

HENRY COUNTY, IOWA

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

June 30, 2010

HENRY COUNTY, IOWA

Table of Contents

	<u>Page</u>
Officials -----	1
Independent Auditors' Report -----	2-3
Management's Discussion and Analysis -----	4-10
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets ----- A	11
Statement of Activities -----B	12
Governmental Fund Financial Statements:	
Balance Sheet -----C	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets ----- D	14
Statement of Revenues, Expenditures and Changes in Fund Balances -----E	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities -----F	16
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds ----- G	17
Notes to Financial Statements -----	18-37
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds -----	38
Budget to GAAP Reconciliation -----	39
Notes to Required Supplementary Information – Budgetary Reporting -----	40
Schedule of Funding Progress for the Retiree Health Plan -----	41
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet ----- 1	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances ----- 2	43
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities ----- 3	44-45
Combining Schedule of Changes in Fiduciary Assets and Liabilities ----- 4	46-47
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds ----- 5	48
Schedule of Expenditures of Federal Awards-----6	49-50
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 <i>Government Auditing Standards</i> -----	51-52
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133-----	53-54
Schedule of Findings and Questioned Costs -----	55-62
Audit Staff -----	63

HENRY COUNTY, IOWA

Officials

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



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Ottumwa
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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, 2010, 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, 2010, 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 28, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2003 (which are not presented herein) were audited by other auditors who expressed qualified opinions on the financial statements due to the effects of the omission of general fixed assets. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2002 (which are not presented herein) and expressed qualified opinions on those financial statements due to the effects of the omission of general fixed assets. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

TD&T Financial Group, P.C.

Mt. Pleasant, Iowa
January 28, 2011

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, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 21.2%, or approximately \$2,794,000, from fiscal 2009 to fiscal 2010. Property tax increased approximately \$245,000, operating grants and contributions increased approximately \$761,000 and capital grants and contributions increased approximately \$1,908,000.
- Program expenses of the County's governmental activities were 4.9%, or approximately \$657,000, more in fiscal year 2010 than in fiscal year 2009. Public safety and legal services increased approximately \$169,000, physical health and social services expenses increased approximately \$274,000, and mental health expenses increased approximately \$104,000.
- The County's net assets increased 6.3%, or approximately \$1,968,000, from June 30, 2009 to June 30, 2010.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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, increasing from approximately \$31.3 million to approximately \$33.3 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	June 30,	
	2010	2009
Current and other assets	\$ 12,898	12,379
Capital assets	28,642	26,047
Total assets	<u>41,540</u>	<u>38,426</u>
Long-term liabilities	1,206	457
Other liabilities	7,023	6,626
Total liabilities	<u>8,229</u>	<u>7,083</u>
Net assets:		
Invested in capital assets, net of related debt	28,458	26,047
Restricted	3,726	4,093
Unrestricted	<u>1,127</u>	<u>1,203</u>
Total net assets	<u>\$ 33,311</u>	<u>31,343</u>

Net assets of Henry County's governmental activities increased 6.3% (\$33.3 million compared to \$31.3 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—decreased from approximately \$1,203,000 at June 30, 2009 to approximately \$1,127,000 at the end of this year, a decrease of 6.3%.

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

	Year Ended June 30,	
	2010	2009
Revenues:		
Program revenues:		
Charges for service	\$ 1,395	1,372
Operating grants and contributions	3,839	3,078
Capital grants and contributions	3,143	1,235
General revenues:		
Property tax	5,867	5,622
Penalty and interest on property tax	65	54
State tax credits	795	860
Local option sales tax	695	803
Grants and contributions not restricted to specific purposes	91	-
Unrestricted investment earnings	69	140
Other general revenues	-	1
Total revenues	15,959	13,165
Program expenses:		
Public safety and legal services	2,847	2,678
Physical health and social services	953	679
Mental health	2,508	2,404
County environment and education	900	986
Roads and transportation	4,932	4,929
Governmental services to residents	565	506
Administration	1,088	1,063
Non-program	177	83
Interest on long-term debt	21	6
Total expenses	13,991	13,334
Increase (decrease) in net assets	1,968	(169)
Net assets beginning of year	31,343	31,512
Net assets end of year	\$ 33,311	31,343

Henry County's net assets of governmental activities increased approximately \$1,968,000 during the year. Revenues for governmental activities increased approximately \$2,794,000 from the prior year, with property tax revenue up from the prior year approximately \$245,000, or 4.4%.

The cost of all governmental activities this year was approximately \$14 million compared to approximately \$13.3 million last year. However, as shown in the Statement of Activities on page 12, the amount taxpayers ultimately financed for these activities was only \$5.6 million because some of the cost was paid by those who directly benefited from the programs (\$1,395,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$6,982,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in fiscal year 2010 from approximately \$5,685,000 to approximately \$8,377,000. The County paid for the remaining "public benefit" portion of governmental activities (\$5,614,000) with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general revenues.

INDIVIDUAL MAJOR FUND ANALYSIS

As Henry County completed the year, its governmental funds reported a combined fund balance of approximately \$5.8 million, an increase of approximately \$116,000 from last year's total of approximately \$5.7 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 \$412,000 and General Fund expenditures increased by approximately \$406,000. The ending fund balance showed a modest decline of approximately \$26,000 from the prior year to approximately \$1,988,000.
- Mental Health revenues and expenditures remained consistent when compared to the prior year. The Mental Health Fund balance at year end decreased approximately \$205,000 from the prior year.
- There were no significant changes in revenues, expenditures and the fund balance of the Rural Services Fund.
- Secondary Roads Fund receipts increased by approximately \$529,000. Expenditures increased by approximately \$457,000 from the prior year, due principally to a bridge construction project completed during the fiscal year. These changes along with the transfer from the Rural Services Fund of approximately \$982,000 resulted in an increase in the Secondary Roads Fund ending balance of approximately \$146,000 or 7%.
- During the year ended June 30, 2010, the County issued \$700,000 of general obligation capital loan notes to help finance improvements at the County courthouse and for improvements and equipping the County Care Facility, Sheriff's office and County I.T. The proceeds from the capital loan notes were placed in the Capital Project Fund set up to account for these major projects. Approximately \$382,000 remained in the Capital Projects Fund at the end of the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the County amended its budget one time. The amendment was made in May 2010 to provide for additional expenditures in certain County departments. No increase in taxes was required.

