



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 13, 2007

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$7,423,188 for the year ended June 30, 2006, which included \$552,953 in tax credits from the state. The County forwarded \$5,352,840 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,070,348 of the local tax revenue to finance County operations, a less than one percent increase over the prior year. Other revenues included charges for service of \$949,679, operating grants, contributions and restricted interest of \$2,515,238, capital grants, contributions and restricted interest of \$2,043,769, unrestricted investment earnings of \$91,827 and other general revenues of \$90,566.

Expenses for County operations totaled \$5,792,897, a 6.7 percent increase over the prior year. Expenses included \$2,493,922 for roads and transportation, \$777,916 for mental health and \$680,997 for physical health and social services.

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

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WAYNE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2006

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Wayne County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Donald Greenlee	Board of Supervisors	Jan 2007
Jerry O'Dell	Board of Supervisors	Jan 2007
Amy Sinclair	Board of Supervisors	Jan 2009
Sue Ruble	County Auditor	Jan 2009
Kim Swearingin	County Treasurer	Jan 2007
Angie Horton	County Recorder	Jan 2007
Keith Davis	County Sheriff	Jan 2009
Alan Wilson	County Attorney	Jan 2007
Kay Middlebrook	County Assessor	Jan 2010

Wayne County



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Independent Auditor's Report

To the Officials of Wayne County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Wayne County's management. Our responsibility is to express opinions on these financial statements based on our audit.

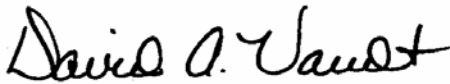
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County at June 30, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

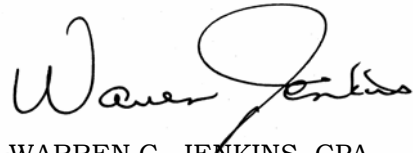
In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2007 on our consideration of Wayne County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2005 (which are not presented herein). We expressed unqualified opinions on the financial statements for the two years ended June 30, 2005. We expressed qualified opinions on the financial statements for the year ended June 30, 2003 due to the omission of the materials and supplies inventories and we expressed qualified opinions on the financial statements for the two years ended June 30, 2002 due to the omission of the materials and supplies inventories and the general fixed assets account group. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 3, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wayne County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 41%, or approximately \$2.3 million, from fiscal 2005 to fiscal 2006. Capital grants and contributions increased approximately \$1,874,000, charges for service increased approximately \$195,000 and operating grants and contributions increased approximately \$100,000.
- Program expenses of the County's governmental activities were 6.7%, or approximately \$366,000, more in fiscal 2006 than in fiscal 2005. Roads and transportation expenses increased approximately \$198,000, physical health and social services expenses increased approximately \$140,000 and governmental services to residents expenses increased approximately \$104,000.
- The County's net assets increased 43%, or approximately \$1,969,000, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Wayne County's net assets for FY06 total approximately \$6.5 million. This compares to FY05 at \$4.6 million. The analysis that follow focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 5,065	5,054
Capital assets	3,920	1,904
Total assets	8,985	6,958
Long-term liabilities	49	117
Other liabilities	2,394	2,268
Total liabilities	2,443	2,385
Net assets:		
Invested in capital assets	3,920	1,855
Restricted	2,070	2,317
Unrestricted	552	401
Total net assets	\$ 6,542	4,573

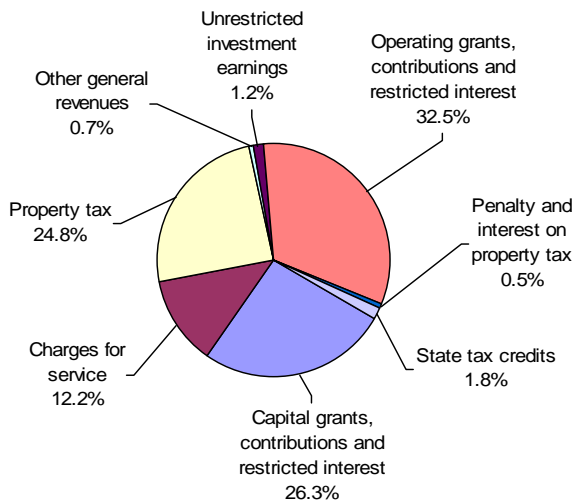
Net assets of Wayne County's governmental activities increased by 43% (\$6.5 million compared to \$4.6 million). The largest portion of the County's net assets is invested in capital assets (e.g., infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased by 38% (\$552,000 compared to \$401,000).

The increase of approximately \$2 million in invested in capital assets was due to an increase in road infrastructure during the fiscal year. Unrestricted net assets increased by approximately \$151,000, or 38%, primarily due to a 32% decrease in the deficit unreserved fund balance in the General Fund and a 5% increase in the Rural Services Fund balance.

