

**HENRY COUNTY, IOWA**

Independent Auditors' Reports  
Basic Financial Statements  
and Supplementary Information  
Schedule of Findings

June 30, 2009

# HENRY COUNTY, IOWA

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# HENRY COUNTY, IOWA

## Officials

### (Before January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Young	Board of Supervisors	January 2009
Gary See	Board of Supervisors	January 2009
Marc Lindeen	Board of Supervisors	January 2011
Hettie Maschmann	County Auditor	January 2009
Ana Lorber	County Treasurer	January 2011
Shirley Wandling	County Recorder	January 2011
Allen Wittmer	County Sheriff	January 2009
Darin Stater	County Attorney	January 2011
Gary Dustman	County Assessor	January 2009

### (After January 2009)

Marc Lindeen	Board of Supervisors	January 2011
Gary See	Board of Supervisors	January 2013
Kent White	Board of Supervisors	January 2013
Hettie Maschmann	County Auditor	January 2013
Ana Lorber	County Treasurer	January 2011
Shirley Wandling	County Recorder	January 2011
Allen Wittmer	County Sheriff	January 2013
Darin Stater	County Attorney	January 2011
Gary Dustman	County Assessor	January 2013



204 North Main  
Mt. Pleasant, IA 52641  
(319) 385-9718  
Fax (319) 385-2612  
www.tdtpc.com

## TD & T Financial Group, P.C.

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Cedar Rapids  
Centerville  
Fairfield  
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Ottumwa  
Pella  
Sigourney

### Independent Auditors' Report

To the Officials of Henry County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Henry County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Henry 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 Henry County at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2010 on our consideration of Henry 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 4 through 10 and 35 through 37 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 Henry 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 four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. 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.

*T&T Financial Group, P.C.*

Mt. Pleasant, Iowa  
January 19, 2010

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Henry 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, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## **2009 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 4.9%, or approximately \$683,000, from fiscal 2008 to fiscal 2009. Property tax increased approximately \$275,000, operating grants and contributions decreased approximately \$101,000 and capital grants and contributions decreased approximately \$720,000.
- Program expenses of the County's governmental activities were 1.5%, or approximately \$201,000, more in fiscal 2009 than in fiscal 2008. County environment and education expenses increased approximately \$167,000.
- The County's net assets decreased 0.5%, or approximately \$169,000, from June 30, 2008 to June 30, 2009.

## **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 Henry 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 Henry 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 Henry 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, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) 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 E911 surcharge, 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. Henry County's combined net assets were virtually unchanged from a year ago, decreasing from approximately \$31.5 million to approximately \$31.3 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

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

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 12,379	12,219
Capital assets	<u>26,047</u>	<u>26,210</u>
Total assets	<u>38,426</u>	<u>38,429</u>
Long-term liabilities	457	574
Other liabilities	<u>6,626</u>	<u>6,343</u>
Total liabilities	<u>7,083</u>	<u>6,917</u>
Net assets:		
Invested in capital assets, net of related debt	26,047	26,210
Restricted	4,093	4,178
Unrestricted	<u>1,203</u>	<u>1,124</u>
Total net assets	<u>\$ 31,343</u>	<u>31,512</u>

Net assets of the Henry County's governmental activities decreased 0.5% (\$31.3 million compared to \$31.5 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from approximately \$1,124,000 at June 30, 2008 to approximately \$1,203,000 at the end of this year, an increase of 7.0%.

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

	Year Ended June 30,	
	2009	2008
Revenues:		
Program revenues:		
Charges for service	\$ 1,372	1,252
Operating grants and contributions	3,078	3,179
Capital grants and contributions	1,235	1,955
General revenues:		
Property tax	5,622	5,347
Penalty and interest on property tax	54	54
State tax credits	860	852
Local option sales tax	803	909
Unrestricted investment earnings	140	298
Other general revenues	1	2
Total revenues	13,165	13,848
Program expenses:		
Public safety and legal services	2,678	2,597
Physical health and social services	679	637
Mental health	2,404	2,388
County environment and education	986	819
Roads and transportation	4,929	4,995
Government services to residents	506	474
Administration	1,063	956
Non-program	83	255
Interest on long-term debt	6	12
Total expenses	13,334	13,133
Increase (decrease) in net assets	(169)	715
Net assets beginning of year	31,512	30,797
Net assets end of year	\$ 31,343	31,512

Henry County's net assets of governmental activities decreased approximately \$169,000 during the year. Revenues for governmental activities decreased approximately \$683,000 from the prior year, with property tax revenue up from the prior year by approximately \$275,000, or 5.1%.

The cost of all governmental activities this year was approximately \$13.3 million compared to approximately \$13.1 million last year. However, as shown in the Statement of Activities on page 12, the amount taxpayers ultimately financed for these activities was only \$7.6 million because some of the cost was paid by those who directly benefited from the programs (\$1,372,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,312,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2009 from approximately \$6,386,000 to approximately \$5,685,000. The County paid for the remaining "public benefit" portion of governmental activities (\$7,650,000) with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Henry County completed the year, its governmental funds reported a combined fund balance of approximately \$5.7 million, a decrease of approximately \$119,000 from last year's total of approximately \$5.8 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased by approximately \$170,000. The largest revenue increase was approximately \$205,000 in property taxes. General Fund expenditures increased by approximately \$399,000. The largest changes in expenditures were an increase of approximately \$104,000 in the public safety and legal service area, an increase of approximately \$187,000 in the county environment and education service area, and an increase of approximately \$67,000 in the administration service area. The ending fund balance decreased from approximately \$2,045,000 from the prior year to approximately \$2,013,000.
- Mental Health revenues totaled approximately \$2,350,000, an increase of 1.3% from the prior year. The Mental Health Fund balance at year end showed a decrease of approximately \$70,000 from the prior year to approximately \$660,000.
- Secondary Roads Fund receipts decreased by approximately \$16,000. Expenditures decreased by approximately \$577,000 from the prior year. These changes along with the transfer from the Rural Services Fund of approximately \$938,000 resulted in an increase in the Secondary Roads Fund ending balance of approximately \$30,000 or 1.5%.
- Rural Services revenues increased by approximately \$80,000. This change along with the transfer to the Secondary Roads Fund of approximately \$938,000 resulted in an increase in the ending fund balance of approximately \$47,000.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.
- Capital Project Fund receipts decreased by approximately \$4,000 and expenditures decreased by approximately \$218,000. There was no significant change in the fund balance of the Capital Project Fund.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the County amended its budget one time. The amendment was made in May 2009 to provide for additional expenditures in certain County departments. No increase in taxes was required.

The County's receipts were \$1,210,695 less than budgeted, a variance of 9%. The most significant variance resulted from the County receiving less intergovernmental receipts than anticipated.