The County's receipts were \$576,909 less than budgeted, a variance of 4.3%. The most significant variances resulted from the County receiving less intergovernmental receipts and charges for services than anticipated.

Total disbursements were \$1,394,587 less than the amended budget. Actual disbursements for the public safety and legal services, mental health, and capital projects functions were \$236,220, \$330,164, and \$412,862, respectively, less than budgeted.

During the year ended June 30, 2010, disbursements exceeded the amounts originally budgeted in the county environment and education and physical health and social services function before being amended. Disbursements in certain departments also exceeded the amounts originally appropriated before being amended. However, disbursements did not exceed the amended budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, Henry County had approximately \$28.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2,595,000, or 10% from last year.

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

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 3,848	3,797
Buildings, machinery and equipment	2,861	2,794
Work in progress	481	9
Infrastructure	21,452	19,447
	<hr/>	<hr/>
Total	\$ 28,642	26,047

This year's major additions included (in thousands):

Vehicles and equipment	\$ 222
Adult Daycare remodel and parking lot	262
Capital assets contributed by the Iowa Department of Transportation	3,142
Other infrastructure	618
Land	<u>52</u>
	<hr/>
Total	\$ <u>4,296</u>

The County had depreciation expense of \$1,700,567 in fiscal year 2010 and total accumulated depreciation of \$19,329,980 at June 30, 2010.

The County's fiscal year 2010 capital budget included \$1,395,400 for capital projects, principally for repairs and renovation of the County courthouse and 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 note proceeds from this year and 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, 2010, Henry County had \$560,000 in general obligation capital loan notes outstanding, compared to no general obligation capital loan notes outstanding at June 30, 2009.

Debt increased as a result of issuing general obligation capital loan notes for the courthouse improvements and for improvements and equipping the County Care Facility, Sheriff's office and County I.T.

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 \$32 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 2011 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. Unemployment in the County was at 9.3% at June 30, 2010 versus 8.6% a year ago. This compares with the State's unemployment rate of 6.7% and the national rate of 9.5% as of June 30, 2010. 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, 2010

	Governmental Activities
Assets	
Cash and pooled investments	\$ 5,552,047
Receivables:	
Property tax:	
Delinquent	13,510
Succeeding year	6,540,272
Interest and penalty on property tax	18,956
Accounts	20,159
Accrued interest	12,241
Due from other governments	462,764
Inventories	188,077
Prepaid insurance	89,825
Capital assets (net of accumulated depreciation)	28,641,681
Total assets	41,539,532
Liabilities	
Accounts payable	246,948
Due to other governments	236,252
Deferred revenue:	
Succeeding year property tax	6,540,272
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	135,000
Compensated absences	364,007
Portion due or payable after one year:	
Notes payable	425,000
Compensated absences	40,446
Net OPEB liability	67,056
Landfill closure and post closure costs	174,000
Total liabilities	8,228,981
Net Assets	
Invested in capital assets, net of related debt	28,458,177
Restricted for:	
Supplemental levy purposes	520,873
Mental health purposes	403,405
Secondary roads purposes	2,068,037
Capital projects	5,549
Debt service	23,159
Rural services purposes	166,209
Other purposes	537,740
Unrestricted	1,127,402
Total net assets	\$ 33,310,551

See notes to financial statements.

HENRY COUNTY, IOWA
Statement of Activities
Year Ended June 30, 2010

	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 2,847,344	185,568	139,727	-
Physical health and social services	952,628	137,916	251,327	-
Mental health	2,507,649	639,522	265,412	-
County environment and education	899,588	47,122	217,543	-
Roads and transportation	4,932,171	76,192	2,941,338	3,142,258
Governmental services to residents	565,557	282,483	23,581	-
Administration	1,087,704	13,267	-	-
Non-program	177,076	13,184	330	-
Interest on long-term debt	21,394	-	-	-
Total	\$ 13,991,111	1,395,254	3,839,258	3,142,258

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

Grants and contributions not restricted to specific purposes

Unrestricted investment earnings

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

Net (Expense)
Revenue and
Changes in
Net Assets

(2,522,049)

(563,385)

(1,602,715)

(634,923)

1,227,617

(259,493)

(1,074,437)

(163,562)

(21,394)

(5,614,341)

5,713,951

152,762

65,245

795,234

694,627

90,846

68,782

7,581,447

1,967,106

31,343,445

\$ 33,310,551

HENRY COUNTY, IOWA
Balance Sheet
Governmental Funds
June 30, 2010

<u>Assets</u>	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Cash and pooled investments	\$ 1,940,628	562,546	182,670	1,990,475
Receivables:				
Property tax:				
Delinquent	9,451	1,803	1,948	-
Succeeding year	4,329,953	825,824	1,240,198	-
Interest and penalty on property tax	18,956	-	-	-
Accounts	11,391	4,466	-	167
Accrued interest	12,147	-	-	-
Due from other funds	-	1,118	-	3,099
Due from other governments	75,487	67,809	-	178,240
Inventories	-	-	-	188,077
Prepaid insurance	89,825	-	-	-
Total assets	\$ 6,487,838	1,463,566	1,424,816	2,360,058
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 37,776	49,781	-	134,041
Due to other funds	3,761	440	-	-
Due to other governments	101,528	130,350	-	3,984
Deferred revenue:				
Succeeding year property tax	4,329,953	825,824	1,240,198	-
Other	27,144	1,662	1,589	-
Total liabilities	4,500,162	1,008,057	1,241,787	138,025
Fund balances:				
Reserved for:				
Supplemental levy purposes	520,873	-	-	-
Debt Service	-	-	-	-
Unreserved, reported in:				
General fund	1,466,803	-	-	-
Special revenue funds	-	455,509	183,029	2,222,033
Capital projects fund	-	-	-	-
Total fund balances	1,987,676	455,509	183,029	2,222,033
Total liabilities and fund balances	\$ 6,487,838	1,463,566	1,424,816	2,360,058

See notes to financial statements.