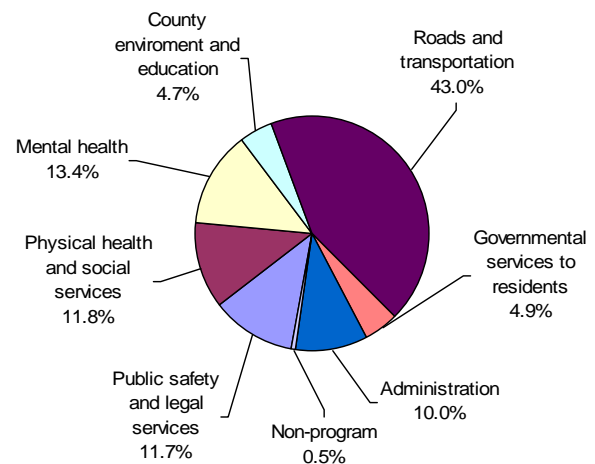
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 950	755
Operating grants, contributions and restricted interest	2,515	2,415
Capital grants, contributions and restricted interest	2,044	170
General revenues:		
Property tax	1,928	1,916
Penalty and interest on property tax	37	40
State tax credits	142	136
Unrestricted investment earnings	92	43
Gain on sale of capital assets	-	12
Other general revenues	54	25
Total revenues	7,762	5,512
Program expenses:		
Public safety and legal services	676	669
Physical health and social services	681	541
Mental health	778	811
County environment and education	270	254
Roads and transportation	2,494	2,296
Governmental services to residents	283	179
Administration	580	642
Non-program	31	35
Total expenses	5,793	5,427
Increase in net assets	1,969	85
Net assets beginning of year	4,573	4,488
Net assets end of year	\$ 6,542	4,573

Revenue by Source



Expenses by Program



Revenues for governmental activities increased by approximately \$2.3 million over the prior year, with capital grants and contributions up by approximately \$1,874,000. The increase in capital grants and contributions was primarily due to an increase in capital contributions for infrastructure assets. Overall, property tax revenue increased \$12,736, or .62%.

The cost of all governmental activities this year was \$5.8 million compared to \$5.4 million last year, a 6.7% increase. However, as shown in the Statement of Activities on page 15, the amount taxpayers ultimately financed for these activities was only \$284,211 because some of the cost was paid by those directly benefited from the programs approximately (\$950,000) or by other governments and organizations that subsidized certain programs with grants and contributions of approximately (\$4,559,000).

INDIVIDUAL MAJOR FUND ANALYSIS

As Wayne County completed the year, its governmental funds reported a combined fund balance of \$2.6 million, consistent with last year's total of \$2.8 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 decreased slightly by \$363 to \$179,744. While revenues increased \$362,276, expenditures also increased \$230,765. The increase in revenues was primarily due to an increase in medicaid/medicare, a grant for election equipment and interest revenues. The increase in expenditures was primarily due to the increase in cost of general operating in various departments and the purchase of election equipment.
- The balance in the Mental Health Fund increased by \$25,867. Revenues decreased from FY05 by \$8,475, primarily due to a decrease in State funding. Expenditures decreased \$35,385 from FY05.
- The Rural Services Fund balance increased by \$32,364, or 5%, over the prior year. Revenues decreased by \$36,999 while expenditures decreased by \$44,517, primarily due to a decrease in public safety and legal services and county environment and education expenditures.
- The Secondary Roads Fund balance decreased by \$174,318, or 12.6%. Revenues increased only \$9,231 over the prior year while expenditures increased by approximately \$306,000, or 13.6%, over the prior year. The increase in expenditures was due primarily to an increase in roadway maintenance as the County continued to re-rock roads.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wayne County amended its budget one time. The amendment was made in May 2006 to more accurately reflect both receipts and disbursements in various departments.

The County's receipts were \$67,500 more than budgeted, a variance of slightly more than 1%. The most significant variance resulted from the County receiving more interest than anticipated.

Total disbursements were \$593,836 less than the amended budget. Actual disbursements for public safety and legal services, physical health and social services, roads and transportation and capital projects were \$95,078, \$156,244, \$85,870 and \$148,778, respectively, less than budgeted. These decreases were due primarily to lower than anticipated personnel and other costs in these areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Wayne County had approximately \$3.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2 million, or 106%, over last year. This increase was due to an increase in road infrastructure.

The County had depreciation expense of \$351,486 in FY06 and total accumulated depreciation of \$3,091,221 at June 30, 2006. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

Wayne County's debt for capital lease purchase agreements decreased to zero at June 30, 2006 from \$12,729 at June 30, 2005. Additional information about the County's long-term debt is presented in Note 6 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 2007 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Wayne County Board of Supervisors is committed to limiting expenditure increases and reducing funding to non-mandated programs to provide essential services for the citizens of Wayne County.

Budgeted disbursements in the FY 2007 operating budget are \$5,930,819, a decrease of 7% from the final FY 2006 budget. Wayne County added no new programs to the 2007 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Wayne County
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments:	
County Treasurer	\$ 2,465,399
Other County officials	4,021
Receivables:	
Property tax:	
Delinquent	6,937
Succeeding year	2,150,000
Interest and penalty on property tax	18,965
Accounts	10,486
Due from other governments	228,019
Inventories	127,810
Prepaid insurance	53,917
Capital assets (net of accumulated depreciation)	<u>3,919,770</u>
Total assets	<u>8,985,324</u>
Liabilities	
Accounts payable	131,583
Salaries and benefits payable	23,437
Due to other governments	89,740
Deferred revenue:	
Succeeding year property tax	2,150,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	44,915
Portion due or payable after one year:	
Compensated absences	<u>3,980</u>
Total liabilities	<u>2,443,655</u>
Net Assets	
Invested in capital assets	3,919,770
Restricted for:	
Supplemental levy purposes	331,197
Mental health purposes	4,947
Conservation purposes	556,073
Secondary roads purposes	1,177,548
Debt service	110
Unrestricted	<u>552,024</u>
Total net assets	<u>\$ 6,541,669</u>

See notes to financial statements.

