

**HENRY COUNTY, IOWA**

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

June 30, 2011

# 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 That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133-----	53-54
Schedule of Findings and Questioned Costs -----	55-63
Audit Staff -----	64

# HENRY COUNTY, IOWA

## Officials

### (Before January 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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

### (After January 2011)

Marc Lindeen	Board of Supervisors	January 2015
Gary See	Board of Supervisors	January 2013
Kent White	Board of Supervisors	January 2013
Shelly Barber	County Auditor	January 2013
Ana Lorber	County Treasurer	January 2015
Shirley Wandling	County Recorder	January 2015
Allen Wittmer	County Sheriff	January 2013
Darin Stater	County Attorney	January 2015
Gary Dustman	County Assessor	January 2013



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

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Centerville  
Fairfield  
Muscatine  
Oskaloosa  
Ottumwa  
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Sigourney

### Independent Auditors' Report

To the Officials of Henry County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Henry County, Iowa, as of and for the year ended June 30, 2011, 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, 2011, 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 February 1, 2012 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 seven years ended June 30, 2010 (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.

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

Mt. Pleasant, Iowa  
February 1, 2012

# 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, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## **2011 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 13.8%, or approximately \$2,204,000, from fiscal year 2010 to fiscal year 2011. Property tax increased approximately \$524,000, operating grants, contributions, and restricted interest decreased approximately \$266,000, and capital grants, contributions, and restricted interest decreased approximately \$2,797,000.
- Program expenses of the County's governmental activities were 7.3%, or approximately \$1,027,000, more in fiscal year 2011 than in fiscal year 2010. Public safety and legal services increased approximately \$65,000, physical health and social services expenses decreased approximately \$131,000, mental health expenses increased approximately \$224,000, and roads and transportation expenses increased approximately \$781,000.
- The County's net assets decreased 3.8%, or approximately \$1,263,000, from June 30, 2010 to June 30, 2011.

## **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 decreased from a year ago from approximately \$33.3 million to approximately \$32 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

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

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 12,579	12,898
Capital assets	<u>27,832</u>	<u>28,642</u>
Total assets	<u>40,411</u>	<u>41,540</u>
Long-term liabilities	991	1,206
Other liabilities	<u>7,372</u>	<u>7,023</u>
Total liabilities	<u>8,363</u>	<u>8,229</u>
Net assets:		
Invested in capital assets, net of related debt	27,589	28,458
Restricted	3,115	3,726
Unrestricted	<u>1,344</u>	<u>1,127</u>
Total net assets	<u>\$ 32,048</u>	<u>33,311</u>

Net assets of Henry County's governmental activities decreased 3.8% (\$32 million compared to \$33.3 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—increased from approximately \$1,127,000 at June 30, 2010 to approximately \$1,344,000 at the end of this year, an increase of 19.3%.

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

	Year Ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 1,749	1,395
Operating grants, contributions and restricted interest	3,573	3,839
Capital grants, contributions and restricted interest	346	3,143
General revenues:		
Property tax	6,391	5,867
Penalty and interest on property tax	68	65
State tax credits	790	795
Local option sales tax	787	695
Grants and contributions not restricted to specific purposes	-	91
Unrestricted investment earnings	51	69
Total revenues	13,755	15,959
Program expenses:		
Public safety and legal services	2,912	2,847
Physical health and social services	822	953
Mental health	2,732	2,508
County environment and education	919	900
Roads and transportation	5,713	4,932
Governmental services to residents	507	565
Administration	1,106	1,088
Non-program	296	177
Interest on long-term debt	11	21
Total expenses	15,018	13,991
Increase (decrease) in net assets	(1,263)	1,968
Net assets beginning of year	33,311	31,343
Net assets end of year	\$ 32,048	33,311

Henry County's net assets of governmental activities decreased approximately \$1,263,000 during the year. Revenues for governmental activities decreased approximately \$2,204,000 from the prior year, with property tax revenue up from the prior year approximately \$524,000, or 8.9%.

The cost of all governmental activities this year was approximately \$15 million compared to approximately \$14 million last year. However, as shown in the Statement of Activities on page 12, the amount taxpayers ultimately financed for these activities was only \$9.4 million because some of the cost was paid by those who directly benefited from the programs (\$1,749,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$3,919,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in fiscal year 2011 from approximately \$8,377,000 to approximately \$5,668,000, principally due to a decrease in capital assets contributed by the Iowa Department of Transportation in the current fiscal year.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Henry County completed the year, its governmental funds reported a combined fund balance of approximately \$5.2 million, a decrease of approximately \$674,000 from last year's total of approximately \$5.8 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased by approximately \$304,000 and General Fund expenditures increased by approximately \$260,000. The ending fund balance showed a modest decline of approximately \$59,000 from the prior year to approximately \$2,188,000.
- Special Revenue, Mental Health Fund revenues increased by approximately \$180,000 and Mental Health Fund expenditures increased by approximately \$246,000. The Mental Health Fund balance at year end decreased approximately \$272,000 from the prior year.
- There were no significant changes in revenues, expenditures, and the fund balance of the Special Revenue, Rural Services Fund.
- Special Revenue, Secondary Roads Fund expenditures increased by approximately \$680,000 over the prior year, due principally to an increase in roadway maintenance. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$465,000 or 20.9%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the County amended its budget two times. The amendments were made in May 2011 and June 2011, primarily to provide for additional expenditures in certain County departments. No increase in taxes was required.

The County's receipts were \$36,939 more than budgeted, a variance of 0.3%.

Total disbursements were \$1,751,659 less than the amended budget. Actual disbursements for the public safety and legal services, mental health, roads and transportation, and capital projects functions were \$327,893, \$273,185, \$435,846, and \$331,600, respectively, less than budgeted.

During the year ended June 30, 2011, disbursements exceeded the amounts originally budgeted in the physical health and social services, roads and transportation, and non-program 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.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, Henry County had approximately \$27.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This is a net decrease (including additions and deletions) of approximately \$810,000, or 2.8% from last year.

