-	-	-	(55,538)
<b>Total</b>	<b>\$ 7,944,241</b>	<b>1,130,484</b>	<b>3,122,197</b>	<b>888,755</b>	<b>(2,802,805)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,522,380
Penalty and interest on property tax					50,122
State tax credits					258,909
Local option sales tax					385,113
Unrestricted investment earnings					24,710
Miscellaneous					94,065
<b>Total general revenues</b>					<b>4,335,299</b>
Change in net position					1,532,494
Net position beginning of year					15,712,753
Net position end of year					<b>\$ 17,245,247</b>
See notes to financial statements.					

Wayne County  
Balance Sheet  
Governmental Funds

June 30, 2017

	Special		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 2,561,725	331,245	1,162,659
Cash held by health plan trustee	27,385	-	-
Component units	-	-	-
Receivables:			
Property tax:			
Delinquent	7,868	960	368
Succeeding year	1,778,000	217,000	784,000
Interest and penalty on property tax	10,968	-	-
Accounts	10,868	-	-
Accrued interest	4,992	-	-
Due from other governments	98,823	-	10,430
Inventories	-	-	-
Prepaid insurance	38,770	-	-
<b>Total assets</b>	<b>\$ 4,539,399</b>	<b>549,205</b>	<b>1,957,457</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 47,227	293	1,752
Salaries and benefits payable	12,477	-	734
Due to other governments	705	-	-
<b>Total liabilities</b>	<b>60,409</b>	<b>293</b>	<b>2,486</b>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	1,778,000	217,000	784,000
Other	18,836	960	368
<b>Total deferred inflows of resources</b>	<b>1,796,836</b>	<b>217,960</b>	<b>784,368</b>
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	38,770	-	-
Restricted for:			
Supplemental levy purposes	1,040,805	-	-
Mental health purposes	-	330,952	-
Rural services purposes	-	-	1,170,603
Secondary roads purposes	-	-	-
Conservation purposes	6,386	-	-
Debt service	-	-	-
Other purposes	11,687	-	-
Committed for conservation educational services	14,099	-	-
Assigned for promotion of public health	21,082	-	-
Unassigned	1,549,325	-	-
<b>Total fund balances</b>	<b>2,682,154</b>	<b>330,952</b>	<b>1,170,603</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,539,399</b>	<b>549,205</b>	<b>1,957,457</b>

See notes to financial statements.

Revenue			
Secondary Roads	Local Option Sales Tax	Nonmajor	Total
2,455,152	428,575	130,011	7,069,367
-	-	-	27,385
-	-	22,882	22,882
-	-	-	9,196
-	-	-	2,779,000
-	-	-	10,968
-	-	-	10,868
-	210	37	5,239
270,141	38,205	-	417,599
335,909	-	-	335,909
15,858	-	-	54,628
<u>3,077,060</u>	<u>466,990</u>	<u>152,930</u>	<u>10,743,041</u>
66,330	-	-	115,602
13,142	-	-	26,353
581	-	-	1,286
<u>80,053</u>	-	-	<u>143,241</u>
-	-	-	2,779,000
-	-	-	20,164
-	-	-	<u>2,799,164</u>
335,909	-	-	335,909
15,858	-	-	54,628
-	-	-	1,040,805
-	-	-	330,952
-	-	-	1,170,603
2,645,240	-	-	2,645,240
-	-	124,606	130,992
-	466,990	-	466,990
-	-	28,324	40,011
-	-	-	14,099
-	-	-	21,082
-	-	-	1,549,325
<u>2,997,007</u>	<u>466,990</u>	<u>152,930</u>	<u>7,800,636</u>
<u>3,077,060</u>	<u>466,990</u>	<u>152,930</u>	<u>10,743,041</u>

**Wayne County**



Wayne County  
 Reconciliation of the Balance Sheet –  
 Governmental Funds to the Statement of Net Position  
 June 30, 2017

**Total governmental fund balances (page 21)** \$ 7,800,636

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$21,068,267 and the accumulated depreciation is \$7,151,997). 13,916,270

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 20,164

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources	\$ 766,733	
Deferred inflows of resources	<u>(96,608)</u>	670,125

Long-term liabilities, including general obligation bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,161,948)

**Net position of governmental activities (page 18)** \$ 17,245,247

See notes to financial statements.

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

Year ended June 30, 2017

	Special		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,273,869	236,943	1,044,183
Local option sales tax	-	-	-
Interest and penalty on property tax	39,154	-	-
Intergovernmental	726,562	19,242	121,697
Licenses and permits	618	-	8,350
Charges for service	584,856	-	2,850
Use of money and property	50,130	-	-
Miscellaneous	46,572	-	1,240
Total revenues	<u>3,721,761</u>	<u>256,185</u>	<u>1,178,320</u>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	1,182,959	-	305,848
Physical health and social services	757,853	-	48,137
Mental health	213,522	195,616	-
County environment and education	266,386	-	79,167
Roads and transportation	3,318	-	-
Governmental services to residents	245,678	-	3,398
Administration	806,510	-	-
Non-program	15,867	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>3,492,093</u>	<u>195,616</u>	<u>436,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>229,668</u>	<u>60,569</u>	<u>741,770</u>
<b>Other financing sources (uses):</b>			
Transfers in	1,203	-	-
Transfers out	(11,483)	-	(525,000)
Total other financing sources (uses)	<u>(10,280)</u>	<u>-</u>	<u>(525,000)</u>
Change in fund balances	219,388	60,569	216,770
Fund balances beginning of year	<u>2,462,766</u>	<u>270,383</u>	<u>953,833</u>
Fund balances end of year	<u>\$ 2,682,154</u>	<u>330,952</u>	<u>1,170,603</u>

See notes to financial statements.