Total disbursements were \$2,019,803 less than the amended budget. Actual disbursements for the public safety and legal services, mental health, roads and transportation, and capital projects functions were \$203,340, \$431,517, \$422,852, and \$607,503, respectively, less than budgeted.

Expenditures did not exceed the budgeted amounts for the year ended June 30, 2009.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2009, Henry County had approximately \$26 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$163,000, or 0.6% from last year.

#### Capital Assets of Governmental Activities at Year-End (Expressed in Thousands)

	June 30,	
	2009	2008
Land	\$ 3,797	3,797
Buildings, machinery and equipment	2,794	3,045
Work in progress	9	504
Infrastructure	19,447	18,864
	<hr/>	<hr/>
Total	\$ 26,047	26,210
This year's major additions included (in thousands):		
Vehicles and equipment		\$ 421
Capital assets contributed by the Iowa Department of Transportation		1,235
Other infrastructure		24
		<hr/>
Total		\$ 1,680

The County had depreciation expense of \$1,653,741 in FY09 and total accumulated depreciation of \$17,700,922 at June 30, 2009.

The County's fiscal year 2009 capital budget included \$739,050 for capital projects, principally for continued upgrading of secondary roads and bridges. The County has no plans to issue additional debt to finance these projects. Rather, the County will use resources on hand in the County's fund balance. More detailed information about the County's capital assets is presented in Note 7 to the financial statements.

### **Long-Term Debt**

At June 30, 2009, Henry County had approximately \$457,000 in debt outstanding, compared to approximately \$574,000 at June 30, 2008, as shown below. As of June 30, 2009 there were no general obligation capital loans outstanding.

#### Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)

	June 30,	
	2009	2008
General obligation capital loan	\$ -	145
Landfill closure and post closure costs	174	174
Compensated absences	283	255
	<hr/>	<hr/>
Totals	\$ 457	574

The County issued no new capital loan notes during the year ended June 30, 2009. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Henry County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$30 million. Additional information about the County's long-term debt is presented in Note 4 to the financial statements.

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

Henry County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. The County's population has grown 5.8% from 1990 to 2000, compared to the State of Iowa at 5.4% for the same time period. The persons under 18 and the persons over 65 are very close to the State figures. The median household money income (based on 1997 data) is slightly above the State figure of \$35,427 with a County figure of \$37,047. Other factors considered were county to county valuation comparisons, State cutbacks in revenue to counties, and the overall economy that is growing much more slowly than anticipated.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Henry 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 Henry County Auditor's Office, Mt. Pleasant, Iowa 52641.

**HENRY COUNTY, IOWA**  
**Statement of Net Assets**  
**June 30, 2009**

	Governmental Activities
<b>Assets</b>	
Cash and pooled investments	\$ 5,502,818
Receivables:	
Property tax:	
Delinquent	10,904
Succeeding year	6,024,294
Interest and penalty on property tax	18,526
Accounts	25,771
Accrued interest	36,437
Due from other governments	446,281
Inventories	226,365
Prepaid insurance	87,885
Capital assets (net of accumulated depreciation)	26,046,527
Total assets	38,425,808
<b>Liabilities</b>	
Accounts payable	254,487
Due to other governments	346,800
Deferred revenue:	
Succeeding year property tax	6,024,294
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	282,782
Portion due or payable after one year:	
Landfill closure and post closure costs	174,000
Total liabilities	7,082,363
<b>Net Assets</b>	
Invested in capital assets, net of related debt	26,046,527
Restricted for:	
Supplemental levy purposes	569,886
Mental health purposes	628,461
Secondary roads purposes	1,971,435
Capital projects	4,129
Debt service	13,350
Rural services purposes	122,512
Other purposes	783,870
Unrestricted	1,203,275
Total net assets	\$ 31,343,445

See notes to financial statements.

**HENRY COUNTY, IOWA**  
**Statement of Activities**  
**Year Ended June 30, 2009**

	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 2,678,243	238,418	42,000	-
Physical health and social services	678,995	48,344	204,530	-
Mental health	2,404,182	634,589	296,407	-
County environment and education	986,236	46,526	109,972	-
Roads and transportation	4,928,770	65,885	2,421,810	1,234,529
Governmental services to residents	505,855	288,570	2,801	-
Administration	1,062,551	31,456	-	-
Non-program	82,312	17,891	-	-
Interest on long-term debt	6,271	-	-	-
<b>Total</b>	<b>\$ 13,333,415</b>	<b>1,371,679</b>	<b>3,077,520</b>	<b>1,234,529</b>

**General Revenues:**

Property and other county tax levied for:

General purposes

Debt service

Penalty and interest on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

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Net (Expense)  
Revenue and  
Changes in  
Net Assets

---

(2,397,825)

(426,121)

(1,473,186)

(829,738)

(1,206,546)

(214,484)

(1,031,095)

(64,421)

(6,271)

---

(7,649,687)

---

5,470,726

151,175

54,412

860,119

802,726

140,798

921

---

7,480,877

---

(168,810)

31,512,255

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\$ 31,343,445

**HENRY COUNTY, IOWA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<u>Assets</u>				
Cash and pooled investments	\$ 1,947,100	915,423	136,397	1,745,575
Receivables:				
Property tax:				
Delinquent	7,637	1,627	1,334	-
Succeeding year	3,876,831	826,026	1,164,418	-
Interest and penalty on property tax	18,526	-	-	-
Accounts	25,289	35	-	134
Accrued interest	36,328	-	-	-
Due from other funds	-	-	-	2,513
Due from other governments	67,630	59,895	-	186,472
Inventories	-	-	-	226,365
Prepaid insurance	87,885	-	-	-
<b>Total assets</b>	<b>\$ 6,067,226</b>	<b>1,803,006</b>	<b>1,302,149</b>	<b>2,161,059</b>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 125,208	31,579	-	51,087
Due to other funds	2,259	254	-	-
Due to other governments	25,810	283,220	5	33,455
Notes payable	-	-	-	-
Deferred revenue:				
Succeeding year property tax	3,876,831	826,026	1,164,418	-
Other	23,661	1,449	1,114	-
<b>Total liabilities</b>	<b>4,053,769</b>	<b>1,142,528</b>	<b>1,165,537</b>	<b>84,542</b>
Fund balances:				
Reserved for:				
Supplemental levy purposes	569,886	-	-	-
Debt Service	-	-	-	-
Unreserved, reported in:				
General fund	1,443,571	-	-	-
Special revenue funds	-	660,478	136,612	2,076,517
Capital projects fund	-	-	-	-
<b>Total fund balances</b>	<b>2,013,457</b>	<b>660,478</b>	<b>136,612</b>	<b>2,076,517</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,067,226</b>	<b>1,803,006</b>	<b>1,302,149</b>	<b>2,161,059</b>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
13,315	4,481	740,527	5,502,818
306	-	-	10,904
157,019	-	-	6,024,294
-	-	-	18,526
-	-	313	25,771
-	-	109	36,437
-	-	-	2,513
-	-	132,284	446,281
-	-	-	226,365
-	-	-	87,885
170,640	4,481	873,233	12,381,794
-	352	46,261	254,487
-	-	-	2,513
-	-	4,310	346,800
-	-	-	-
157,019	-	-	6,024,294
271	-	-	26,495
157,290	352	50,571	6,654,589
-	-	-	569,886
13,350	-	-	13,350
-	-	-	1,443,571
-	-	822,662	3,696,269
-	4,129	-	4,129
13,350	4,129	822,662	5,727,205
170,640	4,481	873,233	12,381,794