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

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 3,848	3,848
Buildings, equipment, and vehicles	2,633	2,861
Construction in progress	16	481
Infrastructure	21,335	21,452
	<hr/>	<hr/>
Total	\$ 27,832	28,642

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

Equipment and vehicles	\$ 121
Courthouse roof and remodeling project	131
Capital assets contributed by the Iowa Department of Transportation	346
Other infrastructure	<hr/> 350
Total	<hr/> <u>\$ 948</u>

The County had depreciation expense of \$1,691,370 in fiscal year 2011 and total accumulated depreciation of \$20,772,050 at June 30, 2011.

The County's fiscal year 2011 capital budget included \$1,088,400 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 the prior fiscal 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, 2011, Henry County had \$425,000 in general obligation capital loan notes outstanding, compared to \$560,000 in general obligation capital loan notes outstanding at June 30, 2010.

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 \$34 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 2012 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 7.4% versus 9.3% a year ago. This compares with the State's unemployment rate of 6.5% and the national rate of 9.0%.

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, 2011**

	Governmental Activities
<b>Assets</b>	
Cash and pooled investments	\$ 4,902,770
Receivables:	
Property tax:	
Delinquent	17,059
Succeeding year	6,741,396
Interest and penalty on property tax	21,988
Accounts	25,353
Accrued interest	7,357
Due from other governments	554,413
Inventories	219,415
Prepaid insurance	88,531
Capital assets (net of accumulated depreciation)	27,832,265
Total assets	40,410,547
<b>Liabilities</b>	
Accounts payable	340,197
Due to other governments	289,972
Deferred revenue:	
Succeeding year property tax	6,741,396
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	140,000
Compensated absences	262,664
Portion due or payable after one year:	
Notes payable	285,000
Net OPEB liability	129,551
Landfill closure and post closure costs	174,000
Total liabilities	8,362,780
<b>Net Assets</b>	
Invested in capital assets, net of related debt	27,589,202
Restricted for:	
Supplemental levy purposes	422,424
Mental health purposes	112,875
Secondary roads purposes	1,636,531
Capital projects	5,764
Debt service	22,997
Rural services purposes	241,986
Other purposes	671,653
Unrestricted	1,344,335
Total net assets	\$ 32,047,767

See notes to financial statements.

**HENRY COUNTY, IOWA**  
**Statement of Activities**  
**Year Ended June 30, 2011**

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 2,911,624	421,143	53,362	-
Physical health and social services	821,821	60,327	245,529	-
Mental health	2,731,784	805,698	275,188	-
County environment and education	918,816	61,658	35,015	-
Roads and transportation	5,712,804	85,186	2,939,744	346,212
Governmental services to residents	507,211	285,457	886	-
Administration	1,106,359	16,185	-	-
Non-program	295,931	13,237	23,859	-
Interest on long-term debt	11,317	-	-	-
<b>Total</b>	<b>\$ 15,017,667</b>	<b>1,748,891</b>	<b>3,573,583</b>	<b>346,212</b>

**General Revenues:**

Property and other county tax levied for:

General purposes

Debt service

Penalty and interest on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

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Net (Expense)  
Revenue and  
Changes in  
Net Assets

---

(2,437,119)

(515,965)

(1,650,898)

(822,143)

(2,341,662)

(220,868)

(1,090,174)

(258,835)

(11,317)

---

(9,348,981)

---

6,250,270

140,775

67,736

789,804

786,898

50,714

---

8,086,197

---

(1,262,784)

33,310,551

---

\$ 32,047,767

**HENRY COUNTY, IOWA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General	Special Revenue	
		Mental Health	Rural Services
<u>Assets</u>			
Cash and pooled investments	\$ 2,151,081	326,204	253,966
Receivables:			
Property tax:			
Delinquent	11,938	2,210	2,520
Succeeding year	4,471,309	834,758	1,287,320
Interest and penalty on property tax	21,988	-	-
Accounts	18,312	6,928	-
Accrued interest	7,299	-	-
Due from other funds	-	7,233	-
Due from other governments	84,845	118,196	-
Inventories	-	-	-
Prepaid insurance	88,531	-	-
Total assets	\$ 6,855,303	1,295,529	1,543,806
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 69,329	70,335	-
Due to other funds	10,634	312	-
Due to other governments	83,811	204,371	-
Deferred revenue:			
Succeeding year property tax	4,471,309	834,758	1,287,320
Other	32,640	2,059	2,336
Total liabilities	4,667,723	1,111,835	1,289,656
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	88,531	-	-
Restricted for:			
Supplemental levy purposes	333,893	-	-
Mental health purposes	-	183,694	-
Rural services purposes	-	-	254,150
Secondary roads purposes	-	-	-
Conservation land acquisition	25,549	-	-
Debt service	-	-	-
Capital projects	-	-	-
Pioneer cemeteries	71,483	-	-
Community betterment purposes	-	-	-
Resource enhancement purposes	-	-	-
Other purposes	2,186	-	-
Assigned for:			
Historic preservation	10,457	-	-
Conservation purposes	125,576	-	-
Economic development	6,312	-	-
Unassigned	1,523,593	-	-
Total fund balances	2,187,580	183,694	254,150
Total liabilities and fund balances	\$ 6,855,303	1,295,529	1,543,806

See notes to financial statements.