Revenue			
Secondary Roads	Local Option Sales Tax	Nonmajor	Total
-	-	-	3,554,995
-	385,113	-	385,113
-	-	-	39,154
3,390,790	-	11,771	4,270,062
3,645	-	-	12,613
-	-	1,543	589,249
-	1,231	1,080	52,441
66,472	-	32,097	146,381
3,460,907	386,344	46,491	9,050,008
-	20,815	28,305	1,537,927
-	-	-	805,990
-	-	-	409,138
-	-	112,313	457,866
3,353,304	-	-	3,356,622
-	-	2,683	251,759
-	-	-	806,510
-	-	-	15,867
-	260,743	-	260,743
787,545	-	-	787,545
4,140,849	281,558	143,301	8,689,967
(679,942)	104,786	(96,810)	360,041
525,000	-	11,483	537,686
-	-	(1,203)	(537,686)
525,000	-	10,280	-
(154,942)	104,786	(86,530)	360,041
3,151,949	362,204	239,460	7,440,595
2,997,007	466,990	152,930	7,800,636

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, 2017

**Change in fund balances - Total governmental funds (page 25)** \$ 360,041

***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	\$ 1,544,127	
Capital assets contributed by the Iowa Department of Transportation	376,689	
Capital assets contributed by others	71,685	
Depreciation expense	<u>(805,166)</u>	1,187,335

In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (183,478)

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

Property tax	(1,286)	
Other	<u>(20,361)</u>	(21,647)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 205,000

The current year County IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 280,045

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

Compensated absences	28,412	
Other postemployment benefits	(32,504)	
Pension expense	(290,915)	
Interest on long-term debt	<u>205</u>	<u>(294,802)</u>

**Change in net position of governmental activities (page 19)** \$ 1,532,494

See notes to financial statements.

Wayne County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2017

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$	726,776
Other County officials		19,884

Receivables:

Property tax:

Delinquent		39,881
Succeeding year		5,442,000

Accounts		35,417
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<b>Total assets</b>		<u>6,263,958</u>
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**Liabilities**

Accounts payable		3,338
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Salaries and benefits payable		8,593
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Due to other governments		6,230,797
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Trusts payable		17,768
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Compensated absences		3,462
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<b>Total liabilities</b>		<u>6,263,958</u>
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<b>Net position</b>	<u>\$</u>	<u>-</u>
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See notes to financial statements.

Wayne County  
Notes to Financial Statements  
June 30, 2017

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

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

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

A. Reporting Entity

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

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

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

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

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Wayne County Assessor’s Conference Board, Wayne County Emergency Management Commission and the Wayne County Joint E-911 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, County Rural Offices of Social Services and Southeast Iowa Response Group.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position 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 Position presents the County’s nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

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

Additionally, the County reports the following funds:

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.



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

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

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

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

The 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents 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 and non-negotiable certificates of deposit 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. Capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 60,000
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Infrastructure	30 - 60
Buildings and improvements	20 - 50
Intangibles	5 - 20
Equipment	2 - 20
Vehicles	2 - 10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s), which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on IPERS' plan investments and contributions from the County after the measurement date but before the end of the County's reporting period.

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.

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time, sick leave and vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the

amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and unrecognized items not yet credited to pension expense.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

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

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

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the mental health function. In addition, disbursements in certain departments exceeded the amounts appropriated.

#### **(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2017 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 ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$887,364 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in the IPAIT is unrated.

The County had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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

In a prior year, the County approved a loan from the Special Revenue, Rural Services Fund to supplement General Fund operations. During the year ended June 30, 2017, the County repaid the remaining \$100,000 balance of the loan.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 525,000
REAP	General	11,483
General	Special Revenue:	
	REAP	1,203
Total		<u>\$ 537,686</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Infrastructure, road network	\$ 254,209	-	(254,209)	-
Capital assets being depreciated:				
Buildings	4,960,634	95,180	-	5,055,814
Improvements other than buildings	113,439	-	-	113,439
Equipment and vehicles	4,700,484	911,384	(832,397)	4,779,471
Infrastructure, road network	10,051,102	1,068,441	-	11,119,543
Total capital assets being depreciated	19,825,659	2,075,005	(832,397)	21,068,267
Less accumulated depreciation for:				
Buildings	1,251,062	97,358	-	1,348,420
Improvements other than buildings	33,528	3,781	-	37,309
Equipment and vehicles	3,258,441	373,382	(820,624)	2,811,199
Infrastructure, road network	2,624,424	330,645	-	2,955,069
Total accumulated depreciation	7,167,455	805,166	(820,624)	7,151,997
Total capital assets being depreciated, net	12,658,204	1,269,839	(11,773)	13,916,270
Governmental activities capital assets, net	\$ 12,912,413	1,269,839	(265,982)	13,916,270