**HENRY COUNTY, IOWA**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2009**

<b>Total governmental fund balances (page 13)</b>	\$	5,727,205
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$43,747,449 and the accumulated depreciation is \$17,700,922.		26,046,527
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		26,495
Long-term liabilities, including compensated absences payable and landfill closure and post closure costs are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(456,782)</u>
<b>Net assets of governmental activities (page 11)</b>	<b>\$</b>	<b><u><u>31,343,445</u></u></b>

**HENRY COUNTY, IOWA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2009**

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 3,594,557	803,947	1,082,557	-
Interest and penalty on property tax	54,712	-	-	-
Intergovernmental	558,812	911,511	60,039	2,417,451
Licenses and permits	150	-	-	5,185
Charges for service	430,849	619,527	-	45,619
Use of money and property	160,550	13,340	-	-
Miscellaneous	32,022	1,401	-	20,341
Total revenues	4,831,652	2,349,726	1,142,596	2,488,596
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	2,192,932	-	156,219	-
Physical health and social services	552,492	-	-	-
Mental health	-	2,420,009	-	-
County environment and education	554,742	-	-	-
Roads and transportation	-	-	-	3,301,873
Governmental services to residents	478,919	-	1,606	-
Administration	1,035,908	-	-	-
Non-program	27,043	-	-	-
Debt service	-	-	-	-
Capital projects	20,850	-	-	94,837
Total expenditures	4,862,886	2,420,009	157,825	3,396,710
Excess (deficiency) of revenues over (under) expenditures	(31,234)	(70,283)	984,771	(908,114)
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	937,944
Operating transfers out	-	-	(937,944)	-
Total other financing sources (uses)	-	-	(937,944)	937,944
Net change in fund balances	(31,234)	(70,283)	46,827	29,830
Fund balances beginning of year	2,044,691	730,761	89,785	2,046,687
Fund balances end of year	\$ 2,013,457	660,478	136,612	2,076,517

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
144,535	-	802,726	6,428,322
-	-	-	54,712
6,952	-	48,583	4,003,348
-	-	32,274	37,609
-	-	37,221	1,133,216
632	56	1,414	175,992
-	-	47,108	100,872
152,119	56	969,326	11,934,071
-	-	343,656	2,692,807
-	-	126,503	678,995
-	-	-	2,420,009
-	-	437,492	992,234
-	-	75,323	3,377,196
-	-	25,630	506,155
-	-	25,529	1,061,437
-	-	10,000	37,043
151,271	-	-	151,271
-	352	20,000	136,039
151,271	352	1,064,133	12,053,186
848	(296)	(94,807)	(119,115)
-	-	66,231	1,004,175
-	-	(66,231)	(1,004,175)
-	-	-	-
848	(296)	(94,807)	(119,115)
12,502	4,425	917,469	5,846,320
13,350	4,129	822,662	5,727,205

**HENRY COUNTY, IOWA**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
**to the Statement of Activities**  
**Year Ended June 30, 2009**

**Net change in fund balances - Total governmental funds (page 15)** \$ (119,115)

*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. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 281,634	
Capital assets contributed by the Iowa Department of Transportation	1,234,529	
Depreciation expense	<u>(1,653,741)</u>	(137,578)

In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (25,500)

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	(3,995)
--------------	---------

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

Repaid	145,000
--------	---------

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

Compensated absences	<u>(27,622)</u>
----------------------	-----------------

**Change in net assets of governmental activities (page 12)** **\$ (168,810)**

HENRY COUNTY, IOWA  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2009

Assets

Cash and pooled investments:		
County Treasurer	\$	1,043,907
Other County officials		51,732
Receivables:		
Property tax:		
Delinquent		33,615
Succeeding year		14,534,323
Accounts		23,010
Due from other governments		3,094
Accrued interest		295
Total assets		<u>15,689,976</u>

Liabilities

Accounts payable		18,069
Salaries and benefits payable		2,169
Due to other governments		15,618,860
Trusts payable		35,387
Compensated absences		15,491
Total liabilities		<u>15,689,976</u>
Net assets	\$	<u><u>-</u></u>

See notes to financial statements.

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2009**

Note 1 – Summary of Significant Accounting Policies

Henry County, Iowa 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, planning and zoning, 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, Henry 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. The County has no component units that meet the Governmental Accounting Standards Board criteria.

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: County Assessor's Conference Board, County Emergency Management Commission, County Public Safety Commission and County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

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, inter-governmental revenues and other nonexchange transactions.

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

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

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

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are 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.

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

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

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.

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity

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

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

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 becomes 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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.

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Fund Equity (Continued)

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, 2009, 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 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, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net 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 repairs 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.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings, machinery and equipment	3 – 50
Infrastructure	10 – 65

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2009

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Fund Equity (Continued)

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 vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. 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 Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

(continued)

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009**

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Fund Equity (Continued)

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are 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, 2009, disbursements did not exceed the amounts budgeted.

Note 2 – Cash and Pooled Investments

The County's deposits in banks at June 30, 2009 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.

At June 30, 2009 the County had \$3,555,000 invested in certificates of deposit.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,091,065 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 investment in the Iowa Public Agency Investment Trust is unrated.