Exhibit C

Secondary Roads	Nonmajor	Total
1,519,131	652,388	4,902,770
-	391	17,059
-	148,009	6,741,396
-	-	21,988
-	113	25,353
-	58	7,357
3,713	-	10,946
190,416	160,956	554,413
219,415	-	219,415
-	-	88,531
1,932,675	961,915	12,589,228
174,334	26,199	340,197
-	-	10,946
1,790	-	289,972
-	148,009	6,741,396
-	363	37,398
176,124	174,571	7,419,909
219,415	-	219,415
-	-	88,531
-	-	333,893
-	-	183,694
-	-	254,150
1,537,136	-	1,537,136
-	-	25,549
-	22,997	22,997
-	187,701	187,701
-	-	71,483
-	410,189	410,189
-	127,999	127,999
-	38,458	40,644
-	-	10,457
-	-	125,576
-	-	6,312
-	-	1,523,593
1,756,551	787,344	5,169,319
1,932,675	961,915	12,589,228

**HENRY COUNTY, IOWA**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2011**

<b>Total governmental fund balances (page 13)</b>		\$ 5,169,319
 <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 \$48,604,315 and the accumulated depreciation is \$20,772,050.		27,832,265
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		37,398
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 year and, therefore, are not reported in the governmental funds.		<u>(991,215)</u>
<b>Net assets of governmental activities (page 11)</b>		<b>\$ <u><u>32,047,767</u></u></b>

**HENRY COUNTY, IOWA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2011**

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 4,230,918	806,590	1,209,671	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	64,650	-	-	-
Intergovernmental	545,117	838,349	52,656	2,935,149
Licenses and permits	38	-	-	4,180
Charges for service	479,754	743,764	-	63,869
Use of money and property	78,844	-	-	-
Miscellaneous	209,416	61,934	-	21,732
<b>Total revenues</b>	<b>5,608,737</b>	<b>2,450,637</b>	<b>1,262,327</b>	<b>3,024,930</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	2,800,222	-	146,811	-
Physical health and social services	674,010	-	-	-
Mental health	-	2,722,452	-	-
County environment and education	534,982	-	-	-
Roads and transportation	-	-	-	4,031,551
Governmental services to residents	504,217	-	1,358	-
Administration	1,070,698	-	-	-
Non-program	40,737	-	-	-
Debt service	-	-	-	-
Capital projects	42,460	-	-	501,898
<b>Total expenditures</b>	<b>5,667,326</b>	<b>2,722,452</b>	<b>148,169</b>	<b>4,533,449</b>
Excess (deficiency) of revenues over (under) expenditures	(58,589)	(271,815)	1,114,158	(1,508,519)
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	1,043,037
Operating transfers out	-	-	(1,043,037)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(1,043,037)</b>	<b>1,043,037</b>
Net change in fund balances	(58,589)	(271,815)	71,121	(465,482)
Fund balances beginning of year, as restated	2,246,169	455,509	183,029	2,222,033
Fund balances end of year	\$ 2,187,580	183,694	254,150	1,756,551

See notes to financial statements.

Nonmajor	Total
140,696	6,387,875
786,898	786,898
-	64,650
44,091	4,415,362
40,401	44,619
8,269	1,295,656
1,147	79,991
33,819	326,901
<u>1,055,321</u>	<u>13,401,952</u>
3,163	2,950,196
147,222	821,232
-	2,722,452
378,811	913,793
74,282	4,105,833
687	506,262
27,896	1,098,594
12,000	52,737
146,317	146,317
214,559	758,917
<u>1,004,937</u>	<u>14,076,333</u>
<u>50,384</u>	<u>(674,381)</u>
-	1,043,037
-	(1,043,037)
-	-
50,384	(674,381)
<u>736,960</u>	<u>5,843,700</u>
<u>787,344</u>	<u>5,169,319</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, 2011**

**Net change in fund balances - Total governmental funds (page 15)** \$ (674,381)

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

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

Expenditures for capital assets	\$ 602,116	
Capital assets contributed by the Iowa Department of Transportation	346,212	
Depreciation expense	<u>(1,691,370)</u>	(743,042)

In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (66,374)

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	6,719
--------------	-------

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

Repaid	135,000
--------	---------

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	141,789	
Other postemployment benefits	<u>(62,495)</u>	<u>79,294</u>

**Change in net assets of governmental activities (page 12)** \$ (1,262,784)

See notes to financial statements.

HENRY COUNTY, IOWA  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2011

Assets

Cash and pooled investments:		
County Treasurer	\$	1,251,136
Other County officials		61,013
Receivables:		
Property tax:		
Delinquent		47,247
Succeeding year		16,870,240
Accounts		22,995
Accrued interest		69
Due from other governments		8,530
Total assets		<u>18,261,230</u>

Liabilities

Accounts payable		23,430
Salaries and benefits payable		1,487
Due to other governments		18,180,639
Trusts payable		45,487
Compensated absences		10,187
Total liabilities		<u>18,261,230</u>
Net assets	\$	<u><u>-</u></u>

See notes to financial statements.

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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, 2011

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, 2011

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 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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds, and other revenues to be used 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, 2011

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

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

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

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2011

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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, improvements, equipment, and vehicles	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.

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.

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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, 2011. 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.

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the physical health and social services, roads and transportation, and non-program 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 February 1, 2012, the date which the statements were available to be issued.

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2011

Note 2 – Cash and Pooled Investments

The County’s deposits in banks at June 30, 2011 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, 2011 the County had \$2,095,000 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 \$3,223,945 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.

Note 3 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>1,043,037</u>

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

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2011**

Note 4 – Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	General Obligation Capital Loan	Landfill Closure and Post Closure Costs	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 560,000	174,000	404,453	67,056	1,205,509
Increases	-	-	233,055	62,495	295,550
Decreases	135,000	-	374,844	-	509,844
Balance end of year	<u>\$ 425,000</u>	<u>174,000</u>	<u>262,664</u>	<u>129,551</u>	<u>991,215</u>
Due within one year	<u>\$ 140,000</u>	<u>-</u>	<u>262,664</u>	<u>-</u>	<u>402,664</u>

Capital Loan Notes Payable

A summary of the County's June 30, 2011 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>
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>\$ 425,000</u>	<u>19,555</u>	<u>444,555</u>

Note 5 – Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Mental Health	\$ 312
Mental Health	General	3,401
	General	<u>7,233</u>
Total		<u>\$ 10,946</u>