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	158,369
Physical health and social services		1,150
Mental health		10,699
County environment and education		23,384
Roads and transportation		600,908
Administration		<u>10,656</u>
Total depreciation expense - governmental activities	\$	<u>805,166</u>

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2017 is as follows:

Fund	Description	Amount
General	Services	\$ 705
Special Revenue:		
Secondary roads	Services	<u>581</u>
Total for governmental funds		<u>\$ 1,286</u>
Agency:		
County Offices	Collections	\$ 2,116
Agricultural Extension Education		79,914
County Assessor		305,635
Schools		3,087,429
Community Colleges		250,907
Corporations and Special Assessments		879,628
Townships		187,616
Auto License and Use Tax		164,251
County Hospital		958,860
Other		<u>314,441</u>
Total for agency funds		<u>\$ 6,230,797</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	General Obligation Bonds	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	\$ 2,755,000	207,757	1,628,963	281,621	4,873,341
Increases	-	133,461	485,116	47,958	666,535
Decreases	<u>205,000</u>	<u>161,873</u>	-	<u>15,454</u>	<u>382,327</u>
Balance end of year	<u>\$ 2,550,000</u>	<u>179,345</u>	<u>2,114,079</u>	<u>314,125</u>	<u>5,157,549</u>
Due within one year	<u>\$ 215,000</u>	<u>92,673</u>	-	-	<u>307,673</u>

## Bonds Payable

A summary of the County's June 30, 2017 general obligation bond indebtedness is as follows:

Year Ending June 30,	Local Option Sales and Services Tax Refunding Bonds			
	Issued June 15, 2012			
	Interest Rates	Principal	Interest	Total
2018	1.30%	\$ 215,000	52,783	267,783
2019	1.55	215,000	49,988	264,988
2020	1.70	220,000	46,655	266,655
2021	1.80	220,000	42,915	262,915
2022	1.95	225,000	38,955	263,955
2023-2027	2.05-2.65	1,200,000	122,492	1,322,492
2028	2.75	255,000	7,012	262,012
		<u>\$ 2,550,000</u>	<u>360,800</u>	<u>2,910,800</u>

During the year ended June 30, 2017, the County retired \$205,000 of general obligation bonds.

### **(8) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's or protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS' Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.63% of covered payroll for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2017 were \$280,045.



Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of \$2,114,079 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the County’s proportion was 0.0335925%, which was an increase of 0.000621% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$290,915. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,600	42,378
Changes of assumptions	30,382	6,834
Net difference between projected and actual earnings on IPERS' investments	387,471	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	51,235	47,396
County contributions subsequent to the measurement date	280,045	-
Total	<u>\$ 766,733</u>	<u>96,608</u>

\$280,045 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	\$ 48,684
2019	48,684
2020	195,231
2021	103,182
2022	(5,701)
Total	<u>\$ 390,080</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domesitc equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability:	\$ 3,740,917	2,114,079	742,126

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS – At June 30, 2017, the County reported payables to IPERS of \$2,789 for legally required County contributions and \$2,079 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 64 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 47,454
Interest on net OPEB obligation	11,265
Adjustment to annual required contribution	<u>(10,761)</u>
Annual OPEB cost	47,958
Contributions made	<u>(15,454)</u>
Increase in net OPEB obligation	32,504
Net OPEB obligation beginning of year	<u>281,621</u>
Net OPEB obligation end of year	<u>\$ 314,125</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the County contributed \$15,454 to the medical plan. Plan members eligible for benefits did not contribute.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 47,506	13.8%	240,304
2016	47,884	13.7	281,621
2017	47,958	32.2	314,125

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$341,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$341,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,989,000 and the ratio of the UAAL to covered payroll was 11.4%. As of June 30, 2017, there were no trust fund assets.

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

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

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the SOA RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2014. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS actuarial valuation as of June 30, 2014 and applying the termination factors used in the IPERS actuarial valuation as of June 30, 2014.

Projected claim costs of the medical plan are \$1,333 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expenses on an open basis over 30 years.

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

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2017 were \$129,287.

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 \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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, 2017, no liability has been recorded in the County's financial statements. As of June 30, 2017, 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 casualty 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. Upon withdrawal, a formula is set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$210,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Wayne County Financial Information Included in the County Rural Offices of Social Services (CROSS) Mental Health Region**

County Rural Offices of Social Services (CROSS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective March 25, 2015, includes the following member counties: Clarke, Decatur, Lucas, Monroe, Ringgold and Wayne County. The financial activity of Wayne County's Special Revenue, Mental Health Fund is included in the CROSS Mental Health Region for the year ended June 30, 2017, as follows:

Revenues:		
Property and other county tax		\$ 236,943
Intergovernmental:		
State tax credits	\$ 19,210	
Other	32	19,242
Total revenues		<u>256,185</u>
Expenditures:		
Services to persons with:		
Mental illness	76,481	
Intellectual disability	14,214	90,695
General administration:		
Direct administration	14,570	
Distribution to regional fiscal agent	90,351	104,921
Total expenditures		<u>195,616</u>
Excess of revenues over expenditures		60,569
Fund balance beginning of year		<u>270,383</u>
Fund balance end of year		<u>\$ 330,952</u>

**(12) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's other postemployment benefits.

**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, 2017

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 3,962,015	-	3,962,015
Interest and penalty on property tax	39,154	-	39,154
Intergovernmental	4,183,505	-	4,183,505
Licenses and permits	12,613	-	12,613
Charges for service	585,927	-	585,927
Use of money and property	51,282	-	51,282
Miscellaneous	132,281	4,012	128,269
<b>Total receipts</b>	<b>8,966,777</b>	<b>4,012</b>	<b>8,962,765</b>
<b>Disbursements:</b>			
Public safety and legal services	1,564,466	3,323	1,561,143
Physical health and social services	805,146	-	805,146
Mental health	476,139	-	476,139
County environment and education	456,436	-	456,436
Roads and transportation	3,342,942	-	3,342,942
Governmental services to residents	256,627	-	256,627
Administration	815,406	-	815,406
Non-program	15,867	-	15,867
Debt service	260,743	-	260,743
Capital projects	810,207	-	810,207
<b>Total disbursements</b>	<b>8,803,979</b>	<b>3,323</b>	<b>8,800,656</b>
Excess (deficiency) of receipts over (under) disbursements	162,798	689	162,109
Balance beginning of year	6,956,836	22,193	6,934,643
Balance end of year	\$ 7,119,634	22,882	7,096,752

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Net Variance
Original	Final	
3,821,234	3,821,234	140,781
41,750	41,750	(2,596)
4,389,795	4,404,202	(220,697)
4,200	4,200	8,413
413,468	413,468	172,459
104,587	104,587	(53,305)
79,260	79,260	49,009
<u>8,854,294</u>	<u>8,868,701</u>	<u>94,064</u>
1,629,601	1,743,897	182,754
1,181,118	1,237,609	432,463
340,200	340,200	(135,939)
459,119	526,685	70,249
3,370,450	3,370,450	27,508
266,868	278,780	22,153
970,497	1,011,473	196,067
25,000	25,000	9,133
260,743	260,743	-
<u>1,095,000</u>	<u>1,095,000</u>	<u>284,793</u>
<u>9,598,596</u>	<u>9,889,837</u>	<u>1,089,181</u>
(744,302)	(1,021,136)	1,183,245
<u>5,375,595</u>	<u>5,375,595</u>	<u>1,559,048</u>
<u>4,631,293</u>	<u>4,354,459</u>	<u>2,742,293</u>

**Wayne County**

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Wayne County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 8,966,777	83,231	9,050,008
Expenditures	8,803,979	(114,012)	8,689,967
Net	162,798	197,243	360,041
Other financing sources, net	-	-	-
Beginning fund balances	6,956,836	483,759	7,440,595
Ending fund balances	\$ 7,119,634	681,002	7,800,636

See accompanying independent auditor's report.

Wayne County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2017

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund 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, one budget amendment increased budgeted disbursements by \$291,241. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission. .

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the mental health function and disbursements in certain departments exceeded the amounts appropriated.

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Wayne County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Three Years\*  
(In Thousands)

Required Supplementary Information

	2017	2016	2015
County's proportion of the net pension liability	0.0335925%	0.032972%	0.030954%
County's proportionate share of the net pension liability	\$ 2,114	1,629	1,228
County's covered-employee payroll	\$ 2,893	2,907	2,796
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	73.07%	56.04%	43.92%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

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Wayne County

Schedule of County Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 280	264	268	256
Contributions in relation to the statutorily required contribution	<u>(280)</u>	<u>(264)</u>	<u>(268)</u>	<u>(256)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 3,075	2,893	2,907	2,796
Contributions as a percentage of covered-employee payroll	9.11%	9.13%	9.22%	9.16%

See accompanying independent auditor's report.



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2013	2012	2011	2010	2009	2008
232	208	186	167	149	136
(232)	(208)	(186)	(167)	(149)	(136)
-	-	-	-	-	-
2,586	2,448	2,493	2,372	2,300	2,194
8.97%	8.50%	7.46%	7.04%	6.48%	6.20%

Wayne County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Wayne County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
2010	Jul 1, 2009	-	\$ 306	306	0.0%	\$ 2,389	12.8%
2011	Jul 1, 2009	-	306	306	0.0	2,432	12.6
2012	Jul 1, 2011	-	397	397	0.0	2,396	16.6
2013	Jul 1, 2011	-	397	397	0.0	2,558	15.5
2014	Jul 1, 2011	-	397	397	0.0	2,873	13.8
2015	Jul 1, 2014	-	341	341	0.0	2,757	12.4
2016	Jul 1, 2014	-	341	341	0.0	2,831	12.0
2017	Jul 1, 2014	-	341	341	0.0	2,989	11.4

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

See accompanying independent auditor's report.