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2009

Note 3 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads Conservation Fund	Special Revenue: Rural Services Conservation Land Acquisition Trust	\$ 937,944  <u>66,231</u>
Total		<u>\$ 1,004,175</u>

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

Note 4 – Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	General Obligation Capital Loan	Landfill Closure and Post Closure Costs	Compensated Absences	Total
Balance beginning of year	\$ 145,000	174,000	255,160	574,160
Increases	-	-	280,331	280,331
Decreases	145,000	-	252,709	397,709
Balance end of year	<u>\$ -</u>	<u>174,000</u>	<u>282,782</u>	<u>456,782</u>
Due within one year	<u>\$ -</u>	<u>-</u>	<u>282,782</u>	<u>282,782</u>

Note 5 – Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Mental Health General	\$ 254 <u>2,259</u>
Total		<u>\$ 2,513</u>

(continued)

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009**

Note 5 – Due From and Due to Other Funds (Continued)

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

Note 6 – Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ <u>25,810</u>
Special Revenue:		
Mental Health	Services	283,220
Rural Services	Services	5
Secondary Roads	Services	33,455
Economic Development	Services	<u>4,310</u>
		<u>320,990</u>
Total for governmental funds		\$ <u>346,800</u>
Agency:		
County Assessor	Collections	\$ 533,507
Schools		8,915,917
Community Colleges		678,760
Corporations		3,819,953
Townships		126,321
E911 Surcharge		147,538
Auto License and Use Tax		341,589
County Hospital		523,647
Agricultural Extension		189,161
All other		<u>342,467</u>
Total for agency funds		\$ <u>15,618,860</u>

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009**

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,796,562	-	-	3,796,562
Construction in progress	503,878	8,563	503,878	8,563
Total capital assets not being depreciated	4,300,440	8,563	503,878	3,805,125
Capital assets being depreciated:				
Buildings, machinery and equipment	7,381,525	420,646	497,873	7,304,298
Infrastructure, road network	30,883,798	1,754,228	-	32,638,026
Total capital assets being depreciated	38,265,323	2,174,874	497,873	39,942,324
Less accumulated depreciation for:				
Buildings, machinery and equipment	4,336,027	483,765	308,977	4,510,815
Infrastructure, road network	12,020,131	1,169,976	-	13,190,107
Total accumulated depreciation	16,356,158	1,653,741	308,977	17,700,922
Total capital assets being depreciated, net	21,909,165	521,133	188,896	22,241,402
Governmental activities capital assets, net	\$ 26,209,605	529,696	692,774	26,046,527
Depreciation expense was charged to the following functions:				
Governmental activities:				
Public safety and legal services				\$ 65,426
Mental health				2,810
County environment and education				16,248
Roads and transportation				1,517,090
Governmental services to residents				1,010
Administration				7,836
Non-program				23,081
Capital Projects				20,240
Total depreciation expense – governmental activities				\$ 1,653,741

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009**

Note 8 – Operating Leases

Henry County leases facilities for its operations. The lease term is from June 1, 2009 to May 31, 2010 with monthly lease payments due of \$600 per month.

The County also has an annual lease for the Waterworks Park with the Mount Pleasant Utilities. The lease term is from December 1, 2008 to November 30, 2009 with an annual lease payment of one dollar per year.

Total payments for these operating leases totaled \$7,201 for the year ended June 30, 2009.

The County leases out the Care Facility crop land. The current cash lease agreement began on March 1, 2009 and ends on March 1, 2012. Total annual cash rent due from the lessee is \$10,944. Payments include \$5,472 on or before June 1<sup>st</sup> and \$5,472 on or before December 1<sup>st</sup> of each year.

Note 9 – Risk Management

Henry County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 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 200 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.

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2009

Note 9 – Risk Management (Continued)

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 annual contributions to the Pool for the year ended June 30, 2009 were \$173,375.

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 \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 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 by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual 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 \$20,000, 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.

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009**

Note 10 – Closure and Post-Closure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure care costs have been estimated at \$435,000. Henry County's portion of the estimated liability is \$174,000 which represents 40% of the total estimated cost. A liability has been reported on these costs in the statement of net assets. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County budgets annually for the costs of testing at the landfill.

Note 11 – Garbage and Recycling Service Agreement

The County entered into a garbage and recycling services agreement with Whaley Waste System on May 14, 2002. The agreement is a five-year contract effective July 1, 2002. The County will pay \$6,850 per month plus disposal charges. The agreement allows for a 3% increase per year. On January 25, 2005, the County entered into an amendment to the agreement that increases the monthly cost to \$7,325 per month plus disposal charges. The amendment did not change the duration of the contract. However, on February 6, 2007, the County signed a three year extension ending July 1, 2010 with past and present amendments remaining in place.

Note 12 – Professional Consulting Service Agreement

The County entered into a professional consulting service agreement with Cost Advisory Services, Inc. on April 22, 2008. The agreement is a three-year contract for the annual development of a central services cost allocation plan for fiscal years 2008, 2009, and 2010. The County will pay one-half of recovered funds, not to exceed \$3,750 for each year.

Note 13 – Roadway Easement

As of June 27, 2006, Henry County entered into a road easement with Robert E. and Sandra C. Breazele for a period of fifteen years to provide access to Oakland Mills Park and recreational cabins within the park. The easement allows the use of a private gravel road owned by Robert and Sandra Breazele. During this easement, Henry County will be responsible for the maintenance of the area and also for extending the existing fence.

Note 14 – Actuarial Services Agreement

The County entered into an actuarial services agreement with SilverStone Group, Incorporated on April 6, 2009. This agreement is for actuarial and consulting services in connection with GASB 45 valuation and reporting and is effective through December 31, 2011. The maximum fees for the initial year valuation will be no more than \$3,250 plus \$3 per each active and retired employee. Rates for following years will be increased to reflect trends in hourly rates, but not to exceed 5% for each following year.

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009**

Note 15 – Human Resource Consulting Services Agreement

The County entered into an agreement with PJGreufe & Associates on December 23, 2008 to review existing practices, procedures and policies relating to Henry County's human resource activities and to revise the employee handbook. The total fee for this project is \$5,000. \$2,000 was paid upon signing the contract and the remainder of \$3,000 is due upon completion of the project.

The County also entered into a 12 month contract with PJGreufe & Associates beginning on April 1, 2009 to provide human resource consulting services and to oversee the administration of the negotiated collective bargaining agreement. The fee for these services is \$2,000 per month.

Note 16 – Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% 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 contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$294,681, \$263,994, and \$242,884, respectively, equal to the required contributions for each year.

Note 17 – Disposal Capacity Assurance Agreement

The County entered into a contract on June 28, 1995 with the Great River Regional Waste Authority for the assurance of landfill capacity. The County will pay an annual sum of \$15,063.91 for fifteen years. The annual payments will be due July 1st of each year, with the first payment due July 1, 1995, and the final payment due July 1, 2009. In return, the Authority will reserve 1,250 tons of rural residential waste disposal capacity per year from July 1, 1995, to June 30, 2010.

The County entered into an oral extension of the original contract on March 4, 2008. The County will pay the Great River Regional Waste Authority \$10,000 per year for eight years. The contract is for a new cell available to the County.