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2011

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

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

Note 6 – Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ <u>83,811</u>
Special Revenue:		
Mental Health	Services	204,371
Secondary Roads	Services	<u>1,790</u>
		<u>206,161</u>
Total for governmental funds		\$ <u>289,972</u>
Agency:		
County Assessor	Collections	\$ 833,548
Schools		10,821,351
Community Colleges		714,397
Corporations		4,055,729
Townships		140,674
E911 Surcharge		156,532
Auto License and Use Tax		415,903
County Hospital		570,455
Agricultural Extension		201,356
All other		<u>270,694</u>
Total for agency funds		\$ <u>18,180,639</u>

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2011

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,848,352	-	-	3,848,352
Construction in progress	480,945	16,176	480,945	16,176
Total capital assets not being depreciated	4,329,297	16,176	480,945	3,864,528
Capital assets being depreciated:				
Buildings, equipment, and vehicles	7,725,001	252,037	315,674	7,661,364
Infrastructure, road network	35,917,363	1,161,060	-	37,078,423
Total capital assets being depreciated	43,642,364	1,413,097	315,674	44,739,787
Less accumulated depreciation for:				
Buildings, equipment, and vehicles	4,864,300	413,255	249,300	5,028,255
Infrastructure, road network	14,465,680	1,278,115	-	15,743,795
Total accumulated depreciation	19,329,980	1,691,370	249,300	20,772,050
Total capital assets being depreciated, net	24,312,384	(278,273)	66,374	23,967,737
Governmental activities capital assets, net	\$ 28,641,681	(262,097)	547,319	27,832,265
Depreciation expense was charged to the following functions:				
Governmental activities:				
Public safety and legal services				\$ 89,388
Mental health				4,156
County environment and education				18,040
Roads and transportation				1,521,602
Governmental services to residents				1,151
Administration				7,241
Non-program				49,792
Total depreciation expense – governmental activities				\$ 1,691,370

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2011**

Note 8 – Operating Leases

Henry County leases facilities for its operations. The lease term is from June 1, 2011 to May 31, 2012 with monthly lease payments due of \$600 per month.

Total payments for this operating lease totaled \$7,800 for the year ended June 30, 2011.

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

The County leases out office space in the CPC building. The agreement for the cash lease term from July 1, 2011 to June 30, 2012 was signed in June of 2011. Total annual cash rent due from the lessee is \$1,600 per month for a total of \$19,200 per 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 645 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 150 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, 2011

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, 2011 were \$174,205.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, 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, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, 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 percent 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, 2011**

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. However, the County was notified on September 13, 2011 that Whaley Waste System's operations in Henry County would be closing on October 8, 2011.

Note 12 – Professional Consulting Service Agreement

The County entered into a professional consulting service agreement with Cost Advisory Services, Inc. on March 3, 2011. The agreement is a three-year contract for the annual development of a central services cost allocation plan for fiscal years 2011, 2012, and 2013. The County will pay \$3,950 for each annual cost allocation plan.

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, 2011 to provide human resource consulting services and to oversee the administration of the negotiated collective bargaining agreement. The fee for these services is \$1,500 per month.

Note 15 – Software Support Agreement

The County entered into a contract with Solutions on June 28, 2011 beginning on July 1, 2011 through June 30, 2012 to provide software support. The total cost for this software support agreement was \$26,680.

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2011**

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 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010, and 2009 were \$344,541, \$319,750, and \$294,681, respectively, equal to the required contributions for each year.

Note 17 – Other Postemployment Benefits (OPEB)

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, 2011, there were 86 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by 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.

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.

(continued)

**HENRY COUNTY, IOWA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2011**

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, 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		3,017
Adjustment to annual required contribution		<u>(3,939)</u>
Annual OPEB cost		67,184
Contributions made		<u>(4,689)</u>
Increase in net OPEB obligation		62,495
Net OPEB obligation beginning of year		<u>67,056</u>
Net OPEB obligation end of year	\$	<u><u>129,551</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$4,689 to the medical plan. Plan members eligible for benefits contributed \$6,978, or 60% 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, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 68,106	1.5%	\$ 67,056
2011	67,184	7.0%	129,551

Funded Status and Funding Progress – As of January 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$4,400,331 and the ratio of the UAAL to covered payroll was 12.12%. As of June 30, 2011, there were no trust fund assets.

(continued)

HENRY COUNTY, IOWA  
Notes to Financial Statements (Continued)  
June 30, 2011

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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the 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, 2011**

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 – Funding Participation Agreements

Henry County entered into a funding participation agreement with Fellowship Cup and Alcohol and Drug Dependency Services for fiscal year 2012 on May 26, 2011. The agreement with Fellowship Cup is for \$500 per month to provide for basic food purchases. The agreement with Alcohol and Drug Dependency Services is for \$4,500 per quarter to provide substance abuse prevention services in Henry County.

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, 2011**

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 \$379,776 at June 30, 2011.

Note 23 – Other Commitments

The County has entered into contracts totaling \$28,381 for Courthouse repairs and equipment that will take place after June 30, 2011.

The County has also entered into a twelve month contract for internet services on June 23, 2011. The monthly amount due on this contract will be \$629 per month.

Note 24 – Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Nonmajor				
		Conservation Land Acquisition Trust	Eco-nomic Devel-opment	Historic Preser-vation Fund	Conservation Nature Center Fund	Conser-vation Fund
Balances June 30, 2010, as previously reported	\$ 1,987,676	25,401	112,824	10,457	12,552	97,259
Change in fund type classification per implementation of GASB Statement No. 54	<u>258,493</u>	<u>(25,401)</u>	<u>(112,824)</u>	<u>(10,457)</u>	<u>(12,552)</u>	<u>(97,259)</u>
Balances July 1, 2010, as restated	<u><u>2,246,169</u></u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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, 2011