**Wayne County**

**Supplementary Information**

Wayne County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2017

				Special
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 350	4	27,492	
Component units	-	-	-	
Accrued interest receivable	1	-	13	
<b>Total assets</b>	<b>\$ 351</b>	<b>4</b>	<b>27,505</b>	
<b>Fund Balances</b>				
Fund balances:				
Restricted for:				
Conservation purposes	\$ -	-	27,505	
Other purposes	351	4	-	
<b>Total fund balances</b>	<b>\$ 351</b>	<b>4</b>	<b>27,505</b>	

See accompanying independent auditor's report.

Revenue				
Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Forfeiture	Total
97,078	-	-	5,087	130,011
-	5,003	17,879	-	22,882
23	-	-	-	37
<b>97,101</b>	<b>5,003</b>	<b>17,879</b>	<b>5,087</b>	<b>152,930</b>
97,101	-	-	-	124,606
-	5,003	17,879	5,087	28,324
<b>97,101</b>	<b>5,003</b>	<b>17,879</b>	<b>5,087</b>	<b>152,930</b>

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

Year ended June 30, 2017

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Resource Enhancement and Protection
Revenues:			
Intergovernmental	\$ -	-	11,771
Charges for service	1,543	-	-
Use of money and property	6	-	83
Miscellaneous	-	-	-
Total revenues	<u>1,549</u>	<u>-</u>	<u>11,854</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	38,863
Governmental services to residents	2,683	-	-
Total expenditures	<u>2,683</u>	<u>-</u>	<u>38,863</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,134)</u>	<u>-</u>	<u>(27,009)</u>
Other financing sources (uses):			
Transfers in	-	-	11,483
Transfers out	-	-	(1,203)
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>10,280</u>
Change in fund balances	<u>(1,134)</u>	<u>-</u>	<u>(16,729)</u>
Fund balances beginning of year	<u>1,485</u>	<u>4</u>	<u>44,234</u>
Fund balances end of year	<u>\$ 351</u>	<u>4</u>	<u>27,505</u>

See accompanying independent auditor's report.



Revenue				
Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Forfeiture	Total
-	-	-	-	11,771
-	-	-	-	1,543
991	-	-	-	1,080
-	200	3,812	28,085	32,097
991	200	3,812	28,085	46,491
-	335	2,988	24,982	28,305
73,450	-	-	-	112,313
-	-	-	-	2,683
73,450	335	2,988	24,982	143,301
(72,459)	(135)	824	3,103	(96,810)
-	-	-	-	11,483
-	-	-	-	(1,203)
-	-	-	-	10,280
(72,459)	(135)	824	3,103	(86,530)
169,560	5,138	17,055	1,984	239,460
97,101	5,003	17,879	5,087	152,930

Wayne County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	1,568	150,062	60,121
Other County officials	19,884	-	-	-
Receivables:				
Property tax:				
Delinquent	-	346	714	13,308
Succeeding year	-	78,000	161,000	3,014,000
Accounts	-	-	17	-
<b>Total assets</b>	<b>\$ 19,884</b>	<b>79,914</b>	<b>311,793</b>	<b>3,087,429</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	518	-
Salaries and benefits payable	-	-	3,996	-
Due to other governments	2,116	79,914	305,635	3,087,429
Trusts payable	17,768	-	-	-
Compensated absences	-	-	1,644	-
<b>Total liabilities</b>	<b>\$ 19,884</b>	<b>79,914</b>	<b>311,793</b>	<b>3,087,429</b>

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
4,820	37,405	2,558	164,251	18,719	287,272	726,776
-	-	-	-	-	-	19,884
1,087	20,223	58	-	4,141	4	39,881
245,000	822,000	185,000	-	936,000	1,000	5,442,000
-	-	-	-	-	35,400	35,417
<u>250,907</u>	<u>879,628</u>	<u>187,616</u>	<u>164,251</u>	<u>958,860</u>	<u>323,676</u>	<u>6,263,958</u>
-	-	-	-	-	2,820	3,338
-	-	-	-	-	4,597	8,593
250,907	879,628	187,616	164,251	958,860	314,441	6,230,797
-	-	-	-	-	-	17,768
-	-	-	-	-	1,818	3,462
<u>250,907</u>	<u>879,628</u>	<u>187,616</u>	<u>164,251</u>	<u>958,860</u>	<u>323,676</u>	<u>6,263,958</u>

Wayne County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2017

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 35,296	81,635	330,304	3,105,078
Additions:				
Property and other county tax	-	77,920	160,766	3,017,339
E-911 surcharge	-	-	-	-
State tax credits	-	6,481	14,385	250,800
Drivers license fees	-	-	-	-
Office fees and collections	461,359	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	133,870	-	-	-
Miscellaneous	-	-	45	399
Total additions	595,229	84,401	175,196	3,268,538
Deductions:				
Agency remittances:				
To other funds	354,251	-	-	-
To other governments	114,156	86,122	193,707	3,286,187
Trusts paid out	142,234	-	-	-
Total deductions	610,641	86,122	193,707	3,286,187
Balances end of year	\$ 19,884	79,914	311,793	3,087,429