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009**

Note 18 – Economic Development Revolving Loan

Henry County created an Economic Development Revolving Loan Fund on March 30, 2004. Pursuant to the Development Plan entered into by Henry County Industrial Development Corporation and the City of Mt. Pleasant, Iowa, pursuant to the Urban Renewal Plan of the City of Mt. Pleasant, and all applicable State and Federal Laws including Iowa Code Chapters 368 and 403, Henry County Industrial Development Corporation has acquired and developed Crossroads Industrial Park to provide sites for industrial development. The amount of \$300,000 from the County's receipt of local sales and service tax receipts was provided for purposes of economic development through issuance of a loan to the Henry County Industrial Development Corporation to pay for the construction of a building at Crossroads Industrial Park and for no other purpose. After the sale of the building, the Henry County Board of Supervisors may direct that the loan be repaid. If repayment of the loan is not requested by the Supervisors, proceeds of the loan shall be retained by the Henry County Industrial Development Corporation for purposes of financing other economic development projects which will generate significant new jobs which are consistent with the factors set forth in Iowa Code section 15A.1(2) and for the purpose of economic development and public betterment.

Also, the amount of \$100,000 was transferred to the Southeast Iowa Regional Planning Commission to establish an Economic Development Revolving Loan Fund. Southeast Iowa Regional Planning Commission has agreed to manage the funds provided by the County for the operation and administration in complete compliance with all regulations as outlined in the County's Administrative Plan adopted by the County.

These notes receivable have not been recorded on the County's financial statements since the amount of the repayment cannot be determined.

Note 19 – Iowa Governmental Health Care Plan

The County, in conjunction with the City of Fairfield, Iowa, the City of Council Bluffs, Iowa, and other organizations entered into an agreement as authorized in Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The Counties, Cities, and the other participating organizations are contingently liable with respect to medical claims made by the participants in the plan. Employee Benefit Systems/Cobra Administrator (EBS) provides a service designed to administer compliance requirements. All claims handling procedures are performed by an independent claims administrator. Settled claims have not exceeded the plan coverage during any of the past three years.

The unaudited cash balance of the Henry County Health Care Plan was \$367,036 at June 30, 2009.

Note 20 – Subsequent Event

On September 3, 2009, Henry County issued \$700,000 in general obligation capital loan notes.

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009**

Note 21 – Henry County Industrial Development Corporation

Henry County Industrial Development Corporation (HCIDC) borrowed \$500,000 from Access Energy for the purpose of building a 50,000 square foot speculative building. As part of a joint support agreement, Henry County has committed to guarantee repayment of the loan if the building does not sell within four years of construction. Henry County is responsible for payments of \$15,625 in years 2012 through 2017. No interest would be paid on the contract.

Note 22 – Construction Commitment

The County has entered into a contract totaling \$522,159 for bridge construction. As of June 30, 2009 no costs have been incurred on the project. The balance of the contract will be paid as work on the project progresses.

Note 23 – Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the County. The Statements which might impact the County are as follows:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the County for the fiscal year ending June 30, 2010. This statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the County beginning with its year ending June 30, 2010. This statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. This standard provides that intangible assets be classified as capital assets, except for those explicitly excluded from the scope of the new standard. Relevant authoritative guidance for capital assets should be applied to these intangible assets.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the County beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

The County's management has not yet determined the effect these statements will have on the County's financial statements.

HENRY COUNTY, IOWA  
 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, 2009

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 6,445,666	-
Interest and penalty on property tax	53,516	-
Intergovernmental	4,058,424	-
Licenses and permits	36,503	-
Charges for services	1,131,715	-
Use of money and property	200,521	-
Miscellaneous	100,379	-
Total receipts	<u>12,026,724</u>	<u>-</u>
Disbursements:		
Public safety and legal services	2,696,574	-
Physical health and social services	668,928	-
Mental health	2,359,160	-
County environment and education	915,485	-
Roads and transportation	3,513,648	-
Governmental services to residents	489,766	-
Administration	1,055,941	-
Non-program	37,034	-
Debt Service	151,271	-
Capital Projects	131,547	-
Total disbursements	<u>12,019,354</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	7,370	-
Balance beginning of year	<u>5,495,448</u>	-
Balance end of year	<u><u>\$ 5,502,818</u></u>	-

See accompanying independent auditors' report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
6,445,666	6,525,623	6,525,623	(79,957)
53,516	55,000	55,000	(1,484)
4,058,424	5,004,733	5,138,893	(1,080,469)
36,503	33,380	33,380	3,123
1,131,715	1,199,550	1,199,550	(67,835)
200,521	237,638	237,638	(37,117)
100,379	40,700	47,335	53,044
<u>12,026,724</u>	<u>13,096,624</u>	<u>13,237,419</u>	<u>(1,210,695)</u>
2,696,574	2,894,914	2,899,914	203,340
668,928	766,165	785,375	116,447
2,359,160	2,790,677	2,790,677	431,517
915,485	935,078	1,043,121	127,636
3,513,648	3,936,500	3,936,500	422,852
489,766	544,471	544,471	54,705
1,055,941	1,083,574	1,104,074	48,133
37,034	42,100	44,700	7,666
151,271	151,100	151,275	4
131,547	739,050	739,050	607,503
<u>12,019,354</u>	<u>13,883,629</u>	<u>14,039,157</u>	<u>2,019,803</u>
7,370	(787,005)	(801,738)	809,108
<u>5,495,448</u>	<u>4,448,085</u>	<u>4,448,085</u>	<u>1,047,363</u>
<u>5,502,818</u>	<u>3,661,080</u>	<u>3,646,347</u>	<u>1,856,471</u>

**HENRY COUNTY, IOWA**  
**Budgetary Comparison Schedule -**  
**Budget to GAAP Reconciliation**  
**Required Supplementary Information**  
**Year Ended June 30, 2009**

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 12,026,724	(92,653)	11,934,071
Expenditures	12,019,354	33,832	12,053,186
Net	7,370	(126,485)	(119,115)
Beginning fund balances	5,495,448	350,872	5,846,320
Ending fund balances	\$ 5,502,818	224,387	5,727,205

See accompanying independent auditors' report

# HENRY COUNTY, IOWA

## Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2009

This 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 ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$155,528. 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, 2009, disbursements exceeded the amounts budgeted for Emergency Management Services.