Wayne County
Statement of Activities
Year ended June 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 675,780	34,417	41,085	-	(600,278)
Physical health and social services	680,997	594,625	117,107	-	30,735
Mental health	777,916	88,561	452,177	-	(237,178)
County environment and education	269,940	13,164	26,617	-	(230,159)
Roads and transportation	2,493,922	73,999	1,796,081	2,043,769	1,419,927
Governmental services to residents	283,263	113,615	82,171	-	(87,477)
Administration	580,086	31,298	-	-	(548,788)
Non-program	30,993	-	-	-	(30,993)
Total	\$ 5,792,897	949,679	2,515,238	2,043,769	(284,211)
General Revenues:					
Property and other county tax levied for:					
General purposes					1,905,356
Debt service					23,164
Penalty and interest on property tax					36,875
State tax credits					141,828
Unrestricted investment earnings					91,827
Miscellaneous					53,691
Total general revenues					2,252,741
Change in net assets					1,968,530
Net assets beginning of year					4,573,139
Net assets end of year					\$ 6,541,669

See notes to financial statements.

Wayne County
Balance Sheet
Governmental Funds

June 30, 2006

	General	Special	
		Mental Health	Rural Services
Assets			
Cash and pooled investments:			
County Treasurer	\$ 617,086	101,879	157,872
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	4,834	1,127	866
Succeeding year	1,160,000	254,000	711,000
Interest and penalty on property tax	18,965	-	-
Accounts	10,029	432	25
Advances to other funds	-	-	510,000
Due from other funds	-	-	-
Due from other governments	80,567	801	3,544
Inventories	-	-	-
Prepaid insurance	30,152	-	-
Total assets	\$ 1,921,633	358,239	1,383,307
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 12,643	17,884	1,957
Salaries and benefits payable	8,324	1,716	1,021
Advances from other funds	510,000	-	-
Due to other funds	-	-	379
Due to other governments	13,837	75,542	-
Deferred revenue:			
Succeeding year property tax	1,160,000	254,000	711,000
Other	37,085	1,078	845
Total liabilities	1,741,889	350,220	715,202
Fund balances:			
Reserved for:			
Supplemental levy purposes	329,688	-	1,172
Advances to other funds	-	-	510,000
Debt service	-	-	-
Unreserved, reported in:			
General fund	(149,944)	-	-
Special revenue funds	-	8,019	156,933
Total fund balances	179,744	8,019	668,105
Total liabilities and fund balances	\$ 1,921,633	358,239	1,383,307

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
1,025,158	563,404	2,465,399
-	4,021	4,021
-	110	6,937
-	25,000	2,150,000
-	-	18,965
-	-	10,486
-	-	510,000
379	-	379
143,107	-	228,019
127,810	-	127,810
23,765	-	53,917
1,320,219	592,535	5,575,933
97,421	1,678	131,583
12,376	-	23,437
-	-	510,000
-	-	379
361	-	89,740
-	25,000	2,150,000
-	105	39,113
110,158	26,783	2,944,252
-	-	330,860
-	-	510,000
-	5	5
-	-	(149,944)
1,210,061	565,747	1,940,760
1,210,061	565,752	2,631,681
1,320,219	592,535	5,575,933

Wayne County

Wayne County

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

June 30, 2006

Total governmental fund balances (page 17) \$ 2,631,681

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$7,010,991 and the accumulated depreciation is \$3,091,221. 3,919,770

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 39,113

Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds. (48,895)

Net assets of governmental activities (page 14) \$ 6,541,669

See notes to financial statements.

Wayne County

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

Year ended June 30, 2006

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,009,503	235,378	659,686
Interest and penalty on property tax	33,737	-	-
Intergovernmental	846,754	463,297	86,104
Licenses and permits	-	-	1,405
Charges for service	169,488	87,898	-
Use of money and property	118,965	-	-
Miscellaneous	52,415	7,722	-
Total revenues	<u>2,230,862</u>	<u>794,295</u>	<u>747,195</u>
Expenditures:			
Operating:			
Public safety and legal services	520,482	-	143,049
Physical health and social services	669,150	-	10,117
Mental health	-	768,428	-
County environment and education	153,617	-	81,521
Roads and transportation	-	-	-
Governmental services to residents	256,375	-	3,660
Administration	612,510	-	-
Non-program	30,993	-	-
Capital projects	-	-	-
Total expenditures	<u>2,243,127</u>	<u>768,428</u>	<u>238,347</u>
Excess (deficiency) of revenues over (under) expenditures	(12,265)	25,867	508,848
Other financing sources (uses):			
Operating transfers in	174,940	150,000	-
Operating transfers out	(165,438)	(150,000)	(476,484)
Sale of capital assets	2,400	-	-
Total other financing sources (uses)	<u>11,902</u>	<u>-</u>	<u>(476,484)</u>
Net change in fund balances	(363)	25,867	32,364
Fund balances beginning of year	180,107	(17,848)	635,741
Fund balances end of year	<u>\$ 179,744</u>	<u>8,019</u>	<u>668,105</u>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	23,164	1,927,731
-	-	33,737
1,796,081	5,918	3,198,154
1,180	-	2,585
-	8,375	265,761
-	20,020	138,985
72,819	4,539	137,495
1,870,080	62,016	5,704,448
-	2,591	666,122
-	-	679,267
-	-	768,428
-	23,752	258,890
2,476,437	-	2,476,437
-	10,391	270,426
-	-	612,510
-	-	30,993
65,833	11,897	77,730
2,542,270	48,631	5,840,803
(672,190)	13,385	(136,355)
491,922	-	816,862
-	(24,940)	(816,862)
5,950	-	8,350
497,872	(24,940)	8,350
(174,318)	(11,555)	(128,005)
1,384,379	577,307	2,759,686
1,210,061	565,752	2,631,681