Nonmajor	Total
875,728	5,552,047
308	13,510
144,297	6,540,272
-	18,956
4,135	20,159
94	12,241
-	4,217
141,228	462,764
-	188,077
-	89,825
<u>1,165,790</u>	<u>12,902,068</u>

25,350	246,948
16	4,217
390	236,252
144,297	6,540,272
284	30,679
<u>170,337</u>	<u>7,058,368</u>

-	520,873
23,159	23,159
-	1,466,803
590,249	3,450,820
382,045	382,045
<u>995,453</u>	<u>5,843,700</u>
<u>1,165,790</u>	<u>12,902,068</u>

HENRY COUNTY, IOWA
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2010

Total governmental fund balances (page 13)	\$	5,843,700
 <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 \$47,971,661 and the accumulated depreciation is \$19,329,980.		28,641,681
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		30,679
Long-term liabilities, including notes payable, compensated absences payable, other postemployment benefits 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>(1,205,509)</u>
Net assets of governmental activities (page 11)	\$	<u><u>33,310,551</u></u>

HENRY COUNTY, IOWA
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,773,148	803,596	1,134,603	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	63,679	-	-	-
Intergovernmental	767,199	827,872	55,767	2,936,781
Licenses and permits	250	-	-	6,575
Charges for service	457,419	623,344	-	65,469
Use of money and property	94,360	8,863	-	-
Miscellaneous	87,191	7,315	-	8,705
Total revenues	<u>5,243,246</u>	<u>2,270,990</u>	<u>1,190,370</u>	<u>3,017,530</u>
Expenditures:				
Operating:				
Public safety and legal services	2,404,637	-	160,460	-
Physical health and social services	833,710	-	-	-
Mental health	-	2,475,959	-	-
County environment and education	390,590	-	-	-
Roads and transportation	-	-	-	3,227,010
Governmental services to residents	535,592	-	1,703	-
Administration	1,054,126	-	-	-
Non-program	30,763	-	-	-
Debt service	-	-	-	-
Capital projects	19,609	-	-	626,794
Total expenditures	<u>5,269,027</u>	<u>2,475,959</u>	<u>162,163</u>	<u>3,853,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,781)</u>	<u>(204,969)</u>	<u>1,028,207</u>	<u>(836,274)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	981,790
Operating transfers out	-	-	(981,790)	-
General obligation capital loan issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(981,790)</u>	<u>981,790</u>
Net change in fund balances	(25,781)	(204,969)	46,417	145,516
Fund balances beginning of year	<u>2,013,457</u>	<u>660,478</u>	<u>136,612</u>	<u>2,076,517</u>
Fund balances end of year	<u>\$ 1,987,676</u>	<u>455,509</u>	<u>183,029</u>	<u>2,222,033</u>

See notes to financial statements.

Nonmajor	Total
152,748	5,864,095
694,627	694,627
-	63,679
83,256	4,670,875
43,193	50,018
42,895	1,189,127
1,623	104,846
19,507	122,718
<u>1,037,849</u>	<u>12,759,985</u>

360,868	2,925,965
118,918	952,628
-	2,475,959
488,097	878,687
75,115	3,302,125
22,062	559,357
12,279	1,066,405
12,000	42,763
149,694	149,694
331,804	978,207
<u>1,570,837</u>	<u>13,331,790</u>

<u>(532,988)</u>	<u>(571,805)</u>
------------------	------------------

-	981,790
-	(981,790)
688,300	688,300
<u>688,300</u>	<u>688,300</u>

155,312	116,495
840,141	5,727,205
<u>995,453</u>	<u>5,843,700</u>

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, 2010

Net change in fund balances - Total governmental funds (page 15) \$ 116,495

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,101,673	
Capital assets contributed by the Iowa Department of Transportation	3,142,258	
Capital assets contributed by the City of Mount Pleasant	51,790	
Depreciation expense	<u>(1,700,567)</u>	2,595,154

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		4,184
--------------	--	-------

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 issues exceeded repayments, as follows:

Issued	(700,000)	
Repaid	<u>140,000</u>	(560,000)

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	(121,671)	
Other postemployment benefits	<u>(67,056)</u>	<u>(188,727)</u>

Change in net assets of governmental activities (page 12) **\$ 1,967,106**

See notes to financial statements.

HENRY COUNTY, IOWA
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

Assets

Cash and pooled investments:		
County Treasurer	\$	1,057,317
Other County officials		77,541
Receivables:		
Property tax:		
Delinquent		38,032
Succeeding year		16,626,324
Accounts		22,553
Accrued interest		78
Total assets		<u>17,821,845</u>

Liabilities

Accounts payable		2,342
Salaries and benefits payable		1,819
Due to other governments		17,752,222
Trusts payable		52,745
Compensated absences		12,717
Total liabilities		<u>17,821,845</u>
Net assets	\$	<u><u>-</u></u>

See notes to financial statements.

HENRY COUNTY, IOWA
Notes to Financial Statements
June 30, 2010

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 E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

(continued)

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

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 the following categories.

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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, 2010

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.

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, 2010

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, 2010

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

(continued)

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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.

(continued)

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, Secondary Roads, and Community Betterment 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.

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.

(continued)

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the county environment and education and physical health and social services functions before being amended. Disbursements in certain departments also exceeded the amounts appropriated before being amended. However, disbursements did not exceed the amended budgeted amounts.

F. Date of Management's Review

Management has evaluated subsequent events through January 28, 2011, the date which the statements were available to be issued.

Note 2 – Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 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, 2010 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 \$2,363,829 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, 2010

Note 3 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>981,790</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, 2010 is as follows:

	General Obligation Capital Loan	Landfill Closure and Post Closure Costs	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ -	174,000	282,782	-	456,782
Increases	700,000	-	300,268	67,056	1,067,324
Decreases	140,000	-	178,597	-	318,597
Balance end of year	\$ 560,000	174,000	404,453	67,056	1,205,509
Due within one year	\$ 135,000	-	364,007	-	499,007

(continued)

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

Note 4 – Long-Term Liabilities (Continued)

Capital Loan Notes Payable

A summary of the County's June 30, 2010 general obligation capital loan notes indebtedness is as follows:

<u>Year ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	1.55%	\$ 135,000	11,318	146,318
2012	1.80	140,000	9,225	149,225
2013	2.20	140,000	6,705	146,705
2014	2.50	<u>145,000</u>	<u>3,625</u>	<u>148,625</u>
Total		\$ <u>560,000</u>	<u>30,873</u>	<u>590,873</u>

Note 5 – Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Mental Health	\$ 440
	Historic Preservation Fund	16
	General	2,643
Mental Health	General	<u>1,118</u>
Total		\$ <u>4,217</u>