**HENRY COUNTY, IOWA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2009**

	Resource Enhancement and Protection	Community Betterment	Historic Preservation Fund	Sheriff's Forfeiture Fund	County Recorder's Records Management
<u>Assets</u>					
Cash and pooled investments	\$ 112,383	243,800	20,702	12,561	22,878
Receivables:					
Accounts	-	-	-	-	313
Accrued interest	99	-	-	-	10
Due from other governments	-	132,284	-	-	-
 Total assets	 \$ 112,482	 376,084	 20,702	 12,561	 23,201
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ -	39,481	5,616	-	-
Due to other governments	-	-	-	-	-
Total liabilities	-	39,481	5,616	-	-
Fund balances:					
Unreserved	112,482	336,603	15,086	12,561	23,201
 Total liabilities and fund balances	 \$ 112,482	 376,084	 20,702	 12,561	 23,201

Economic Development	Conservation Land Acquisition Trust	County Recorder's Electronic Transaction Fee	Conservation Nature Center Fund	Conservation Fund	Attorney's Forfeiture Fund	Total
186,968	33,516	528	24,164	80,239	2,788	740,527
-	-	-	-	-	-	313
-	-	-	-	-	-	109
-	-	-	-	-	-	132,284
186,968	33,516	528	24,164	80,239	2,788	873,233
-	-	-	509	655	-	46,261
4,310	-	-	-	-	-	4,310
4,310	-	-	509	655	-	50,571
182,658	33,516	528	23,655	79,584	2,788	822,662
186,968	33,516	528	24,164	80,239	2,788	873,233

**HENRY COUNTY, IOWA**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2009**

	Resource Enhancement and Protection	Community Betterment	Historic Preservation Fund	Sheriff's Forfeiture Fund
<b>Revenues:</b>				
Property and other county tax	\$ -	802,726	-	-
Intergovernmental	18,917	15,349	14,317	-
Licenses and permits	-	32,274	-	-
Charges for service	-	5,001	-	-
Use of money and property	1,213	-	-	31
Miscellaneous	-	10,772	245	13,249
Total revenues	<u>20,130</u>	<u>866,122</u>	<u>14,562</u>	<u>13,280</u>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	-	338,500	-	2,884
Physical health and social services	-	126,503	-	-
County environment and education	1,878	382,433	12,818	-
Roads and transportation	-	75,323	-	-
Governmental services to residents	-	-	-	-
Administration	-	25,529	-	-
Non-program	-	10,000	-	-
Capital projects	-	20,000	-	-
Total expenditures	<u>1,878</u>	<u>978,288</u>	<u>12,818</u>	<u>2,884</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,252</u>	<u>(112,166)</u>	<u>1,744</u>	<u>10,396</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	18,252	(112,166)	1,744	10,396
Fund balances beginning of year	<u>94,230</u>	<u>448,769</u>	<u>13,342</u>	<u>2,165</u>
Fund balances end of year	<u>\$ 112,482</u>	<u>336,603</u>	<u>15,086</u>	<u>12,561</u>

See accompanying independent auditors' report.

County Recorder's Records Management	Economic Development	Conservation Land Acquisition Trust	County Recorder's Electronic Transaction Fee	Conservation Nature Center Fund	Conservation Fund	Attorney's Forfeiture Fund	Total
-	-	-	-	-	-	-	802,726
-	-	-	-	-	-	-	48,583
-	-	-	-	-	-	-	32,274
3,480	-	90	-	2,273	26,377	-	37,221
163	-	-	7	-	-	-	1,414
-	-	8,925	-	6,186	5,895	1,836	47,108
3,643	-	9,015	7	8,459	32,272	1,836	969,326
-	-	-	-	-	-	2,272	343,656
-	-	-	-	-	-	-	126,503
-	31,029	6,922	-	2,412	-	-	437,492
-	-	-	-	-	-	-	75,323
-	-	-	-	-	25,630	-	25,630
-	-	-	-	-	-	-	25,529
-	-	-	-	-	-	-	10,000
-	-	-	-	-	-	-	20,000
-	31,029	6,922	-	2,412	25,630	2,272	1,064,133
3,643	(31,029)	2,093	7	6,047	6,642	(436)	(94,807)
-	-	-	-	-	66,231	-	66,231
-	-	(66,231)	-	-	-	-	(66,231)
-	-	(66,231)	-	-	66,231	-	-
3,643	(31,029)	(64,138)	7	6,047	72,873	(436)	(94,807)
19,558	213,687	97,654	521	17,608	6,711	3,224	917,469
23,201	182,658	33,516	528	23,655	79,584	2,788	822,662

**HENRY COUNTY, IOWA**  
**Combining Schedule of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2009**

	County Offices			County Care Facility	Agricultural Extension Education	County Assessor
	County Auditor	County Recorder	County Sheriff			
<u>Assets</u>						
Cash and pooled investments:						
County Treasurer	\$	-	-	-	2,852	124,551
Other County officials		18,442	18,887	14,403	-	-
Receivables:						
Property tax:						
Delinquent		-	-	-	366	842
Succeeding year		-	-	-	185,943	427,812
Accounts		265	-	-	-	-
Due from other governments		-	-	-	-	-
Accrued interest		-	-	-	-	-
Total assets	\$	18,707	18,887	14,403	189,161	553,205
<u>Liabilities</u>						
Accounts payable	\$	-	-	-	-	2,038
Salaries and benefits payable		-	-	-	-	2,169
Due to other governments		18,707	-	-	189,161	533,507
Trusts payable		-	18,887	14,403	-	-
Compensated absences		-	-	-	-	15,491
Total liabilities	\$	18,707	18,887	14,403	189,161	553,205

(continued)

See accompanying independent auditors' report.

Schools	Community Colleges	Corporations	Townships	E911 Surcharge	Special Assessments
148,551	9,418	64,070	1,946	140,624	810
-	-	-	-	-	-
19,098	1,247	10,806	137	-	-
8,748,268	668,095	3,745,077	124,238	-	-
-	-	-	-	22,432	-
-	-	-	-	-	-
-	-	-	-	138	-
<u>8,915,917</u>	<u>678,760</u>	<u>3,819,953</u>	<u>126,321</u>	<u>163,194</u>	<u>810</u>
-	-	-	-	15,656	-
-	-	-	-	-	-
8,915,917	678,760	3,819,953	126,321	147,538	810
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,915,917</u>	<u>678,760</u>	<u>3,819,953</u>	<u>126,321</u>	<u>163,194</u>	<u>810</u>

**HENRY COUNTY, IOWA**  
**Combining Schedule of Fiduciary Assets and Liabilities (Continued)**  
**Agency Funds**  
**June 30, 2009**

	Fire Districts	Advance Tax	Auto License and Use Tax	County Recorder's Electronic Transaction Fee	County Hospital
<u>Assets</u>					
Cash and pooled investments:					
County Treasurer	\$ 1,549	2,097	341,589	322	7,793
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	101	-	-	-	1,015
Succeeding year	120,051	-	-	-	514,839
Accounts	-	-	-	313	-
Due from other governments	-	-	-	-	-
Accrued interest	-	-	-	-	-
<b>Total assets</b>	<b>\$ 121,701</b>	<b>2,097</b>	<b>341,589</b>	<b>635</b>	<b>523,647</b>
<u>Liabilities</u>					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other governments	121,701	-	341,589	635	523,647
Trusts payable	-	2,097	-	-	-
Compensated absences	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 121,701</b>	<b>2,097</b>	<b>341,589</b>	<b>635</b>	<b>523,647</b>

See accompanying independent auditor's report.