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, 2006

Net change in fund balances - Total governmental funds (page 21) \$ (128,005)

**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	\$ 359,013	
Capital assets contributed by the Iowa Department of Transportation	2,043,769	
Depreciation expense	<u>(351,486)</u>	2,051,296

In the Statement of Activities, the loss on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (35,846)

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

Property tax	791	
Other	<u>12,420</u>	13,211

Repayment of long-term liabilities is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 49,014

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 18,860

Change in net assets of governmental activities (page 15) \$ 1,968,530

See notes to financial statements.

Wayne County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2006

Assets

Cash and pooled investments:	
County Treasurer	\$ 645,302
Other County officials	9,920
Receivables:	
Property tax:	
Delinquent	30,665
Succeeding year	5,338,000
Accounts	910
Assessments	41,827
Prepaid insurance	50
Total assets	6,066,674

Liabilities

Accounts payable	672
Salaries and benefits payable	3,427
Due to other governments	6,051,549
Trusts payable	5,698
Compensated absences	5,328
Total liabilities	6,066,674

Net assets	\$ -
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See notes to financial statements.

Wayne County

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

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

B. Basis of Presentation

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

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

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or

capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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 and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	2 - 10

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time 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, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the governmental services to residents function. Also, during the year ended June 30, 2006, disbursements in one department exceeded the amount appropriated and, although the Board of Supervisors acted to increase certain departmental appropriations by amendment, disbursements in one department exceeded the appropriation prior to re-appropriation.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

At June 30, 2006, the County had the following investments:

Investment Type	Fair Value	Investment Maturities
		(in years) 1-5
Federal Home Loan Bank (FHLB)	\$ 397,125	397,125
Federal National Mortgage Association (FNMA)	<u>99,600</u>	<u>99,600</u>
	<u>\$ 496,725</u>	<u>496,725</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,524,031 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The County's FNMA and FHLB investments at June 30, 2006 are rated Aaa by Moody's Investors Service. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer. More than 5 percent of the County's investments are in the Federal Home Loan Bank. The County's investment in the Federal Home Loan Bank is 13.15 percent of the County's total investments.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Rural Services	General	<u>\$ 510,000</u>

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

The detail of advances to and from other funds is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Rural Services	General	<u>\$ 510,000</u>

The advances to/from other funds resulted from a borrowing of rural services revenues to supplement General Fund operations. The borrowing will be repaid over several years.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Debt Service	\$ 24,940
Special Revenue: Mental Health	General	150,000
General	Special Revenue: Mental Health	150,000
Special Revenue: Secondary Roads	General	15,438
	Special Revenue: Rural Services	476,484
		<u>\$ 816,862</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, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land, road network	\$ 254,209	-	-	254,209
Construction in progress, road network	-	2,043,769	(2,043,769)	-
Total capital assets not being depreciated	254,209	2,043,769	(2,043,769)	254,209
Capital assets being depreciated:				
Buildings	765,480	-	-	765,480
Equipment and vehicles	3,470,098	387,563	(277,863)	3,579,798
Infrastructure, road network	367,735	2,043,769	-	2,411,504
Total capital assets being depreciated	4,603,313	2,431,332	(277,863)	6,756,782
Less accumulated depreciation for:				
Buildings	495,373	17,736	-	513,109
Equipment and vehicles	2,448,912	253,592	(213,467)	2,489,037
Infrastructure, road network	8,917	80,158	-	89,075
Total accumulated depreciation	2,953,202	351,486	(213,467)	3,091,221
Total capital assets being depreciated, net	1,650,111	2,079,846	(64,396)	3,665,561
Governmental activities capital assets, net	\$1,904,320	4,123,615	(2,108,165)	3,919,770

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 28,364
Physical health and social services	1,105
Mental health	10,883
County environment and education	18,450
Roads and transportation	276,731
Governmental services to residents	7,943
Administration	8,010
Total depreciation expense - governmental activities	<u>\$ 351,486</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Tractor Mower Capital Lease Purchase Agreement	Software Capital Lease Purchase Agreement	Compen- sated Absences	Total
Balance beginning of year	\$ 12,729	36,285	67,755	116,769
Increases	-	-	75,515	75,515
Decreases	12,729	36,285	94,375	143,389
Balance end of year	\$ -	-	48,895	48,895
Due within one year	\$ -	-	44,915	44,915

(7) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 13,837
Special Revenue:		
Mental Health	Services	75,542
Secondary Roads	Services	361
		<u>75,903</u>
Total for governmental funds		<u>\$ 89,740</u>
Agency:		
County Offices	Collections	\$ 4,222
Ag. Extension Education		63,816
County Assessor		256,873
Schools		3,468,345
Community Colleges		167,991
Corporations and Special Assessments		795,493
Townships		128,677
Auto License and Use Tax		116,197
County Hospital		821,236
All other		228,699
Total for agency funds		<u>\$ 6,051,549</u>

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$125,326, \$119,215 and \$116,545, respectively, equal to the required contributions for each year.