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 7,171,167	-
Interest and penalty on property tax	64,704	-
Intergovernmental	4,409,496	-
Licenses and permits	44,739	-
Charges for services	1,262,393	-
Use of money and property	84,322	-
Miscellaneous	272,677	-
Total receipts	<u>13,309,498</u>	<u>-</u>
Disbursements:		
Public safety and legal services	2,938,859	-
Physical health and social services	849,249	-
Mental health	2,627,986	-
County environment and education	907,389	-
Roads and transportation	4,102,154	-
Governmental services to residents	488,946	-
Administration	1,089,838	-
Non-program	51,237	-
Debt Service	146,317	-
Capital Projects	756,800	-
Total disbursements	<u>13,958,775</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(649,277)	-
Balance beginning of year	<u>5,552,047</u>	-
Balance end of year	<u>\$ 4,902,770</u>	<u>-</u>

See accompanying independent auditors' report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
7,171,167	7,090,703	7,090,703	80,464
64,704	53,300	53,300	11,404
4,409,496	4,180,474	4,353,487	56,009
44,739	39,300	39,300	5,439
1,262,393	1,371,100	1,386,100	(123,707)
84,322	122,214	122,214	(37,892)
272,677	215,455	227,455	45,222
13,309,498	13,072,546	13,272,559	36,939
2,938,859	3,114,692	3,266,752	327,893
849,249	758,590	1,005,590	156,341
2,627,986	2,901,171	2,901,171	273,185
907,389	936,907	995,257	87,868
4,102,154	3,697,000	4,538,000	435,846
488,946	565,232	565,232	76,286
1,089,838	1,139,854	1,148,954	59,116
51,237	43,400	54,760	3,523
146,317	146,318	146,318	1
756,800	1,506,400	1,088,400	331,600
13,958,775	14,809,564	15,710,434	1,751,659
(649,277)	(1,737,018)	(2,437,875)	1,788,598
5,552,047	4,943,128	4,943,128	608,919
4,902,770	3,206,110	2,505,253	2,397,517

**HENRY COUNTY, IOWA**  
**Budgetary Comparison Schedule -**  
**Budget to GAAP Reconciliation**  
**Required Supplementary Information**  
**Year Ended June 30, 2011**

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 13,309,498	92,454	13,401,952
Expenditures	13,958,775	117,558	14,076,333
Net	(649,277)	(25,104)	(674,381)
Beginning fund balances	5,552,047	291,653	5,843,700
Ending fund balances	\$ 4,902,770	266,549	5,169,319

See accompanying independent auditors' report.

**HENRY COUNTY, IOWA**  
**Notes to Required Supplementary Information-**  
**Budgetary Reporting**  
**June 30, 2011**

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, the 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, two budget amendments increased budgeted disbursements by \$900,870. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements exceeded the amounts originally budgeted in the physical health and social services, roads and transportation, and non-program 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, 2011

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%
2011	Jan. 1, 2010	-	533	533	0.00%	4,400	12.12%

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.

See accompanying independent auditors' report.

**HENRY COUNTY, IOWA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2011**

	Special Revenue Funds			
	Resource Enhancement and Protection	Community Betterment	Sheriff's Forfeiture Fund	County Recorder's Records Management
<u>Assets</u>				
Cash and pooled investments	\$ 127,946	275,171	11,357	22,897
Receivables:				
Property tax				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	113	-	-
Accrued interest	53	-	-	5
Due from other governments	-	160,956	-	-
Total assets	\$ 127,999	436,240	11,357	22,902
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	26,051	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	26,051	-	-
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Community betterment purposes	-	410,189	-	-
Resource enhancement purposes	127,999	-	-	-
Other purposes	-	-	11,357	22,902
Total fund balances	127,999	410,189	11,357	22,902
Total liabilities and fund balances	\$ 127,999	436,240	11,357	22,902

See accompanying independent auditors' report.

County Recorder's Electronic Transaction Fee	Attorney's Forfeiture Fund	Debt Service	Capital Projects	Total
-	4,199	22,969	187,849	652,388
-	-	391	-	391
-	-	148,009	-	148,009
-	-	-	-	113
-	-	-	-	58
-	-	-	-	160,956
-	4,199	171,369	187,849	961,915
-	-	-	148	26,199
-	-	148,009	-	148,009
-	-	363	-	363
-	-	148,372	148	174,571
-	-	22,997	-	22,997
-	-	-	187,701	187,701
-	-	-	-	410,189
-	-	-	-	127,999
-	4,199	-	-	38,458
-	4,199	22,997	187,701	787,344
-	4,199	171,369	187,849	961,915

**HENRY COUNTY, IOWA**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2011**

	Special Revenue Funds			
	Resource Enhancement and Protection	Community Betterment	Sheriff's Forfeiture Fund	County Recorder's Records Management
Revenues:				
Property and other county tax	\$ -	-	-	-
Local option sales tax	-	786,898	-	-
Intergovernmental	15,735	22,940	-	-
Licenses and permits	-	40,401	-	-
Charges for service	-	4,908	-	3,361
Use of money and property	803	-	8	78
Miscellaneous	-	29,952	3,721	-
Total revenues	<u>16,538</u>	<u>885,099</u>	<u>3,729</u>	<u>3,439</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	3,162	-
Physical health and social services	-	147,222	-	-
County environment and education	13,647	365,164	-	-
Roads and transportation	-	74,282	-	-
Governmental services to residents	-	-	-	158
Administration	-	27,896	-	-
Non-program	-	12,000	-	-
Debt service	-	-	-	-
Capital projects	-	20,000	-	-
Total expenditures	<u>13,647</u>	<u>646,564</u>	<u>3,162</u>	<u>158</u>
Net change in fund balances	2,891	238,535	567	3,281
Fund balances beginning of year, as restated	<u>125,108</u>	<u>171,654</u>	<u>10,790</u>	<u>19,621</u>
Fund balances end of year	<u>\$ 127,999</u>	<u>410,189</u>	<u>11,357</u>	<u>22,902</u>

See accompanying independent auditors' report.