Civil Defense Emergency Management	Tax Sale Redemption Trust	Brucellosis and Tuberculosis Eradication	Empowerment Fund	Total
15,061	53,568	379	128,727	1,043,907
-	-	-	-	51,732
-	-	3	-	33,615
-	-	-	-	14,534,323
-	-	-	-	23,010
3,094	-	-	-	3,094
-	-	-	157	295
18,155	53,568	382	128,884	15,689,976
375	-	-	-	18,069
-	-	-	-	2,169
17,780	53,568	382	128,884	15,618,860
-	-	-	-	35,387
-	-	-	-	15,491
18,155	53,568	382	128,884	15,689,976

**HENRY COUNTY, IOWA**  
**Combining Schedule of Changes in Fiduciary**  
**Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2009**

	County Offices			County Care Facility	Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff		
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ -	21,967	34,818	18,768	182,859
Additions:					
Property and other county tax	-	-	-	-	180,558
E911 surcharge	-	-	-	-	-
State tax credits	-	-	-	-	8,534
Office fees and collections	838	246,911	243,980	-	-
Electronic transaction fee	-	-	-	-	-
Interest on investments	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	274,996	171,508	-
Miscellaneous	-	-	-	-	-
Total additions	838	246,911	518,976	171,508	189,092
Deductions:					
Agency remittances:					
To other funds	838	136,916	290,306	-	-
To other governments	-	113,255	-	-	182,790
Trusts paid out	-	-	244,601	175,873	-
Total deductions	838	250,171	534,907	175,873	182,790
Balances end of year	\$ -	18,707	18,887	14,403	189,161

(continued)

See accompanying independent auditors' report

County Assessor	Schools	Community Colleges	Corporations	Townships	E911 Surcharge	Special Assessments
540,712	9,346,059	611,089	3,646,069	122,463	152,117	-
417,435	8,464,681	646,407	4,271,212	121,342	-	-
-	-	-	-	-	154,466	-
16,640	448,145	28,193	159,164	6,862	-	-
173	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,047	-
-	-	-	-	-	-	-
-	-	-	-	-	-	13,429
-	-	-	-	-	-	-
625	-	-	-	-	5,069	-
434,873	8,912,826	674,600	4,430,376	128,204	161,582	13,429
-	-	-	-	-	-	-
422,380	9,342,968	606,929	4,256,492	124,346	150,505	12,619
-	-	-	-	-	-	-
422,380	9,342,968	606,929	4,256,492	124,346	150,505	12,619
553,205	8,915,917	678,760	3,819,953	126,321	163,194	810

**HENRY COUNTY, IOWA**  
**Combining Schedule of Changes in Fiduciary**  
**Assets and Liabilities (Continued)**  
**Agency Funds**  
**Year Ended June 30, 2009**

	Fire Districts	Advance Tax	Auto License and Use Tax	County Recorder's Electronic Transaction Fee
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 119,052	2,070	299,743	685
Additions:				
Property and other county tax	105,800	-	-	-
E911 surcharge	-	-	-	-
State tax credits	5,359	-	-	-
Office fees and collections	-	-	-	-
Electronic transaction fee	-	-	-	3,479
Interest on investments	-	-	-	-
Auto licenses, use tax and postage	-	-	4,139,191	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	7,932	-	-
Total additions	111,159	7,932	4,139,191	3,479
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	108,510	-	4,097,345	3,529
Trusts paid out	-	7,905	-	-
Total deductions	108,510	7,905	4,097,345	3,529
Balances end of year	\$ 121,701	2,097	341,589	635

See accompanying independent auditors' report

County Hospital	Civil Defense Emergency Management	Tax Sale Redemption Trust	Brucellosis and Tuberculosis Eradication	Empowerment Fund	Total
526,074	31,992	48,774	335	128,560	15,834,206
500,142	-	-	5,770	-	14,713,347
-	-	-	-	-	154,466
23,317	-	-	100	-	696,314
-	-	-	-	-	491,902
-	-	-	-	-	3,479
-	-	-	-	2,574	4,621
-	-	-	-	-	4,139,191
-	-	-	-	-	13,429
-	-	-	-	-	446,504
-	155,397	218,515	-	337,240	724,778
523,459	155,397	218,515	5,870	339,814	21,388,031
-	-	-	-	-	428,060
525,886	169,234	213,721	5,823	339,490	20,675,822
-	-	-	-	-	428,379
525,886	169,234	213,721	5,823	339,490	21,532,261
523,647	18,155	53,568	382	128,884	15,689,976

**HENRY COUNTY, IOWA**  
**Schedule of Revenues by Source and Expenditures by Function -**  
**All Governmental Funds**  
**For the Last Ten Years**

	2009	2008	2007	2006
<b>Revenues:</b>				
Property and other county tax	\$ 6,428,322	6,256,265	6,030,342	5,744,075
Interest and penalty on property tax	54,712	54,613	51,707	63,175
Intergovernmental	4,003,348	4,007,676	4,166,574	4,112,669
Licenses and permits	37,609	37,977	26,286	21,983
Charges for service	1,133,216	1,079,923	1,085,987	1,036,887
Use of money and property	175,992	334,003	376,657	283,310
Miscellaneous	100,872	123,047	90,461	63,533
<b>Total</b>	<b>\$ 11,934,071</b>	<b>11,893,504</b>	<b>11,828,014</b>	<b>11,325,632</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,692,807	2,589,262	2,390,505	2,337,219
Physical health and social services	678,995	636,927	575,500	457,298
Mental health	2,420,009	2,417,058	2,174,543	2,176,930
County environment and education	992,234	817,454	723,004	812,685
Roads and transportation	3,377,196	3,771,448	3,078,274	3,124,499
Governmental services to residents	506,155	464,697	471,210	899,360
Administration	1,061,437	977,325	958,748	959,002
Non-program	37,043	4,677	20,317	22,692
Debt Service	151,271	146,672	143,927	-
Capital Projects	136,039	567,491	845,593	543,658
<b>Total</b>	<b>\$ 12,053,186</b>	<b>12,393,011</b>	<b>11,381,621</b>	<b>11,333,343</b>

See accompanying independent auditors' report.