(9) Risk Management

Wayne County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2006 were \$106,183.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$50,000, 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.

(10) Financial Condition

The General Fund had an unreserved deficit fund balance of \$149,944 at June 30, 2006. The County plans to eliminate this deficit by decreasing future expenditures in the General Fund.

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, 2006

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 1,927,434	-	1,927,434
Interest and penalty on property tax	33,737	-	33,737
Intergovernmental	3,207,239	-	3,207,239
Licenses and permits	2,560	-	2,560
Charges for service	267,595	-	267,595
Use of money and property	141,750	-	141,750
Miscellaneous	125,710	1,808	123,902
Total receipts	<u>5,706,025</u>	<u>1,808</u>	<u>5,704,217</u>
Disbursements:			
Public safety and legal services	669,238	1,306	667,932
Physical health and social services	688,700	-	688,700
Mental health	747,750	-	747,750
County environment and education	263,491	-	263,491
Roads and transportation	2,451,998	-	2,451,998
Governmental services to residents	273,880	-	273,880
Administration	614,171	-	614,171
Non-program	37,239	-	37,239
Capital projects	60,222	-	60,222
Total disbursements	<u>5,806,689</u>	<u>1,306</u>	<u>5,805,383</u>
Excess (deficiency) of receipts over (under) disbursements	(100,664)	502	(101,166)
Other financing sources, net	8,350	-	8,350
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(92,314)	502	(92,816)
Balance beginning of year	2,561,734	3,519	2,558,215
Balance end of year	<u>\$ 2,469,420</u>	<u>4,021</u>	<u>2,465,399</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
1,962,889	1,962,889	(35,455)
33,200	33,200	537
2,860,696	3,048,623	158,616
2,530	2,530	30
302,916	312,632	(45,037)
74,700	74,700	67,050
200,143	202,143	(78,241)
<u>5,437,074</u>	<u>5,636,717</u>	<u>67,500</u>
749,310	763,010	95,078
610,831	844,944	156,244
756,159	756,159	8,409
309,433	307,433	43,942
2,537,868	2,537,868	85,870
263,147	270,147	(3,733)
633,998	664,908	50,737
43,750	45,750	8,511
209,000	209,000	148,778
<u>6,113,496</u>	<u>6,399,219</u>	<u>593,836</u>
(676,422)	(762,502)	661,336
2,000	2,000	6,350
(674,422)	(760,502)	667,686
1,207,018	1,207,018	1,351,197
<u>532,596</u>	<u>446,516</u>	<u>2,018,883</u>

Wayne County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,706,025	(1,577)	5,704,448
Expenditures	5,806,689	34,114	5,840,803
Net	(100,664)	(35,691)	(136,355)
Other financing sources, net	8,350	-	8,350
Beginning fund balances	2,561,734	197,952	2,759,686
Ending fund balances	\$ 2,469,420	162,261	2,631,681

See accompanying independent auditor's report.

Wayne County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$285,723. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the governmental services to residents function. Also, during the year ended June 30, 2006, disbursements in one department exceeded the amount appropriated and, although the Board of Supervisors acted to increase certain departmental appropriations by amendment, disbursements in one department exceeded the appropriation prior to re-appropriation.

Wayne County

Other Supplementary Information

Wayne County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Wetlands
Assets				
Cash and pooled investments:				
County Treasurer	\$ 2,890	786	19,533	3,041
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year property tax	-	-	-	-
Total assets	\$ 2,890	786	19,533	3,041
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	1,168
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	-	1,168
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved, reported in:				
Special revenue funds	2,890	786	19,533	1,873
	2,890	786	19,533	1,873
Total liabilities and fund equity	\$ 2,890	786	19,533	3,041

See accompanying independent auditor's report.

Special Revenue								
Bobwhite State Park	Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Foreiture	Conservation Land Acquisition	Debt Service	Total	
8,018	513,271	-	-	1,977	13,888	-	563,404	
-	-	1,067	2,954	-	-	-	4,021	
-	-	-	-	-	-	110	110	
-	-	-	-	-	-	25,000	25,000	
8,018	513,271	1,067	2,954	1,977	13,888	25,110	592,535	
510	-	-	-	-	-	-	1,678	
-	-	-	-	-	-	25,000	25,000	
-	-	-	-	-	-	105	105	
510	-	-	-	-	-	25,105	26,783	
-	-	-	-	-	-	5	5	
7,508	513,271	1,067	2,954	1,977	13,888	-	565,747	
7,508	513,271	1,067	2,954	1,977	13,888	5	565,752	
8,018	513,271	1,067	2,954	1,977	13,888	25,110	592,535	

Wayne County

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

Year ended June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Wetlands
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	4,137	-
Charges for service	1,696	-	-	-
Use of money and property	111	109	816	-
Miscellaneous	-	-	-	-
Total revenues	1,807	109	4,953	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	707	-
Governmental services to residents	3,451	6,940	-	-
Capital projects	-	-	5,203	6,694
Total expenditures	3,451	6,940	5,910	6,694
Excess (deficiency) of revenues over (under) expenditures	(1,644)	(6,831)	(957)	(6,694)
Other financing uses:				
Operating transfers out	-	-	-	-
Net change in fund balances	(1,644)	(6,831)	(957)	(6,694)
Fund balances beginning of year	4,534	7,617	20,490	8,567
Fund balances end of year	\$ 2,890	786	19,533	1,873

See accompanying independent auditor's report.