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

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

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>101,528</u>
Special Revenue:		
Mental Health	Services	130,350
Secondary Roads	Services	3,984
Historic Preservation Fund	Services	90
Conservation Fund	Services	<u>300</u>
		<u>134,724</u>
Total for governmental funds		\$ <u><u>236,252</u></u>
Agency:		
County Assessor	Collections	\$ 669,796
Schools		10,763,702
Community Colleges		689,636
Corporations		3,970,455
Townships		131,562
E911 Surcharge		150,231
Auto License and Use Tax		388,087
County Hospital		553,373
Agricultural Extension		195,632
All other		<u>239,748</u>
Total for agency funds		\$ <u><u>17,752,222</u></u>

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,796,562	51,790	-	3,848,352
Construction in progress	8,563	480,945	8,563	480,945
Total capital assets not being depreciated	3,805,125	532,735	8,563	4,329,297
Capital assets being depreciated:				
Buildings, machinery and equipment	7,304,298	494,644	73,941	7,725,001
Infrastructure, road network	32,638,026	3,279,337	-	35,917,363
Total capital assets being depreciated	39,942,324	3,773,981	73,941	43,642,364
Less accumulated depreciation for:				
Buildings, machinery and equipment	4,510,815	424,994	71,509	4,864,300
Infrastructure, road network	13,190,107	1,275,573	-	14,465,680
Total accumulated depreciation	17,700,922	1,700,567	71,509	19,329,980
Total capital assets being depreciated, net	22,241,402	2,073,414	2,432	24,312,384
Governmental activities capital assets, net	\$ 26,046,527	2,606,149	10,995	28,641,681
Depreciation expense was charged to the following functions:				
Governmental activities:				
Public safety and legal services				\$ 66,737
Mental health				3,818
County environment and education				17,770
Roads and transportation				1,562,985
Governmental services to residents				288
Administration				7,241
Non-program				23,081
Capital projects				18,647
Total depreciation expense – governmental activities				\$ 1,700,567

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

Note 8 – Operating Leases

Henry County leases facilities for its operations. The lease term is from June 1, 2010 to May 31, 2011 with monthly lease payments due of \$600 per month.

Total payments for this operating lease totaled \$7,200 for the year ended June 30, 2010.

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 1st and \$5,472 on or before December 1st of each year.

Note 9 – Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 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, 2010

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, 2010 were \$177,133.

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 \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, 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 casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$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, 2010

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 February 11, 2010. This agreement is a five-year contract setting the minimum haul rate at \$82 per ton for the duration of the agreement.

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 – Human Resource Consulting Services Agreement

The County entered into a 12 month contract with PJGreufe & Associates beginning on April 1, 2010 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 15 – Software Support Agreement

The County entered into a contract with Solutions on June 28, 2010 beginning on July 1, 2010 through June 30, 2011 to provide software support. The total cost for this software support agreement was \$47,915.

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

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 4.30% of their annual covered salary and the County is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$319,750, \$294,681 and \$263,994, respectively, equal to the required contributions for each year.

Note 17 – Other Postemployment Benefits (OPEB)

Henry County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2010.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. As of June 30, 2010 there were 104 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

(continued)

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

Note 17 – Other Postemployment Benefits (OPEB) (Continued)

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$	68,106
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		68,106
Contributions made		(1,050)
Increase in net OPEB obligation		67,056
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	67,056

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$1,050 to the medical plan. Plan members eligible for benefits contributed \$6,492, or 86% of the premium costs.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
June 30, 2010	\$68,106	1.5%	\$67,056

Funded Status and Funding Progress. As of January 1, 2010, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$533,454, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$533,454. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,262,000 and the ratio of the UAAL to covered payroll was 12.51%. As of June 30, 2010, there were no trust fund assets.

(continued)

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

Note 17 – Other Postemployment Benefits (OPEB) (Continued)

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

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

As of the January 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on Scale T-2 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$831 per month for retirees less than age 65 and \$914 for spouses less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 18 – 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 through June 30, 2010. The County entered into an oral extension of the original contract on March 4, 2008 to 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, 2010

Note 19 – 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 20 – Great River Housing Trust Fund

On September 15, 2009 a resolution was issued to authorize Henry County to become a member of the Great River Housing Trust Fund to assist in regional development activity to create a viable housing program. Henry County agreed to contribute a \$2,000 cash match to the fund to benefit low to moderate income households in the region.

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.

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2010

Note 22 – 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 \$443,503 at June 30, 2010.

Note 23 – Construction Commitments

The County has entered into contracts totaling \$72,915 for Courthouse repairs and renovation that will take place after June 30, 2010.

Note 24 – Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued a statement not yet implemented by the County. The Statement which might impact the County is as follows:

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 this statement 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, 2010

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 6,566,356	-
Interest and penalty on property tax	64,825	-
Intergovernmental	4,667,857	-
Licenses and permits	51,014	-
Charges for services	1,181,408	-
Use of money and property	129,046	-
Miscellaneous	122,499	-
Total receipts	<u>12,783,005</u>	<u>-</u>
Disbursements:		
Public safety and legal services	2,912,318	-
Physical health and social services	888,662	-
Mental health	2,610,442	-
County environment and education	1,015,824	-
Roads and transportation	3,204,987	-
Governmental services to residents	541,908	-
Administration	1,072,940	-
Non-program	42,763	-
Debt Service	149,694	-
Capital Projects	982,538	-
Total disbursements	<u>13,422,076</u>	<u>-</u>
Deficiency of receipts under disbursements	(639,071)	-
Other financing sources, net	<u>688,300</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	49,229	-
Balance beginning of year	<u>5,502,818</u>	<u>-</u>
Balance end of year	<u>\$ 5,552,047</u>	<u>-</u>

See accompanying independent auditors' report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
6,566,356	6,721,400	6,721,400	(155,044)
64,825	53,300	53,300	11,525
4,667,857	4,517,022	4,813,421	(145,564)
51,014	34,500	42,500	8,514
1,181,408	1,468,230	1,468,230	(286,822)
129,046	215,513	215,513	(86,467)
122,499	45,550	45,550	76,949
12,783,005	13,055,515	13,359,914	(576,909)
2,912,318	3,140,563	3,148,538	236,220
888,662	801,864	918,480	29,818
2,610,442	2,940,606	2,940,606	330,164
1,015,824	925,674	1,171,606	155,782
3,204,987	3,611,000	3,311,000	106,013
541,908	572,160	581,960	40,052
1,072,940	1,123,157	1,146,157	73,217
42,763	43,400	43,400	637
149,694	159,516	159,516	9,822
982,538	1,128,400	1,395,400	412,862
13,422,076	14,446,340	14,816,663	1,394,587
(639,071)	(1,390,825)	(1,456,749)	817,678
688,300	600,000	600,000	88,300
49,229	(790,825)	(856,749)	905,978
5,502,818	4,714,152	4,714,152	788,666
5,552,047	3,923,327	3,857,403	1,694,644