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
251,340	962,081	174,553	168,148	974,850	280,475	6,363,760
244,814	795,158	187,645	-	935,041	999	5,419,682
-	-	-	-	-	140,514	140,514
19,849	149,819	9,456	-	77,261	70	528,121
-	-	-	-	-	22,517	22,517
-	-	-	-	-	1,702	463,061
-	-	-	1,976,952	-	-	1,976,952
-	1,252	-	-	-	-	1,252
-	-	-	-	-	183,248	317,118
34	556	-	-	130	356,209	357,373
264,697	946,785	197,101	1,976,952	1,012,432	705,259	9,226,590
-	-	-	71,406	-	-	425,657
265,130	1,029,238	184,038	1,909,443	1,028,422	488,716	8,585,159
-	-	-	-	-	173,342	315,576
265,130	1,029,238	184,038	1,980,849	1,028,422	662,058	9,326,392
250,907	879,628	187,616	164,251	958,860	323,676	6,263,958

Wayne County

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

For the Last Ten Years

	Modified			
	2017	2016	2015	2014
<b>Revenues:</b>				
Property and other county tax	\$ 3,554,995	3,440,155	3,254,269	3,277,371
Local option sales tax	385,113	363,926	366,504	323,187
Interest and penalty on property tax	39,154	39,549	43,522	42,957
Intergovernmental	4,270,062	3,869,303	4,034,730	3,813,119
Licenses and permits	12,613	11,575	12,449	9,308
Charges for service	589,249	520,778	400,590	460,157
Use of money and property	52,441	80,772	117,174	120,187
Miscellaneous	146,381	73,096	118,867	117,087
Total	<u>\$ 9,050,008</u>	<u>8,399,154</u>	<u>8,348,105</u>	<u>8,163,373</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	\$ 1,537,927	1,369,170	1,330,364	1,280,674
Physical health and social services	805,990	824,298	1,018,362	1,091,508
Mental health	409,138	392,324	436,851	360,302
County environment and education	457,866	294,654	418,031	349,682
Roads and transportation	3,356,622	2,714,833	3,107,983	2,964,008
Governmental services to residents	251,759	276,100	217,187	220,096
Administration	806,510	770,687	908,230	821,703
Non-program	15,867	25,447	12,763	10,678
Debt service	260,743	328,664	458,634	457,486
Capital projects	787,545	190,937	245,717	268,205
Total	<u>\$ 8,689,967</u>	<u>7,187,114</u>	<u>8,154,122</u>	<u>7,824,342</u>

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
3,085,689	3,142,670	3,003,146	2,218,985	2,080,278	2,058,897
353,423	326,157	374,505	340,386	285,414	94,285
46,640	41,645	42,202	32,241	31,146	32,998
3,501,694	3,974,740	3,704,021	3,246,841	3,611,502	3,662,984
8,550	11,657	13,053	7,768	5,560	4,759
446,121	450,496	360,917	274,480	258,327	264,126
59,545	28,585	25,483	36,681	97,522	139,552
259,436	192,717	58,192	160,160	213,100	130,519
7,761,098	8,168,667	7,581,519	6,317,542	6,582,849	6,388,120
1,190,882	1,062,720	1,021,037	1,027,425	886,029	1,013,637
1,068,193	893,116	839,343	843,386	831,455	777,343
380,655	844,930	687,820	652,568	750,522	699,214
216,410	237,934	245,213	315,010	410,099	455,226
3,006,788	2,793,124	2,781,392	2,621,430	2,367,802	2,473,899
223,076	196,679	200,742	193,772	201,919	173,731
718,625	551,179	661,985	660,486	688,040	711,559
12,581	23,092	31,092	25,813	26,891	16,142
455,320	420,931	285,108	275,815	286,832	17,713
58,777	110,221	20,741	470,526	3,116,794	-
7,331,307	7,133,926	6,774,473	7,086,231	9,566,383	6,338,464

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





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

Mary Mosiman, CPA  
Auditor of State

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

To the Officials of Wayne County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the 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, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wayne County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wayne County's internal control. Accordingly, we do not express an opinion on the effectiveness of Wayne County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### Wayne County's Responses to the Findings

Wayne County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Wayne County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

  
MARY MOSIMAN, CPA  
Auditor of State

May 22, 2018

Wayne County  
Schedule of Findings  
Year ended June 30, 2017

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County’s financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Collection and deposit preparation functions were not performed by an individual who does not record and account for cash receipts. Custodian of change funds is not prohibited from handling other cash receipts.	Treasurer, Recorder, Sheriff and New Venture Group Home
(2) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared and forwarded to accounting personnel for processing.	Recorder
(3) A listing of cash and checks received by mail is not regularly prepared or compared to cash receipt records or bank deposits.	Sheriff and New Venture Group Home
(4) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. Monthly reviews of bank reconciliations by an independent person were not documented.	Treasurer, Recorder, Sheriff and New Venture Group Home
(5) The person who signs checks was not independent of the person preparing the checks, approving disbursements and recording cash receipts.	Recorder, Sheriff and New Venture Group Home
(6) Accounting procedures manuals should be developed to aid in training additional or replacement personnel, achieve uniformity in accounting and in the application of policies and procedures and save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.	Treasurer, Auditor and Recorder
(7) Journal entries should be reviewed and approved by an independent individual not responsible for making the entry.	Treasurer

Wayne County  
Schedule of Findings  
Year ended June 30, 2017

- (8) No evidence of independent review of voided receipts in ARTS (DOT system) and no evidence of supporting documentation was included for voided transactions. Treasurer

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. This is a repeat comment.