Special Revenue

Bobwhite State Park	Duncan Bequest	Wayne County Sheriff's Canine	Wayne County Sheriff's Reserve	Wayne County Sheriff's Forfeiture	Conservation Land Acquisition	Debt Service	Total
-	-	-	-	-	-	23,164	23,164
-	-	-	-	-	-	1,781	5,918
6,679	-	-	-	-	-	-	8,375
-	16,796	-	-	-	2,188	-	20,020
2,731	-	77	1,731	-	-	-	4,539
9,410	16,796	77	1,731	-	2,188	24,945	62,016
-	-	459	847	1,285	-	-	2,591
6,045	17,000	-	-	-	-	-	23,752
-	-	-	-	-	-	-	10,391
-	-	-	-	-	-	-	11,897
6,045	17,000	459	847	1,285	-	-	48,631
3,365	(204)	(382)	884	(1,285)	2,188	24,945	13,385
-	-	-	-	-	-	(24,940)	(24,940)
3,365	(204)	(382)	884	(1,285)	2,188	5	(11,555)
4,143	513,475	1,449	2,070	3,262	11,700	-	577,307
7,508	513,271	1,067	2,954	1,977	13,888	5	565,752

Wayne County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,559	139,967	96,256
Other County officials	9,920	-	-	-
Receivables:				
Property tax:				
Delinquent	-	257	538	15,089
Succeeding year	-	62,000	122,000	3,357,000
Accounts	-	-	-	-
Assessments	-	-	-	-
Prepaid insurance	-	-	50	-
Total assets	\$ 9,920	63,816	262,555	3,468,345
Liabilities				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	354	-
Due to other governments	4,222	63,816	256,873	3,468,345
Trusts payable	5,698	-	-	-
Compensated absences	-	-	5,328	-
Total liabilities	\$ 9,920	63,816	262,555	3,468,345

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
4,284	34,088	2,477	116,197	19,944	230,530	645,302
-	-	-	-	-	-	9,920
707	10,578	200	-	3,292	4	30,665
163,000	709,000	126,000	-	798,000	1,000	5,338,000
-	-	-	-	-	910	910
-	41,827	-	-	-	-	41,827
-	-	-	-	-	-	50
167,991	795,493	128,677	116,197	821,236	232,444	6,066,674
-	-	-	-	-	672	672
-	-	-	-	-	3,073	3,427
167,991	795,493	128,677	116,197	821,236	228,699	6,051,549
-	-	-	-	-	-	5,698
-	-	-	-	-	-	5,328
167,991	795,493	128,677	116,197	821,236	232,444	6,066,674

Wayne County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 11,040	59,547	249,512	3,632,850
Additions:				
Property and other county tax	-	57,730	113,468	3,099,281
E911 surcharge	-	-	-	-
State tax credits	-	4,144	8,672	254,108
Office fees and collections	207,740	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Drivers license fees	-	-	-	-
Assessments	-	-	-	-
Trusts	116,377	-	-	-
Miscellaneous	-	-	797	-
Total additions	324,117	61,874	122,937	3,353,389
Deductions:				
Agency remittances:				
To other funds	114,170	-	-	-
To other governments	93,622	57,605	109,894	3,517,894
Trusts paid out	117,445	-	-	-
Total deductions	325,237	57,605	109,894	3,517,894
Balances end of year	\$ 9,920	63,816	262,555	3,468,345

See accompanying independent auditor's report.

Community Colleges	Corporations and Special Assessments	Townships	Auto License and Use Tax	County Hospital	Other	Total
163,098	756,353	112,780	110,670	760,090	243,692	6,099,632
151,225	652,842	121,701	-	744,664	804	4,941,715
-	-	-	-	-	36,091	36,091
11,349	71,725	7,645	-	53,030	452	411,125
-	-	-	-	-	-	207,740
-	-	-	1,379,701	-	-	1,379,701
-	-	-	-	-	19,960	19,960
-	39,941	-	-	-	-	39,941
-	-	-	-	-	112,162	228,539
-	-	-	-	-	237,666	238,463
162,574	764,508	129,346	1,379,701	797,694	407,135	7,503,275
-	-	-	55,850	-	-	170,020
157,681	725,368	113,449	1,318,324	736,548	418,383	7,248,768
-	-	-	-	-	-	117,445
157,681	725,368	113,449	1,374,174	736,548	418,383	7,536,233
167,991	795,493	128,677	116,197	821,236	232,444	6,066,674

Wayne County
 Schedule of Revenues By Source and Expenditures By Function -
 All Governmental Funds
 For the Last Six Years

	Modified Accrual		
	2006	2005	2004
Revenues:			
Property and other county tax	\$ 1,927,731	1,921,146	1,886,630
Interest and penalty on property tax	33,737	39,013	31,256
Intergovernmental	3,198,154	2,932,444	2,728,114
Licenses and permits	2,585	4,455	3,110
Charges for service	265,761	258,540	286,578
Use of money and property	138,985	96,795	50,929
Miscellaneous	137,495	101,989	618,739
Total	\$ 5,704,448	5,354,382	5,605,356
Expenditures:			
Operating:			
Public safety and legal services	\$ 666,122	664,155	654,496
Physical health and social services	679,267	540,199	506,947
Mental health	768,428	803,813	770,381
County environment and education	258,890	283,393	341,574
Roads and transportation	2,476,437	2,134,371	1,886,025
Governmental services to residents	270,426	171,198	140,185
Administration	612,510	665,167	536,846
Non-program	30,993	34,875	32,897
Debt service	-	-	-
Capital projects	77,730	102,234	98,469
Total	\$ 5,840,803	5,399,405	4,967,820

See accompanying independent auditor's report.