County	Recorder's	Attorney's	Debt	Capital	
Electronic	Forfeiture	Service	Projects	Total	
Transaction	Fund				
Fee					
-	-	140,696	-	140,696	
-	-	-	-	786,898	
-	-	5,416	-	44,091	
-	-	-	-	40,401	
-	-	-	-	8,269	
-	-	43	215	1,147	
-	146	-	-	33,819	
-	146	146,155	215	1,055,321	
-	1	-	-	3,163	
-	-	-	-	147,222	
-	-	-	-	378,811	
-	-	-	-	74,282	
529	-	-	-	687	
-	-	-	-	27,896	
-	-	-	-	12,000	
-	-	146,317	-	146,317	
-	-	-	194,559	214,559	
529	1	146,317	194,559	1,004,937	
(529)	145	(162)	(194,344)	50,384	
529	4,054	23,159	382,045	736,960	
-	4,199	22,997	187,701	787,344	

**HENRY COUNTY, IOWA**  
**Combining Schedule of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2011**

	County Offices		County Care Facility	Agricultural Extension Education	County Assessor
	County Recorder	County Sheriff			
	<u>Assets</u>				
Cash and pooled investments:					
County Treasurer	\$ -	-	-	2,582	347,600
Other County officials	20,085	22,495	18,433	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	530	1,329
Succeeding year	-	-	-	198,244	496,225
Accounts	-	-	-	-	308
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 20,085	22,495	18,433	201,356	845,462
<u>Liabilities</u>					
Accounts payable	\$ 9	-	-	-	240
Salaries and benefits payable	-	-	-	-	1,487
Due to other governments	20,076	-	-	201,356	833,548
Trusts payable	-	22,495	18,433	-	-
Compensated absences	-	-	-	-	10,187
Total liabilities	\$ 20,085	22,495	18,433	201,356	845,462

(continued)

See accompanying independent auditors' report.

Schools	Community Colleges	Corporations	Townships	E911 Surcharge	Special Assessments
146,725	9,134	53,127	1,968	148,383	152
-	-	-	-	-	-
28,185	1,885	13,229	420	-	-
10,646,441	703,378	3,989,373	138,286	-	-
-	-	-	-	22,070	-
-	-	-	-	69	-
-	-	-	-	8,245	-
10,821,351	714,397	4,055,729	140,674	178,767	152
-	-	-	-	22,235	-
-	-	-	-	-	-
10,821,351	714,397	4,055,729	140,674	156,532	152
-	-	-	-	-	-
-	-	-	-	-	-
10,821,351	714,397	4,055,729	140,674	178,767	152

**HENRY COUNTY, IOWA**  
**Combining Schedule of Fiduciary Assets and Liabilities (Continued)**  
**Agency Funds**  
**June 30, 2011**

	Fire Districts	Advance Tax	Auto License and Use Tax	County Recorder's Electronic Transaction Fee
<u>Assets</u>				
Cash and pooled investments:				
County Treasurer	\$ 1,544	4,559	415,903	821
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	163	-	-	-
Succeeding year	136,646	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
	-	-	-	-
Total assets	\$ 138,353	4,559	415,903	821
<u>Liabilities</u>				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other governments	138,353	-	415,903	821
Trusts payable	-	4,559	-	-
Compensated absences	-	-	-	-
Total liabilities	\$ 138,353	4,559	415,903	821

See accompanying independent auditor's report.

County Hospital	Civil Defense Emergency Management	Tax Sale Redemption Trust	Brucellosis and Tuberculosis Eradication	Total
7,307	44,604	66,291	436	1,251,136
-	-	-	-	61,013
1,501	-	-	5	47,247
561,647	-	-	-	16,870,240
-	617	-	-	22,995
-	-	-	-	69
-	285	-	-	8,530
570,455	45,506	66,291	441	18,261,230
-	946	-	-	23,430
-	-	-	-	1,487
570,455	44,560	66,291	441	18,180,639
-	-	-	-	45,487
-	-	-	-	10,187
570,455	45,506	66,291	441	18,261,230

**HENRY COUNTY, IOWA**  
**Combining Schedule of Changes in Fiduciary**  
**Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2011**

	<u>County Offices</u>		County Care Facility	Agricultural Extension Education
	County Recorder	County Sheriff		
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 25,065	41,458	11,134	195,632
Additions:				
Property and other county tax	-	-	-	193,875
E911 surcharge	-	-	-	-
State tax credits	-	-	-	7,293
Office fees and collections	233,706	206,515	-	-
Electronic transaction fee	-	-	-	-
Interest on investments	-	-	-	-
Auto licenses, use tax, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	234,299	287,361	-
Miscellaneous	-	-	-	-
Total additions	<u>233,706</u>	<u>440,814</u>	<u>287,361</u>	<u>201,168</u>
Deductions:				
Agency remittances:				
To other funds	108,254	227,656	-	-
To other governments	130,432	-	-	195,444
Trusts paid out	-	232,121	280,062	-
Total deductions	<u>238,686</u>	<u>459,777</u>	<u>280,062</u>	<u>195,444</u>
Balances end of year	<u>\$ 20,085</u>	<u>22,495</u>	<u>18,433</u>	<u>201,356</u>

(continued)

See accompanying independent auditors' report.

County Assessor	Schools	Community Colleges	Corporations	Townships	E911 Surcharge	Special Assessments
684,426	10,763,702	689,636	3,970,455	131,562	152,007	-
485,393	10,446,901	692,263	4,570,959	135,836	-	-
-	-	-	-	-	115,489	-
18,183	418,095	25,823	144,156	5,982	-	-
156	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	895	-
-	-	-	-	-	-	-
-	-	-	-	-	-	12,879
-	-	-	-	-	-	-
438	-	-	-	-	720	-
504,170	10,864,996	718,086	4,715,115	141,818	117,104	12,879
-	-	-	-	-	-	-
343,134	10,807,347	693,325	4,629,841	132,706	90,344	12,727
-	-	-	-	-	-	-
343,134	10,807,347	693,325	4,629,841	132,706	90,344	12,727
845,462	10,821,351	714,397	4,055,729	140,674	178,767	152