HENRY COUNTY, IOWA
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 12,783,005	(23,020)	12,759,985
Expenditures	13,422,076	(90,286)	13,331,790
Net	(639,071)	67,266	(571,805)
Other financing sources, net	688,300	-	688,300
Beginning fund balances	5,502,818	224,387	5,727,205
Ending fund balances	\$ 5,552,047	291,653	5,843,700

See accompanying independent auditors' report.

HENRY COUNTY, IOWA
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2010

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, the 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 \$370,323. 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, 2010, disbursements exceeded the amounts originally budgeted in the county environment and education and physical health and social services functions before being amended. Disbursements in certain departments also exceeded the amounts originally appropriated before being amended. However, disbursements did not exceed the amended budgeted amounts.

HENRY COUNTY, IOWA
Schedule of Funding Progress for the
Retiree Health Plan (In Thousands)

Required Supplementary Information

June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jan. 1, 2010	-	\$ 533	533	0.00%	4,262	12.51%

See Note 17 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

HENRY COUNTY, IOWA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

<u>Assets</u>	Resource Enhancement and Protection	Community Betterment	Historic Preservation Fund	Sheriff's Forfeiture Fund	County Recorder's Records Management
Cash and pooled investments	\$ 125,023	55,135	10,563	10,790	19,293
Receivables:					
Property tax					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	-	-	-	319
Accrued interest	85	-	-	-	9
Due from other governments	-	141,228	-	-	-
Total assets	\$ 125,108	196,363	10,563	10,790	19,621
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ -	24,709	-	-	-
Due to other funds	-	-	16	-	-
Due to other governments	-	-	90	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	-	24,709	106	-	-
Fund balances:					
Reserved for debt service	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	125,108	171,654	10,457	10,790	19,621
Capital projects fund	-	-	-	-	-
Total fund balances	125,108	171,654	10,457	10,790	19,621
Total liabilities and fund balances	\$ 125,108	196,363	10,563	10,790	19,621

See accompanying independent auditors' report.

Special Revenue Funds

Economic Development	Conservation Land Acquisition Trust	County Recorder's Electronic Transaction Fee	Conservation Nature Center Fund	Conservation Fund	Attorney's Forfeiture Fund	Debt Service	Capital Projects	Total
112,824	25,401	529	12,893	94,043	4,054	23,135	382,045	875,728
-	-	-	-	-	-	308	-	308
-	-	-	-	-	-	144,297	-	144,297
-	-	-	-	3,816	-	-	-	4,135
-	-	-	-	-	-	-	-	94
-	-	-	-	-	-	-	-	141,228
112,824	25,401	529	12,893	97,859	4,054	167,740	382,045	1,165,790
-	-	-	341	300	-	-	-	25,350
-	-	-	-	-	-	-	-	16
-	-	-	-	300	-	-	-	390
-	-	-	-	-	-	144,297	-	144,297
-	-	-	-	-	-	284	-	284
-	-	-	341	600	-	144,581	-	170,337
-	-	-	-	-	-	23,159	-	23,159
112,824	25,401	529	12,552	97,259	4,054	-	-	590,249
-	-	-	-	-	-	-	382,045	382,045
112,824	25,401	529	12,552	97,259	4,054	23,159	382,045	995,453
112,824	25,401	529	12,893	97,859	4,054	167,740	382,045	1,165,790

HENRY COUNTY, IOWA
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010

	Resource Enhancement and Protection	Community Betterment	Historic Preservation Fund	Sheriff's Forfeiture Fund	County Recorder's Records Management
Revenues:					
Property and other county tax	\$ -	-	-	-	-
Local option sales tax	-	694,627	-	-	-
Intergovernmental	18,421	43,184	14,966	-	-
Licenses and permits	-	43,193	-	-	-
Charges for service	-	4,163	-	-	3,118
Use of money and property	998	-	-	17	116
Miscellaneous	-	5,650	135	-	-
Total revenues	<u>19,419</u>	<u>790,817</u>	<u>15,101</u>	<u>17</u>	<u>3,234</u>
Expenditures:					
Operating:					
Public safety and legal services	-	358,878	-	1,788	-
Physical health and social services	-	118,918	-	-	-
County environment and education	6,793	358,576	19,730	-	-
Roads and transportation	-	75,115	-	-	-
Governmental services to residents	-	-	-	-	6,814
Administration	-	12,279	-	-	-
Non-program	-	12,000	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	20,000	-	-	-
Total expenditures	<u>6,793</u>	<u>955,766</u>	<u>19,730</u>	<u>1,788</u>	<u>6,814</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,626</u>	<u>(164,949)</u>	<u>(4,629)</u>	<u>(1,771)</u>	<u>(3,580)</u>
Other financing sources (uses):					
General obligation capital loan issued	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	12,626	(164,949)	(4,629)	(1,771)	(3,580)
Fund balances beginning of year	<u>112,482</u>	<u>336,603</u>	<u>15,086</u>	<u>12,561</u>	<u>23,201</u>
Fund balances end of year	<u>\$ 125,108</u>	<u>171,654</u>	<u>10,457</u>	<u>10,790</u>	<u>19,621</u>

See accompanying independent auditors' report.