Basis		
2003	2002	2001
1,909,597	1,917,364	2,061,493
33,296	32,833	30,329
2,509,435	2,628,927	2,705,893
3,470	4,340	3,380
243,145	254,266	309,704
57,569	63,847	139,244
143,782	128,498	31,891
4,900,294	5,030,075	5,281,934
663,662	675,716	544,095
527,257	446,912	432,350
848,038	789,342	670,637
267,999	261,827	241,607
1,916,921	1,931,912	2,041,994
136,866	125,352	114,128
518,242	473,438	428,470
38,248	48,340	112,193
-	65,528	65,527
131,915	151,487	289,535
5,049,148	4,969,854	4,940,536

Wayne County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Wayne County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wayne County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 3, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

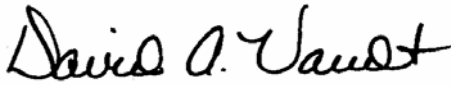
Compliance and Other Matters

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 that are described in the accompanying Schedule of Findings.

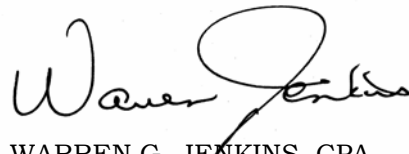
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 3, 2007

Wayne County
 Schedule of Findings
 Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

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

	Applicable Offices
(1) Incoming mail is opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received and then forward the documents to the accounting personnel for processing. The listing of cash and checks received was not compared to the cash receipt records by an independent person.	Sheriff, Recorder, Secondary Roads and Conservation
(2) Prenumbered receipts were issued for collections received directly from individuals (sheriff trust account, county fees, commissary and others). However, the prenumbered receipts were not compared to the amount deposited by an independent person.	Sheriff
(3) Collection and deposit preparation functions were not performed by an individual who does not record and account for cash receipts.	Recorder and Conservation (except recording)
(4) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. As a compensating control, bank reconciliations could be reviewed monthly by an independent person for propriety. The independent review should be evidenced by the reviewer’s initials or signature and date of review.	Sheriff and Recorder

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

Wayne County

Schedule of Findings

Year ended June 30, 2006

Responses –

Sheriff – Attempts have been made each year to improve on this issue. We feel we have made improvements but our efforts seem to be futile. The Wayne County Sheriff's Office is a 24 hour office. Employees meeting the description required do not work shifts that will accommodate recommendations. Three out of three employees that either sign checks or open the mail and record the checks work the same shift. We feel we have adequate checks and balances in place at this time and will take your recommendation under advisement. All current personnel available are utilized.

Review will be made of the bank reconciliation procedure and the office will obtain the maximum internal control possible under the circumstances to compare the receipts with deposits. The office is currently reviewing bank reconciliations monthly at the time the monthly report to the Wayne County Board of Supervisors is completed and has done so in the past. The sheriff initialed and dated the bank statement at the time of the review to certify the review, it was our understanding that this was acceptable. An additional office employee will be asked to review the statements.

Secondary Roads – The Engineer or his designated representative opens all incoming mail and causes the Secretary to log all payments received. The Secretary submits the payment to the County Treasurer and receives a receipt. These receipts are listed on Sheet 3 of the County Engineer's Annual Report.

Recorder – I don't know what comment to make to this other than we are a small county and we do what we can. The other offices have their own problems to deal with, so how can we expect them to help us. All value this job tremendously as does my deputy. We balance to the penny every day or we don't go home until we do. If the voters of Wayne County trust us, the State should to.

Conservation – The Conservation department has a full time staff of two individuals, both of whom share the duties of opening mail and preparing lists to be turned into the Wayne County Treasurer for deposit. This leaves no independent person in our organization to compare cash receipt records. The Conservation will try designating one person to open and one person to compare records in the future.

Conclusion – Response acknowledged. Each official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

- (B) Capital Assets – Detailed capital asset records are maintained. However, additions, deletions and transfers are not supported by written approved documentation as required by the Board of Supervisors' approved capital asset policy. Certain additions and deletions were not properly recorded on the detailed capital asset records.

Wayne County

Schedule of Findings

Year ended June 30, 2006

Recommendation – Capital asset additions, deletions and transfers should be supported by approved, written documentation as required by Board Policy. Procedures should be established to ensure the assets are properly added to or deleted from the capital asset records.

Response – Capital asset additions, deletions and transfers will be properly supported and the capital asset record will be properly updated for additions and deletions.

Conclusion – Response accepted.

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

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

Response – Recommendation will be taken under advisement, but no changes are foreseen at this time in the current procedure. Expenditures are made on items for the jail with proceeds from the commissary.

Conclusion – Response acknowledged. Commissary profits should be remitted to the County Treasurer and expenditures of these funds should be properly approved by the Board of Supervisors and reflected in the County's accounting and budgeting system.

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

Salaried personnel of the County Engineer's Office do not prepare and file timesheets.