**HENRY COUNTY, IOWA**  
**Combining Schedule of Changes in Fiduciary**  
**Assets and Liabilities (Continued)**  
**Agency Funds**  
**Year Ended June 30, 2011**

	Fire Districts	Advance Tax	Auto License and Use Tax	County Recorder's Electronic Transaction Fee
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 132,256	153	388,087	1,674
Additions:				
Property and other county tax	122,687	-	-	-
E911 surcharge	-	-	-	-
State tax credits	4,504	-	-	-
Office fees and collections	-	-	-	-
Electronic transaction fee	-	-	-	8,373
Interest on investments	-	-	-	-
Auto licenses, use tax, and postage	-	-	4,804,219	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	11,661	-	-
Total additions	127,191	11,661	4,804,219	8,373
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	121,094	-	4,776,403	9,226
Trusts paid out	-	7,255	-	-
Total deductions	121,094	7,255	4,776,403	9,226
Balances end of year	\$ 138,353	4,559	415,903	821

See accompanying independent auditors' report.

County Hospital	Civil Defense Emergency Management	Tax Sale Redemption Trust	Brucellosis and Tuberculosis Eradication	Total
553,373	50,278	30,536	411	17,821,845
549,286	-	-	5,523	17,202,723
-	-	-	-	115,489
20,633	-	-	86	644,755
-	-	-	-	440,377
-	-	-	-	8,373
-	-	-	-	895
-	-	-	-	4,804,219
-	-	-	-	12,879
-	-	-	-	521,660
-	224,068	376,102	-	612,989
569,919	224,068	376,102	5,609	24,364,359
-	-	-	-	335,910
552,837	228,840	340,347	5,579	23,069,626
-	-	-	-	519,438
552,837	228,840	340,347	5,579	23,924,974
570,455	45,506	66,291	441	18,261,230

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

	2011	2010	2009	2008
<b>Revenues:</b>				
Property and other county tax	\$ 6,387,875	5,864,095	5,625,596	5,346,817
Local option sales tax	786,898	694,627	802,726	909,448
Interest and penalty on property tax	64,650	63,679	54,712	54,613
Intergovernmental	4,415,362	4,670,875	4,003,348	4,007,676
Licenses and permits	44,619	50,018	37,609	37,977
Charges for service	1,295,656	1,189,127	1,133,216	1,079,923
Use of money and property	79,991	104,846	175,992	334,003
Miscellaneous	326,901	122,718	100,872	123,047
<b>Total</b>	<b>\$ 13,401,952</b>	<b>12,759,985</b>	<b>11,934,071</b>	<b>11,893,504</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,950,196	2,925,965	2,692,807	2,589,262
Physical health and social services	821,232	952,628	678,995	636,927
Mental health	2,722,452	2,475,959	2,420,009	2,417,058
County environment and education	913,793	878,687	992,234	817,454
Roads and transportation	4,105,833	3,302,125	3,377,196	3,771,448
Governmental services to residents	506,262	559,357	506,155	464,697
Administration	1,098,594	1,066,405	1,061,437	977,325
Non-program	52,737	42,763	37,043	4,677
Debt Service	146,317	149,694	151,271	146,672
Capital Projects	758,917	978,207	136,039	567,491
<b>Total</b>	<b>\$ 14,076,333</b>	<b>13,331,790</b>	<b>12,053,186</b>	<b>12,393,011</b>

See accompanying independent auditors' report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
5,287,941	4,982,817	4,601,265	3,736,759	4,208,579	4,144,157
742,401	761,258	734,914	642,822	556,368	644,882
51,707	63,175	61,687	65,711	186,253	59,776
4,166,574	4,112,669	4,233,685	4,536,342	3,582,143	3,831,461
26,286	21,983	2,455	425	5,605	7,780
1,085,987	1,036,887	869,478	787,498	682,749	668,192
376,657	283,310	122,278	82,151	106,483	240,211
90,461	63,533	84,596	448,703	221,634	53,794
<b>11,828,014</b>	<b>11,325,632</b>	<b>10,710,358</b>	<b>10,300,411</b>	<b>9,549,814</b>	<b>9,650,253</b>
2,390,505	2,337,219	2,075,236	1,985,029	1,808,178	1,660,734
575,500	457,298	1,116,744	674,561	819,266	566,556
2,174,543	2,176,930	2,079,953	1,938,760	2,115,734	2,134,805
723,004	812,685	352,567	630,331	627,944	547,983
3,078,274	3,124,499	2,949,915	2,640,111	2,648,650	2,874,376
471,210	899,360	759,414	675,291	507,507	395,897
958,748	959,002	1,044,354	1,410,046	906,120	838,547
20,317	22,692	48,558	85,211	86,691	14,103
143,927	-	-	-	-	-
845,593	543,658	329,616	555,458	650,530	581,618
<b>11,381,621</b>	<b>11,333,343</b>	<b>10,756,357</b>	<b>10,594,798</b>	<b>10,170,620</b>	<b>9,614,619</b>

**HENRY COUNTY, IOWA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Wetlands Reserve Program	10.072		\$ <u>22,264</u>
U.S. Department of Justice: Bulletproof Vest Partnership Program	16.607		<u>1,974</u>
Social Security Administration: Supplemental Security Income	96.006		<u>3,186</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>14,626</u>
U.S. Department of Justice: Iowa Attorney General: Crime Victim Assistance	16.575	VA-11-56	<u>1,829</u>
ARRA - Violence Against Women Formula Grants	16.588	VWS-11-56	<u>39,263</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	IA-10-02-44-X23-1	29,340
Highway Planning and Construction	20.205	BROS-CO44(55)--60-44	46,136
Highway Planning and Construction	20.205	BROS-CO44 (63)--8J-44	229,001
			<u>304,477</u>
Iowa Department of Public Safety: Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	11-410, Task 35	<u>9,000</u>
U.S. Department of Health and Human Services: Iowa Department of Public Health: Marion County, Iowa:			
Public Health Emergency Preparedness	93.069		803
Public Health Emergency Preparedness	93.069	5881BT344	15,944
Public Health Emergency Preparedness	93.069	5881BT44	17,218
			<u>33,965</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		<u>19,719</u>

(continued)

See accompanying independent auditor's report.