Special Revenue Funds

County									
Economic	Conservation	Recorder's	Conservation		Attorney's	Debt	Capital	Total	
Development	Land	Electronic	Nature	Conservation	Forfeiture	Service	Projects		
	Acquisition	Transaction	Center	Fund	Fund	Fund			
	Trust	Fee	Fund						
-	-	-	-	-	-	-	152,748	-	152,748
-	-	-	-	-	-	-	-	-	694,627
-	15	-	-	-	-	-	6,670	-	83,256
-	-	-	-	-	-	-	-	-	43,193
-	270	-	2,977	32,367	-	-	-	-	42,895
-	-	1	-	-	-	-	85	406	1,623
-	590	-	10,094	556	1,468	-	-	1,014	19,507
-	875	1	13,071	32,923	1,468	159,503	-	1,420	1,037,849
-	-	-	-	-	-	202	-	-	360,868
-	-	-	-	-	-	-	-	-	118,918
69,834	8,990	-	24,174	-	-	-	-	-	488,097
-	-	-	-	-	-	-	-	-	75,115
-	-	-	-	15,248	-	-	-	-	22,062
-	-	-	-	-	-	-	-	-	12,279
-	-	-	-	-	-	-	-	-	12,000
-	-	-	-	-	-	-	149,694	-	149,694
-	-	-	-	-	-	-	-	311,804	331,804
69,834	8,990	-	24,174	15,248	202	149,694	-	311,804	1,570,837
(69,834)	(8,115)	1	(11,103)	17,675	1,266	9,809	(310,384)		(532,988)
-	-	-	-	-	-	-	-	688,300	688,300
-	-	-	-	-	-	-	-	688,300	688,300
(69,834)	(8,115)	1	(11,103)	17,675	1,266	9,809	377,916		155,312
182,658	33,516	528	23,655	79,584	2,788	13,350	4,129		840,141
112,824	25,401	529	12,552	97,259	4,054	23,159	382,045		995,453

HENRY COUNTY, IOWA
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

	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	\$	-	-	-	2,995	204,147
Other County officials		24,949	41,458	11,134	-	-
Receivables:						
Property tax:						
Delinquent		-	-	-	419	987
Succeeding year		-	-	-	192,218	479,292
Accounts		116	-	-	-	-
Accrued interest		-	-	-	-	-
Total assets	\$	-	25,065	41,458	11,134	195,632
						684,426
<u>Liabilities</u>						
Accounts payable	\$	-	-	-	-	94
Salaries and benefits payable		-	-	-	-	1,819
Due to other governments		25,065	-	-	195,632	669,796
Trusts payable		-	41,458	11,134	-	-
Compensated absences		-	-	-	-	12,717
Total liabilities	\$	-	25,065	41,458	11,134	195,632
						684,426

(continued)

See accompanying independent auditors' report.

Schools	Community Colleges	Corporations	Townships	E911 Surcharge	Special Assessments
156,433	10,204	71,406	1,775	130,439	-
-	-	-	-	-	-
22,702	1,483	10,865	227	-	-
10,584,567	677,949	3,888,184	129,560	-	-
-	-	-	-	21,490	-
-	-	-	-	78	-
<u>10,763,702</u>	<u>689,636</u>	<u>3,970,455</u>	<u>131,562</u>	<u>152,007</u>	<u>-</u>
-	-	-	-	1,776	-
-	-	-	-	-	-
10,763,702	689,636	3,970,455	131,562	150,231	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,763,702</u>	<u>689,636</u>	<u>3,970,455</u>	<u>131,562</u>	<u>152,007</u>	<u>-</u>

HENRY COUNTY, IOWA
Combining Schedule of Fiduciary Assets and Liabilities (Continued)
Agency Funds
June 30, 2010

	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	\$ 1,436	153	388,087	727	8,294
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	158	-	-	-	1,187
Succeeding year	130,662	-	-	-	543,892
Accounts	-	-	-	947	-
Accrued interest	-	-	-	-	-
Total assets	\$ 132,256	153	388,087	1,674	553,373
<u>Liabilities</u>					
Accounts payable	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other governments	132,256	-	388,087	1,674	553,373
Trusts payable	-	153	-	-	-
Compensated absences	-	-	-	-	-
Total liabilities	\$ 132,256	153	388,087	1,674	553,373

See accompanying independent auditor's report.

Civil Defense Emergency Management	Tax Sale Redemption Trust	Brucellosis and Tuberculosis Eradication	Empowerment Fund	Total
50,278	30,536	407	-	1,057,317
-	-	-	-	77,541
-	-	4	-	38,032
-	-	-	-	16,626,324
-	-	-	-	22,553
-	-	-	-	78
50,278	30,536	411	-	17,821,845

472	-	-	-	2,342
-	-	-	-	1,819
49,806	30,536	411	-	17,752,222
-	-	-	-	52,745
-	-	-	-	12,717
50,278	30,536	411	-	17,821,845

HENRY COUNTY, IOWA
Combining Schedule of Changes in Fiduciary
Assets and Liabilities
Agency Funds
Year Ended June 30, 2010

	County Offices			County Care Facility	Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff		
Assets and Liabilities					
Balances beginning of year	\$ -	18,707	18,887	14,403	189,161
Additions:					
Property and other county tax	-	-	-	-	187,229
E911 surcharge	-	-	-	-	-
State tax credits	-	-	-	-	8,000
Office fees and collections	637	249,321	281,374	-	-
Electronic transaction fee	-	-	-	-	-
Interest on investments	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	520,885	193,917	-
Miscellaneous	-	-	-	-	-
Total additions	637	249,321	802,259	193,917	195,229
Deductions:					
Agency remittances:					
To other funds	637	104,534	298,591	-	-
To other governments	-	138,429	-	-	188,758
Trusts paid out	-	-	481,097	197,186	-
Total deductions	637	242,963	779,688	197,186	188,758
Balances end of year	\$ -	25,065	41,458	11,134	195,632

(continued)

See accompanying independent auditors' report.

County Assessor	Schools	Community Colleges	Corporations	Townships	E911 Surcharge	Special Assessments
553,205	8,915,917	678,760	3,819,953	126,321	163,194	810
467,841	11,295,830	630,844	4,460,249	126,573	-	-
-	-	-	-	-	111,701	-
18,407	432,537	27,344	157,147	6,380	-	-
177	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,163	-
-	-	-	-	-	-	-
-	-	-	-	-	-	10,792
-	-	-	-	-	-	-
55	-	-	-	-	770	-
486,480	11,728,367	658,188	4,617,396	132,953	113,634	10,792
-	-	-	-	-	-	-
355,259	9,880,582	647,312	4,466,894	127,712	124,821	11,602
-	-	-	-	-	-	-
355,259	9,880,582	647,312	4,466,894	127,712	124,821	11,602
684,426	10,763,702	689,636	3,970,455	131,562	152,007	-

HENRY COUNTY, IOWA
Combining Schedule of Changes in Fiduciary
Assets and Liabilities (Continued)
Agency Funds
Year Ended June 30, 2010

	Fire Districts	Advance Tax	Auto License and Use Tax	County Recorder's Electronic Transaction Fee
Assets and Liabilities				
Balances beginning of year	\$ 121,701	2,097	341,589	635
Additions:				
Property and other county tax	117,774	-	-	-
E911 surcharge	-	-	-	-
State tax credits	4,792	-	-	-
Office fees and collections	-	-	-	-
Electronic transaction fee	-	-	-	9,260
Interest on investments	-	-	-	-
Auto licenses, use tax and postage	-	-	4,472,404	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	4,056	-	-
Total additions	122,566	4,056	4,472,404	9,260
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	112,011	-	4,425,906	8,221
Trusts paid out	-	6,000	-	-
Total deductions	112,011	6,000	4,425,906	8,221
Balances end of year	\$ 132,256	153	388,087	1,674

See accompanying independent auditors' report.