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

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

Wayne County

Schedule of Findings

Year ended June 30, 2006

Response – Employee's are allowed a maximum of one year's vacation accrual beyond the anniversary date after the year the vacation was accrued.

All salaried personnel will log and file timesheets showing vacation and sick leave taken.

Conclusion – Response acknowledged. The Engineer should ensure vacation balances do not exceed allowable limits.

(E) Timely Deposits – Receipts from the State of Iowa were not always deposited timely.

Recommendation – To properly safeguard receipts and increase funds available for investment, receipts should be deposited timely.

Responses –

Auditor – We will watch this and not let it happen again.

Recorder – The Wayne County Recorder's Office makes a weekly deposit on Tuesdays unless Monday was a holiday. We then make deposits on Wednesday. The only reason we would hold a check would be because there was a problem with the document to be recorded. We would then hold the document until the problem was resolved.

Sheriff – Efforts for improvement will be made although some checks were forwarded to other areas or departments for processing.

Conservation – We have taken this under advisement and will deposit more frequently in the future.

Agricultural Extension – We have implemented procedures to ensure timely deposits of state checks.

Conclusion – Responses accepted.

(F) Conservation Board Minutes – Certain minutes of the meetings of the County Conservation Board were not signed.

Recommendation – The Conservation Board should ensure minutes are signed to authenticate the actions taken.

Response – The Conservation Board has taken measures to keep two signed sets of minutes. So, when these articles are past around and lost in the future, we will still have them signed and on hand.

Conclusion – Response acknowledged. One set of official, signed minutes should be maintained and retained.

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

- Requiring password changes because software does not require the user to change log-ins/passwords periodically.

Wayne County

Schedule of Findings

Year ended June 30, 2006

- Requiring passwords remain confidential between department heads and staff.
- Requiring all passwords to be a minimum of six characters.

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

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

Response – The County will work with CMS to develop standards for appropriate computer system security. The County will further work to develop an adequate disaster recovery plan for said technology.

Conclusion – Response accepted.

- (H) Lease Payments – The County budgeted and recorded payments on long-term leases to the roads and transportation and administration functions. In accordance with the Uniform Chart of Accounts for Counties, long-term lease payments are more appropriately budgeted and paid from the debt service function.

Recommendation – The County should budget and record payments on long-term leases as debt service function expenditures in accordance with the Uniform Chart of Accounts for Counties.

Response – We have set up line item expenditures from the debt service function and will pay those items from that area.

Conclusion – Response accepted.

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

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

Response – The Conservation department has looked into this and will, in the future, take all supplies out of the appropriate lines.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Wayne County

Schedule of Findings

Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the governmental services to residents function.

During the year ended June 30, 2006, disbursements in one department exceeded the amount appropriated. Also, although the Board of Supervisors acted to increase certain departmental appropriations by amendment, disbursements in one department exceeded the appropriation prior to re-appropriation.

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 – In the future, the budget will be amended to ensure adequate amounts to avoid exceeding the function budgets and appropriations.

Conclusion – Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Dale Housh, Conservation Board Member, owner of Lockridge, Inc.	Supplies and repairs - various County departments Supplies and repairs - Conservation Department	\$ 10,681 930
Kay Middlebrook, County Assessor, husband is owner of Middlebrook Amoco	Supplies - Assessor's Office Fuel, service and repairs - various County departments	82 894
Melinda Middlebrook, County CPC Administrator, father-in- law is owner of Middlebrook Amoco	Fuel, service and repairs - Mental Health Department	292

Wayne County

Schedule of Findings

Year ended June 30, 2006

The transactions with Dale Housh for supplies and repairs for various County departments do not appear to represent a conflict of interest in accordance with Chapter 331.342(14) of the Code of Iowa since the Conservation Director'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 contract.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Dale Housh for supplies and repairs for the Conservation Department and the transactions with Kay Middlebrook and Melinda Middlebrook do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) Financial Condition – Although the General Fund had a positive cash balance at June 30, 2006, on a modified accrual basis, an unreserved fund balance deficit of \$149,944 was reported in the General Fund.

During fiscal year 1998, the Board approved a \$550,000 interfund loan from the Special Revenue, Rural Services Fund to the General Fund. The Board has not established a formal repayment schedule for the loan and, at June 30, 2006, \$510,000 remains outstanding on the loan. In accordance with Chapter 331.432 of the Code of Iowa, it is unlawful to make permanent transfers of money between the General Fund and the Rural Services Fund.

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

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

Response – Claims will not be approved for payment when funds are not available.

The resolution regarding repayment of Rural Services funds from the General Fund will be amended to include a solid repayment schedule.

Conclusion – Response accepted.

Wayne County

Schedule of Findings

Year ended June 30, 2006

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

Disbursements during the year ended June 30, 2006 for the County Extension Office exceeded the amount budgeted.

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

Response – We will make every effort to amend our budget above spending levels and be mindful of the limit as we close the fiscal year.

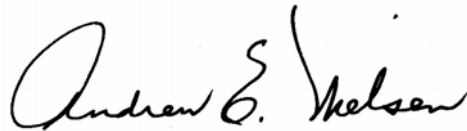
Conclusion – Response accepted.

Wayne County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Tammy L. Mason, CPA, Senior Auditor II
Nickolas J. Schaul, CPA, Staff Auditor
Marta M. Sobieszkoda, Assistant Auditor
Paula J. White, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State