**HENRY COUNTY, IOWA**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended June 30, 2011**

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:			
Refugee and Entrant Assistance - State Administered Programs	93.566		10
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,579
Foster Care - Title IV-E	93.658		5,802
Adoption Assistance	93.659		1,405
Children's Health Insurance Program	93.767		67
Medical Assistance Program	93.778		14,038
Social Services Block Grant	93.667		5,003
Social Services Block Grant	93.667		91,312
			<u>96,315</u>
Medical Assistance Program	93.778		15,625 *
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	FEMA-1763-DR-IA	30,295
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1930-DR-IA	80,299
			<u>110,594</u>
Emergency Management Performance Grants	97.042		26,770
Iowa Northland Regional Council of Governments:			
Homeland Security Grant Program	97.067		1,820
Southeast Iowa Regional Planning Commission:			
Homeland Security Grant Program	97.067		286
			<u>2,106</u>
Total			<u>\$ 726,614</u>

\* - Total for CFDA Number 93.778 is \$29,663.

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

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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, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2012. 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 was not designed to 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-11, II-B-11, II-C-11, and II-D-11 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-E-11, II-F-11, and II-G-11 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, 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, 2011 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  
February 1, 2012



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Independent Auditors' Report on Compliance with Requirements  
That Could Have a Direct and Material Effect  
on 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 Henry County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 each of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## Internal Control Over Compliance

The management of Henry County is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program 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.

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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

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

Mt. Pleasant, Iowa  
February 1, 2012

HENRY COUNTY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

**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) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are 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 93.667 – Social Services Block Grant 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, 2011

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 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-11 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, 2011

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

**INTERNAL CONTROL DEFICIENCIES (Continued):**

II-C-11 Federal Grant Controls – Our audit disclosed a lack of controls over certain federal awards that were not identified as major programs. We identified that currently there is no accurate summary schedule listing all of 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-11 Timely Deposits – Collections were not always deposited with the County Treasurer timely.

Recommendation – Receipts should be deposited with the County Treasurer’s Office on a timely basis even if the amount of the receipt is in dispute.

Response – We will work to improve our consistency with the timeliness of deposits and not hold the check if the amount is in dispute.

Conclusion – Response accepted.

II-E-11 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.

(continued)

HENRY COUNTY, IOWA  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2011

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

**INTERNAL CONTROL DEFICIENCIES (Continued):**

II-F-11 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 and reconciled timely 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 reconciled timely.

Conclusion – Response accepted.

II-G-11 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, 2011

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

(continued)

HENRY COUNTY, IOWA  
 Schedule of Findings and Questioned Costs (Continued)  
 Year Ended June 30, 2011

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

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts originally budgeted in the physical health and social services, roads and transportation, and non-program 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. Any amendments should be made prior to May 31<sup>st</sup>. 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-11 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-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-11 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>
Carla Belzer (Spouse of Employee)	Services	\$ 185
Justin Bentler (Son of Employee)	Services	80
Donna Colton (Mother of Employee)	Services	106
Levi Detrick (Son of Employee)	Services	338
Duraclean (Brother of Employee)	Services	250
Tyler Horn (Son of Employee)	Services	331
Tom Jacobsmeier (Employee)	Services	340
Florence Smith (Spouse of Employee)	Services	3,000
Rick Sywassink (Spouse of Employee)	Services	3,600
Derek Wellington (Employee)	Services	5,399
Blanca Wittmer (Spouse of Employee)	Services	161

(continued)

HENRY COUNTY, IOWA  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2011

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

IV-D-11 Business Transactions (Continued):

In accordance with Chapter 331.342 of the Code of Iowa, all of the transactions except with Florence Smith, Rick Sywassink, 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, Rick Sywassink, 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-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

The Board of Supervisors went into closed session periodically throughout the year. However, the minutes did not always document the specific exemption under Chapter 21 of the Code of Iowa, commonly known as the open-meetings law that allowed the Board of Supervisors to go into closed session. The minutes also did not always document that no final actions were taken while they were in closed session. Chapter 21 of the Code of Iowa requires that final actions shall be taken in an open session. In addition, the minutes did not always document that the session was closed by affirmative roll call vote of at least two-thirds of the board.

In accordance with Chapter 349.18(3) of the Code of Iowa, copies of the Board of Supervisor meeting minutes should be furnished to the news media for publishing within one week following the adjournment of the board. However, the minutes were not always forwarded within one week as required.

Recommendation – The County should comply with Chapter 21 of the Code of Iowa as required for closed sessions and with Chapter 349.18 of the Code of Iowa for the publication of Board of Supervisor meeting minutes.

Response – We will comply with the Code requirements for closed sessions and the publication of minutes.

Conclusion – Response accepted.

(continued)

HENRY COUNTY, IOWA  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2011

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

IV-G-11 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-11 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-11 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, 2011 for the County Extension Office did not exceed the amount budgeted.

IV-J-11 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.

IV-K-11 Accuracy of Published Treasurer's Report – We noted that the Treasurer's Report, which is required to be published per Chapter 349.16(3) of the Code of Iowa, inadvertently understated the auditor's warrants outstanding.

Recommendation – The report should be reviewed for accuracy and verified that the amounts reflected are correct accounting data.

Response and Corrective Action Planned – We will review the reports and verify that they include proper accounting information.

Conclusion – Response accepted.

(continued)

HENRY COUNTY, IOWA  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2011

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

IV-L-11 Transfers – Funds were transferred from the Special Revenue, Rural Services Fund to the Special Revenue, Secondary Roads Fund during the fiscal year; however, the transfer was not properly authorized by a resolution of the Board of Supervisors as required by Chapter 331.432(4) of the Code of Iowa.

Recommendation – All future transfers should be authorized by resolution of the board.

Response – We will comply with the Code requirements for the transfer of funds.

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

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