County Hospital	Civil Defense Emergency Management	Tax Sale Redemption Trust	Brucellosis and Tuberculosis Eradication	Empowerment Fund	Total
523,647	18,155	53,568	382	128,884	15,689,976
530,109	-	-	5,633	-	17,822,082
-	-	-	-	-	111,701
22,152	-	-	81	-	676,840
-	-	-	-	-	531,509
-	-	-	-	-	9,260
-	-	-	-	199	1,362
-	-	-	-	-	4,472,404
-	-	-	-	-	10,792
-	-	-	-	-	714,802
-	189,726	184,416	-	-	379,023
552,261	189,726	184,416	5,714	199	24,729,775
-	-	-	-	-	403,762
522,535	157,603	207,448	5,685	129,083	21,509,861
-	-	-	-	-	684,283
522,535	157,603	207,448	5,685	129,083	22,597,906
553,373	50,278	30,536	411	-	17,821,845

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

	2010	2009	2008	2007
Revenues:				
Property and other county tax	\$ 5,864,095	5,625,596	5,346,817	5,287,941
Local option sales tax	694,627	802,726	909,448	742,401
Interest and penalty on property tax	63,679	54,712	54,613	51,707
Intergovernmental	4,670,875	4,003,348	4,007,676	4,166,574
Licenses and permits	50,018	37,609	37,977	26,286
Charges for service	1,189,127	1,133,216	1,079,923	1,085,987
Use of money and property	104,846	175,992	334,003	376,657
Miscellaneous	122,718	100,872	123,047	90,461
Total	\$ 12,759,985	11,934,071	11,893,504	11,828,014
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,925,965	2,692,807	2,589,262	2,390,505
Physical health and social services	952,628	678,995	636,927	575,500
Mental health	2,475,959	2,420,009	2,417,058	2,174,543
County environment and education	878,687	992,234	817,454	723,004
Roads and transportation	3,302,125	3,377,196	3,771,448	3,078,274
Governmental services to residents	559,357	506,155	464,697	471,210
Administration	1,066,405	1,061,437	977,325	958,748
Non-program	42,763	37,043	4,677	20,317
Debt Service	149,694	151,271	146,672	143,927
Capital Projects	978,207	136,039	567,491	845,593
Total	\$ 13,331,790	12,053,186	12,393,011	11,381,621

See accompanying independent auditors' report.

Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
4,982,817	4,601,265	3,736,759	4,208,579	4,144,157	4,537,073
761,258	734,914	642,822	556,368	644,882	371,738
63,175	61,687	65,711	186,253	59,776	61,110
4,112,669	4,233,685	4,536,342	3,582,143	3,831,461	3,858,117
21,983	2,455	425	5,605	7,780	6,315
1,036,887	869,478	787,498	682,749	668,192	608,064
283,310	122,278	82,151	106,483	240,211	453,145
63,533	84,596	448,703	221,634	53,794	158,987
11,325,632	10,710,358	10,300,411	9,549,814	9,650,253	10,054,549
2,337,219	2,075,236	1,985,029	1,808,178	1,660,734	1,553,607
457,298	1,116,744	674,561	819,266	566,556	650,277
2,176,930	2,079,953	1,938,760	2,115,734	2,134,805	2,303,286
812,685	352,567	630,331	627,944	547,983	452,379
3,124,499	2,949,915	2,640,111	2,648,650	2,874,376	2,439,581
899,360	759,414	675,291	507,507	395,897	363,838
959,002	1,044,354	1,410,046	906,120	838,547	942,681
22,692	48,558	85,211	86,691	14,103	42,716
-	-	-	-	-	-
543,658	329,616	555,458	650,530	581,618	1,018,733
11,333,343	10,756,357	10,594,798	10,170,620	9,614,619	9,767,098

HENRY COUNTY, IOWA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607		\$ <u>306</u>
Public Safety Partnership and Community Policing Grants	16.710		<u>126,266</u>
Social Security Administration:			
Social Security - Retirement Insurance	96.002		<u>400</u>
Supplemental Security Income	96.006		<u>6,191</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>12,963</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C044 (62)--8J-44	<u>422,759</u>
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 10-410, Task 32	<u>8,590</u>
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397		24,031
Iowa Department of Public Health:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	5880PHM02	<u>6,660</u>
			<u>30,691</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5880BT44	<u>41,263</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959		<u>3,750</u>

(continued)

See accompanying independent auditor's report.

HENRY COUNTY, IOWA
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services (continued):			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>6,948</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>37</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>3,406</u>
Foster Care - Title IV-E	93.658		<u>6,980</u>
Adoption Assistance	93.659		<u>1,742</u>
State Children's Insurance Program	93.767		<u>79</u>
Medical Assistance Program	93.778		<u>14,700</u>
Social Services Block Grant	93.667		<u>6,973</u>
Social Services Block Grant	93.667		<u>84,062</u>
			<u>91,035</u>
Child Support Enforcement	93.563		<u>709</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	DR-1763	<u>118,908</u>
Hazard Mitigation Grant	97.039	DR-1688-0003-01	<u>19,013</u>
Emergency Management Performance Grants	97.042		<u>33,052</u>
Iowa Northland Regional Council of Governments:			
Homeland Security Grant Program	97.067		<u>1,576</u>
Total			<u>\$ 951,364</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Henry County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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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, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 28, 2011. 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 an 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 and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-B-10, and II-C-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-10, II-E-10, II-F-10, and II-G-10 to be significant deficiencies.