Responses –

Treasurer – (1), (4), (6), (7) and (8) – We are aware of the need of segregation of duties and attempt to do what we can with such a small office. We have a new County Auditor and we will discuss with her what we might be able to work out to assist in the above. In addition, I have been reviewing voided statements monthly, but did not initial and date. I will begin that process. I will also ask each employee to save supporting documentation when voiding.

Recorder – (1), (2), (4) and (5) – With only two people who work in the office it is difficult to maintain segregation of duties. We try to do the best we can to segregate and review the work of others. (6) - We will try to create a procedures manual.

Sheriff – (1), (3), (4) and (5) – Taken under advisement.

Auditor – (6) – We will research and obtain an accounting manual.

New Venture Group Home – (1), (3), (4) and (5) – All new staff are instructed on documenting and balancing bank statements, making receipts and maintaining records. Staff will make sure any accruals are documented.

Conclusions –

Treasurer – Response accepted.

Recorder – Response acknowledged. To strengthen controls, the Recorder should review the operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and staff from other offices.

Sheriff – Response acknowledged. To strengthen controls, the Sheriff should review the operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and staff from other offices.

Wayne County  
Schedule of Findings  
Year ended June 30, 2017

Auditor – Response accepted.

New Venture Group Home – Response acknowledged. To strengthen controls, the New Venture Group Home should review the operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and staff from other offices.

(B) Capital Assets

Criteria – An effective internal control system provides for internal controls related to reconciling capital assets to asset/property records to ensure the accuracy of financial records and insurance needs, and maintaining control over capital assets.

Condition – The County does not have procedures in place requiring the following:

- Periodic test counts of capital assets by an individual having no responsibility for the assets.
- Physical inventory reconciliation to detailed capital asset records.
- An update of the capital asset records at least annually.

Cause – Management has not required procedures to be implemented for the above controls.

Effect – A lack of these procedures may allow for the capital asset listing to not accurately reflect the current state of the County's owned assets. If the listing is not properly maintained, the financial reports have the potential to be misstated due to an omission or an incorrect inclusion.

Recommendation – The County should develop written policies and procedures addressing the above items in order to improve the County's control over its capital assets.

Response – The County Auditor's office sends forms to each department on a yearly basis.

Conclusion – Response acknowledged. In order to improve the County's control, capital assets should be properly recorded, periodically tested and a physical inventory should be performed and reconciled to the detailed capital asset listing.

(C) County Expenditures

Criteria – Good accounting procedures and internal controls requires all expenditures to be documented, supported and properly coded prior to approval and signing of checks.

Condition – The following items were noted:

- 2 of 44 expenditures tested were not coded to the proper function,
- 5 of 44 expenditures tested were for capital assets were not initially added to the capital asset listing. The items were added to the capital asset listing for reporting purposes.

Wayne County  
Schedule of Findings  
Year ended June 30, 2017

- 1 of 44 expenditures tested was for a mileage reimbursement and no supporting documentation was kept.
- 2 of 4 Pioneer Cemetery Commission expenditures tested were paid without supporting documentation.
- 3 of 5 credit card bill expenditures tested lacked some or all supporting documentation.

Cause – The County has not fully implemented policies and procedures to provide for the review of expenditure supporting documentation prior to signing of checks.

Effect – When sufficient records are not maintained to account for expenditures, the opportunity for misappropriation and undetected errors can result.

Recommendation – The County should fully implement procedures which ensure sufficient records are maintained for all expenditures.

Response – The Board of Supervisors will review all claims and sign off on them before payment is made.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Wayne County  
Schedule of Findings  
Year ended June 30, 2017

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

- (1) Certified Budget – During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the mental health function. In addition, disbursements in certain departments exceeded the amounts appropriated.

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

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

Response – We will make an effort to amend the budget prior to exceeding the budget amount.

Conclusion – Response accepted.

- (2) Questionable Expenditures – We noted certain expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Central Iowa Tourism Region	Donation	\$ 400
Corydon Old Settlers	Donation	570
Crisis Center & Women's Shelter	Donation	4,157
Priarie Trails Wellness Center	Donation	6,325

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III Section 31 of the Iowa Constitution states, “...no public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these disbursements before authorizing any further payments.

Response – The Board of Supervisors will discuss and document the public purpose for the donations.

Conclusion – Response accepted.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

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- (4) Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Melinda Middlebrook, County		
CPC administrator, daughter-in-law of the owner of Middlebrook Amoco	Fuel, service and repair:	
	Board of Supervisors	\$ 700
	County Assessor	805
	County Sheriff	55
	New Venture Group Home	29
	Mental Health Department	150
	Board of Health	525
	Emergency Management	969
	Total	<u>\$ 3,233</u>

The transactions with Middlebrook Amoco do not appear to represent a conflict of interest in accordance with Chapter 331.342(d) of the Code of Iowa since the County CPC administrator’s employment is not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contracts.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No instances of non-compliance with proper public notice, signed minutes and indication of each member’s vote.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) 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, 2017 for the County Extension Office did not exceed the amount budgeted.