Modified Accrual Basis					
2005	2004	2003	2002	2001	2000
5,336,179	4,379,581	4,764,947	4,789,039	4,908,811	4,437,857
61,687	65,711	186,253	59,776	61,110	59,684
4,233,685	4,536,342	3,582,143	3,831,461	3,858,117	3,378,845
2,455	425	5,605	7,780	6,315	5,115
869,478	787,498	682,749	668,192	608,064	617,078
122,278	82,151	106,483	240,211	453,145	399,254
84,596	448,703	221,634	53,794	158,987	296,142
<b>10,710,358</b>	<b>10,300,411</b>	<b>9,549,814</b>	<b>9,650,253</b>	<b>10,054,549</b>	<b>9,193,975</b>
2,075,236	1,985,029	1,808,178	1,660,734	1,553,607	1,495,625
1,116,744	674,561	819,266	566,556	650,277	452,936
2,079,953	1,938,760	2,115,734	2,134,805	2,303,286	2,398,312
352,567	630,331	627,944	547,983	452,379	430,593
2,949,915	2,640,111	2,648,650	2,874,376	2,439,581	2,349,338
759,414	675,291	507,507	395,897	363,838	326,914
1,044,354	1,410,046	906,120	838,547	942,681	726,634
48,558	85,211	86,691	14,103	42,716	68,239
-	-	-	-	-	-
329,616	555,458	650,530	581,618	1,018,733	642,144
<b>10,756,357</b>	<b>10,594,798</b>	<b>10,170,620</b>	<b>9,614,619</b>	<b>9,767,098</b>	<b>8,890,735</b>



204 North Main  
Mt. Pleasant, IA 52641  
(319) 385-9718  
Fax (319) 385-2612  
www.tdtpc.com

## TD & T Financial Group, P.C.

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Pella  
Sigourney

Independent Auditors' 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 Henry County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Henry County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2010. 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 Henry County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Henry County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Henry County's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Henry County's financial statements that is more than inconsequential will not be prevented or detected by Henry County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Henry County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 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.

Henry County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Henry County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Henry County and other parties to whom Henry County may report, including federal awarding agencies and pass-through entities. 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 the assistance extended to us by personnel of Henry 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.

*TD&T Financial Group, P.C.*

Mt. Pleasant, Iowa  
January 19, 2010

HENRY COUNTY, IOWA  
Schedule of Findings  
Year Ended June 30, 2009

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

(continued)

HENRY COUNTY, IOWA  
Schedule of Findings (Continued)  
Year Ended June 30, 2009

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

**SIGNIFICANT DEFICIENCIES:**

II-A-09 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that 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.

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.

Response – With limited staff, we segregate responsibilities the best we can. With a small office it is sometimes hard to separate certain office functions.

Conclusion – Response accepted.

II-B-09 Financial Reporting – During the audit, we identified material misstatements in the general ledger that were not initially identified by the County’s internal control. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all necessary journal entries and accruals are identified and included in the County’s financial statements. A procedure should also be implemented for each department to review capital asset listings on a routine basis to ensure accuracy.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

(continued)

HENRY COUNTY, IOWA  
Schedule of Findings (Continued)  
Year Ended June 30, 2009

**Part II: Findings Related to the Financial Statements (Continued):**

**SIGNIFICANT DEFICIENCIES (Continued):**

II-C-09 County Care Facility – The County Care Facility activity bank account had an authorized check signer that is not a current County employee. In addition, cash ledgers were not kept up-to-date and both cash ledgers as well as resident checking account balances did not match actual ending balances.

Recommendation – The Care Facility should only have authorized check signers that are current County employees. In addition, ledger balances should be reconciled to actual balances on a monthly basis.

Response – We will verify the activity cash on a regular basis and allow only current County employees to be authorized check signers. We will revise our current procedures to ensure that account balances are reconciled monthly.

Conclusion – Response accepted.

(continued)

HENRY COUNTY, IOWA  
Schedule of Findings (Continued)  
Year Ended June 30, 2009

**Part II: Findings Related to the Financial Statements (Continued):**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

(continued)

**HENRY COUNTY, IOWA**  
**Schedule of Findings (Continued)**  
**Year Ended June 30, 2009**

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

III-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted for Emergency Management.

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

Response – We will amend the budget when required, in the future.

Conclusion – Response accepted.

III-B-09 Questionable Expenditures – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

III-D-09 Business Transactions – Business transactions between the County and County officials, employees, or immediate family members of officials or employees were as follows:

<u>Name and Business Connection</u>	<u>Transactions Description</u>	<u>Amount</u>
Billy Mortland (Spouse of Employee)	Services	\$ 75
Riverside Collision (Son of Employee)	Services	2,572
Florence Smith (Spouse of Employee)	Services	3,300
Rick Smith (Employee)	Services	5,775
Kalvyn Bentler (Son of Employee)	Services	240
Tom Jacobsmeier (Employee)	Services	522
Jeff Ridenour (Spouse of Employee)	Services	215
Emily Schinstock (Spouse of Employee)	Services	100
Kay Wesely (Spouse of Employee)	Services	45
Blanca Wittmer (Spouse of Employee)	Services	34
Angie Wittmer (Daughter of Employee)	Services	108
Duraclean (Brother of Employee)	Services	424
The Catering Co. (Employee)	Meals	72

In accordance with Chapter 331.342 of the Code of Iowa, all of the transactions except with Florence Smith, Riverside Collision and Rick Smith do not appear to represent a conflict of interest since totals were less than \$1,500 during the fiscal year. Transactions with Florence Smith, Riverside Collision and Rick Smith may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

(continued)

HENRY COUNTY, IOWA  
Schedule of Findings (Continued)  
Year Ended June 30, 2009

**Part III: Other Findings Related to Required Statutory Reporting (Continued):**

III-D-09 Business Transactions (Continued):

Response – We will take the appropriate action to dispose of this matter.

Conclusion – Response accepted.

III-E-09 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

III-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-09 Deposits and Investments – We noted no instances of non-compliance with deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy.

III-H-09 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).

III-I-09 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, 2009 for the County Extension Office did not exceed the amount budgeted.

III-J-09 Code of Ordinances – The County does not have a Code of Ordinances compiled every five years.

Recommendation – The Code of Ordinances containing all of the County ordinances in effect should be compiled and published as required by Chapter 331.302(9) of the Code of Iowa.

Response – We are in the process of redoing our zoning ordinance and subdivision ordinance. When this is completed, we will comply with Chapter 331.302(9) of the Code of Iowa.

Conclusion – Response accepted.

HENRY COUNTY, IOWA  
Audit Staff

This audit was performed by:

TD&T FINANCIAL GROUP, P.C.  
Certified Public Accountants  
Mt. Pleasant, Iowa

Personnel:

Tom Holtkamp, CPA, Principal

Ted M. Wiegand, CPA, Senior Staff Accountant

Jaime Ackles, CPA, Staff Accountant

Megan Nelson, CPA, Staff Accountant