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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 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 and Questioned Costs. 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, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and 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.

TDE&T Financial Group, P.C.

Mt. Pleasant, Iowa
January 28, 2011



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Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133

To the Officials of Henry County:

Compliance

We have audited the compliance of Henry County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2010. Henry County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of Henry County's management. Our responsibility is to express an opinion on Henry County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henry County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Henry County's compliance with those requirements.

In our opinion, Henry County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-10 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of Henry County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Henry County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-10 to be a significant deficiency.

Henry County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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, and is not intended to be and should not be used by anyone other than these specified parties.

TD&T Financial Group, P.C.

Mt. Pleasant, Iowa
January 28, 2011

HENRY COUNTY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over a major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 16.710 – Public Safety Partnership and Community Policing Grants and CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Henry County did not qualify as a low-risk auditee.

(continued)

HENRY COUNTY, IOWA
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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-10 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 and Questioned Costs (Continued)
Year Ended June 30, 2010

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

INTERNAL CONTROL DEFICIENCIES (Continued):

II-C-10 Federal Grant Controls – Our audit disclosed a lack of controls over federal awards. We identified that currently there is no accurate summary schedule kept for Henry County’s federal grants. Such a schedule, when periodically reconciled against the general ledger, helps to keep track of the various aspects pertaining to grants as well as providing detail for the Schedule of Federal Expenditures.

Recommendation – We suggest that Henry County implement a review procedure to ensure understanding of and compliance with specific terms identified by the funding source. The County should maintain a summary schedule of all grants, which should include the amount, term, dates of receipt, corresponding expenditures, reporting requirements, any restrictions, and any other pertinent information.

Response and Corrective Action Planned – We will implement internal controls to ensure that grant requirements are complied with and develop procedures to track grant information in a summary schedule.

Conclusion – Response accepted.

II-D-10 Agricultural Extension Education – The Agricultural Extension Education had a CD with a person authorized on the account that is not a current employee or board member.

Recommendation – The Agricultural Extension Education should only have people authorized on the account that are current employees or board members.

Response – We will allow only current employees or board members to be authorized on the accounts.

Conclusion – Response accepted.

II-E-10 County Care Facility – Certain resident receipts and disbursements were not accurately included in the cash ledger summary.

Recommendation – Procedures should be implemented to ensure that the cash ledger summary is reviewed to determine that all receipts and disbursements are accurately recorded in the summary.

Response – We will revise our current procedures to ensure that cash ledger summary is accurate.

Conclusion – Response accepted.

(continued)

HENRY COUNTY, IOWA
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

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

INTERNAL CONTROL DEFICIENCIES (Continued):

II-F-10 Federal Financial Reporting – Financial reports were prepared by employees in the Sheriff’s office, but there was no independent verification or reconciliation of the information presented. There was an error present on one of the reports due to a timing issue of expenditures reported, however this error was not discovered in a timely manner because there was no independent review of the report.

Recommendation – The County should implement procedures to provide for an independent review of financial reports for accuracy and completeness.

Response and Corrective Action Planned – We agree with the auditor’s recommendation and will comply. We will implement procedures to ensure that all financial reports are reviewed for accuracy and completeness.

Conclusion – Response accepted.

II-G-10 Subrecipient Monitoring – During our audit procedures it was determined that the County did not sufficiently monitor subrecipient awards such as pass through funds to Henry County Health Center for administration of the Public Health program.

Recommendation – We recommend that the County better monitor all subrecipient awards as well as develop written agreements, signed by both parties, that fully explain the federal grant requirements and includes other appropriate language to document the County’s compliance regarding subrecipient monitoring.

Response and Corrective Action Planned – We will implement procedures to better monitor all subrecipient awards.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

(continued)

HENRY COUNTY, IOWA
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

CFDA Number 16.710: Public Safety Partnership and Community Policing Grant
Federal Award Year: 2008
U.S. Department of Justice

III-A-10 SF-425 Federal Financial Report – The March 31, 2010 report was filed on a cash basis showing cumulative expenditures of \$77,792, however actual cumulative cash basis expenditures were only \$27,769. The difference of \$50,023 resulted from expenditures that were not paid until the following quarter, even though they were incurred prior to March 31, 2010.

Recommendation – The County should implement procedures to provide for an independent review of financial reports for accuracy and completeness.

Response and Corrective Action Planned – We agree with the auditor’s recommendation and will comply. We will implement procedures to ensure that all financial reports are reviewed for accuracy and completeness.

Conclusion – Response accepted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 16.710: Public Safety Partnership and Community Policing Grant
Federal Award Year: 2008
U.S. Department of Justice

III-B-10 Federal Financial Reporting – Procedures were not in place to verify the accuracy of financial reports, including the federal financial status reports for the Public Safety Partnership and Community Policing Grant. See item II-F-10.

(continued)

HENRY COUNTY, IOWA
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts originally budgeted in the county environment and education and physical health and social services functions before being amended. Disbursements in certain departments exceeded the amounts originally appropriated before being amended.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department, as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed appropriations.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

IV-B-10 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.

IV-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-10 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>
Sonja Barber (Mother of Employee)	Services	\$ 342
Carla Belzer (Spouse of Employee)	Services	185
Justin Bentler (Son of Employee)	Services	50
Kalvyn Bentler (Son of Employee)	Services	100
Donna Colton (Mother of Employee)	Services	114
Daniel Bruggemeyer Excavating (Father of Employee)	Services	240
Riverside Collision (Son of Employee)	Services	443
Florence Smith (Spouse of Employee)	Services	3,060
Rick Sywassink (Spouse of Employee)	Services	600

(continued)

HENRY COUNTY, IOWA
 Schedule of Findings and Questioned Costs (Continued)
 Year Ended June 30, 2010

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

IV-D-10 Business Transactions (Continued):

Derek Wellington (Employee)	Services	3,766
Tom Jacobsmeier (Employee)	Services	700
Arial Keagle (Daughter of Employee)	Services	5
Emily Schinstock (Spouse of Employee)	Services	100
Blanca Wittmer (Spouse of Employee)	Services	136
Duraclean (Brother of Employee)	Services	115

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

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

Conclusion – Response accepted.

IV-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

IV-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-10 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.

IV-H-10 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).

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

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

(continued)

HENRY COUNTY, IOWA
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

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

IV-J-10 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

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