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Cemetery Commission does not retain electronic images of the back of cancelled checks.



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Recommendation – The Cemetery Commission should retain an image of both the front and back of each cancelled check as required.

Commission Response – The Pioneer Cemetery Commission now maintains images of both front and back of each cancelled check on their monthly bank statement.

Conclusion – Response accepted.

- (11) Separately Maintained Records – The Wayne County Pioneer Cemetery Commission maintains separate accounting records for its operations. Monthly financial reports are not provided to the County and the activity of the Cemetery Commission is not included in the County’s computer system, the County’s accounting records or the County’s financial reports.

Recommendation – Chapter 331.552 of the Code of Iowa state, in part, the county treasurer shall “keep a true account of all receipts and disbursements of the county.” For better accountability, financial and budgetary control, the financial activity and balances of all County accounts should be reported to the County Board of Supervisors on a monthly basis and included in the County’s computer system, accounting records and financial reports.

Response – Pioneer Cemetery Commission has begun presenting quarterly financial reports for the Board of Supervisors to review and include in accounting records.

Conclusion – Response accepted.

- (12) Annual Financial Report – For the year ended June 30, 2017 the County’s cash and GAAP basis Annual Financial Reports included material errors. Expenditures and fund balances were reported uncorrected for both the General Fund and the Special Revenue Funds.

Recommendation – The County should establish procedures to ensure expenditures and fund balances are properly reported.

Response – The County Auditor is working to establish procedures to ensure expenditures and fund balances are properly reported.

Conclusion – Response accepted.

- (13) County Sheriff Commissary Account – Certain revenues for the jail phone and commissary account profits were not remitted to the County Treasurer in accordance with Chapters 331.552(1), (2) and (3) as well as Chapter 331.902(1). In addition, items such as supplies and equipment for the jail were purchased out of the commissary revenues without running through the County budget, appropriations and disbursement process required by Chapter 331.506 of the Code of Iowa and were not filed and properly audited by the Board of Supervisors before payment in accordance with Chapter 331.504(7) and (8) of the Code of Iowa.

Wayne County

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Year ended June 30, 2017

Recommendation – Expenditures from the commissary account should only be used to replenish appropriate commissary items that are purchased by the prisoners. The jail phone reimbursements and commissary account profits should be remitted to the County Treasurer for deposit and any disbursements for jail supplies or equipment should be run through the process for issuance of warrants as specified by the Code of Iowa and should be subject to budget and appropriation restraints as required by the Code.

Response – Commissary is provided to inmates of the Wayne County Jail and includes telephone calling cards, electronic communication devices, hygiene products, and food items that are not typical of the meals that are provided as well as other items that are sometimes available. It has been the practice since my tenure as the Wayne County Sheriff began as well as by my predecessors, that commissary funds are retained in a separate account that is highly visible to the Wayne County Board of Supervisors, Auditor and to the State Auditor. Records are kept for all income and expenses of the funds. The commissary account is used to purchase resale items for the commissary and has also been used to buy equipment that benefits the inmates and that is not necessarily required to be provided to the inmate. As mentioned in the “Comment Worksheet”, the “auditor noted purchase of 3 tv’s in July 2017”. These televisions were purchased for the inmates and are placed inside the inmate living quarters for their use. Televisions seem to have a high failure rate in the jail setting. There are many in the public that believe nothing should be provided to the inmate other than bread and water.

Recently the FCC proposed rules capping the amount of fees that can be collected on inmate phone calls as they felt that excessive profits were being made off of the inmates from the inmate phone calls. By retaining the commissary account to be used only for supplies and property that benefit the inmate from funds provided by the inmate and not tax payer dollars, it is my opinion that the claim of excessive profits can be defended.

I have discussed this matter with the Wayne County Board of Supervisors and will be forwarding \$12,000 from the Commissary Account to the County Treasurer and the County budget will be amended to allow for the use of these funds to benefit the jail.

Conclusion – Response accepted.

- (14) Software Contract – A five year software upgrade and service agreement contract was signed on November 4, 2015 by the former County Auditor. This contract was not approved by the Board of Supervisors prior to the County Auditor signing it as required by Chapter 331.302 of the Code of Iowa.

Recommendation – The County should establish policies and procedures to ensure County contracts are approved by the Board of Supervisors prior to signature.

Response – The County is establishing policies and procedures to ensure the proper handling of all contracts by the Board of Supervisors.

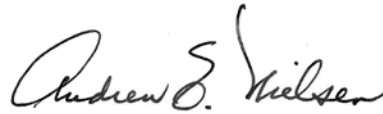
Conclusion – Response accepted.

Wayne County

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager  
Dorothy O. Stover, Senior Auditor II  
Jacob N. Bennett, Staff Auditor  
Brett S. Gillen, CPA, Assistant Auditor  
Jon Hanson, Auditor Intern

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State