

HENRY COUNTY, IOWA

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

June 30, 2012

HENRY COUNTY, IOWA

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HENRY COUNTY, IOWA

Officials

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

Offices located in:

Burlington
(319) 753-9877
Cedar Rapids
(319) 393-2374
Centerville
(641) 437-4296
Fairfield
(641) 472-6171
Mt. Pleasant
(319) 385-3026



TD&T Financial Group, P.C.

Offices located in:

Muscatine
(563) 264-2727
Oskaloosa
(641) 672-2523
Ottumwa
(641) 683-1823
Pella
(641) 628-9411
Sigourney
(641) 622-1013

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, 2012, 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, 2012, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 38 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (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. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TDE&T Financial Group, P.C.

Mt. Pleasant, Iowa
April 23, 2013

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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 6.0%, or approximately \$820,000, from fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$198,000, operating grants, contributions, and restricted interest increased approximately \$109,000, and capital grants, contributions, and restricted interest increased approximately \$286,000.
- Program expenses of the County's governmental activities were 4.9%, or approximately \$741,000, less in fiscal year 2012 than in fiscal year 2011. Roads and transportation expenses decreased approximately \$862,000.
- The County's net assets increased 0.9%, or approximately \$298,000, from June 30, 2011 to June 30, 2012.

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.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 surcharge, emergency management services, and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Henry County's combined net assets were virtually unchanged from a year ago, increasing from approximately \$32.3 million to approximately \$32.6 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>2012</u>	<u>2011</u>
Current and other assets	\$ 15,292	12,579
Capital assets	<u>27,431</u>	<u>28,128</u>
Total assets	<u>42,723</u>	<u>40,707</u>
Long-term liabilities	2,239	991
Other liabilities	<u>7,842</u>	<u>7,372</u>
Total liabilities	<u>10,081</u>	<u>8,363</u>
Net assets:		
Invested in capital assets, net of related debt	27,008	27,885
Restricted	4,147	3,115
Unrestricted	<u>1,487</u>	<u>1,344</u>
Total net assets	<u>\$ 32,642</u>	<u>32,344</u>

Net assets of Henry County's governmental activities increased 0.9% (approximately \$32.6 million compared to approximately \$32.3 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 \$1,344,000 at June 30, 2011 to approximately \$1,487,000 at the end of this year, an increase of 10.6%.

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

	Year Ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 1,897	1,749
Operating grants, contributions and restricted interest	3,682	3,573
Capital grants, contributions and restricted interest	632	346
General revenues:		
Property tax	6,589	6,391
Penalty and interest on property tax	65	68
State tax credits	788	790
Local option sales tax	855	787
Unrestricted investment earnings	38	51
Gain on disposition of capital assets	29	-
Total revenues	14,575	13,755
Program expenses:		
Public safety and legal services	3,012	2,912
Physical health and social services	758	822
Mental health	2,824	2,732
County environment and education	925	919
Roads and transportation	4,851	5,713
Governmental services to residents	553	507
Administration	1,134	1,106
Non-program	190	296
Interest on long-term debt	30	11
Total expenses	14,277	15,018
Increase (decrease) in net assets	298	(1,263)
Net assets beginning of year, as restated	32,344	33,607
Net assets end of year	\$ 32,642	32,344

Henry County's net assets of governmental activities increased approximately \$298,000 during the year. Revenues for governmental activities increased approximately \$820,000 over the prior year, with property tax revenue up from the prior year approximately \$198,000, or 3.1%.

The cost of all governmental activities this year was approximately \$14.3 million compared to approximately \$15 million last year. However, as shown in the Statement of Activities on page 12, the amount taxpayers ultimately financed for these activities was approximately \$8.1 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,897,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,314,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2012 from approximately \$5,668,000 to approximately \$6,211,000, principally due to an increase 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 \$7.4 million, an increase of approximately \$2,241,000 over last year's total of approximately \$5.2 million. The increase in fund balance is primarily attributable to a \$1,205,000 general obligation bond issue during the year. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a modest increase of approximately \$243,000 from the prior year to approximately \$2,431,000.
- Special Revenue, Mental Health Fund revenues increased approximately \$795,000 and expenditures increased by approximately \$132,000, due principally to changes in the operation of the county care facility. This resulted in an increase in the Special Revenue, Mental Health Fund ending balance of approximately \$391,000 over 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 decreased by approximately \$1,164,000 from the prior year, due principally to a decrease in roadway maintenance that was paid for directly by the County. This decrease in expenditures resulted in a increase in the Special Revenue, Secondary Roads Fund ending balance of approximately \$524,000 or 29.9%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the County amended its budget one time. The amendment was made in May 2012, primarily to provide for additional expenditures in certain County departments and due to the issuance of additional general obligation bonds during the year. No increase in taxes was required during the year.

The County's receipts were \$293,806 more than budgeted, a variance of 2.1%. The most significant variance resulted from the County receiving more intergovernmental receipts than anticipated.

Total disbursements were \$1,578,329 less than the amended budget. Actual disbursements for the public safety and legal services, mental health, and capital projects functions were \$274,307, \$443,743, and \$419,621, respectively, less than budgeted.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts originally appropriated prior to the approval of an appropriation amendment by the Board of Supervisors.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Henry County had approximately \$27.4 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 \$697,000, or 2.5% from last year.

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

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 4,007	4,063
Buildings, equipment, and vehicles	2,699	2,714
Construction in progress	-	16
Infrastructure	<u>20,725</u>	<u>21,335</u>
 Total	 <u>\$ 27,431</u>	 <u>28,128</u>

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

Equipment and vehicles	\$ 161
Courthouse and Secondary Roads boilers	164
Conservation restroom and showerhouse	46
Capital assets contributed by the Iowa Department of Transportation	452
Other infrastructure	<u>162</u>
 Total	 <u>\$ 985</u>

The County had depreciation expense of \$1,626,544 in fiscal year 2012 and total accumulated depreciation of \$22,361,139 at June 30, 2012.

The County's fiscal year 2012 capital budget included \$900,373 for capital projects, principally for improvements to the County courthouse heating and phone systems and for continued upgrading of secondary roads and bridges. The County has no plans to issue additional debt to finance these projects. Rather, the County will use note proceeds from this year and resources on hand in the County's fund balance. The County also has a commitment of \$222,700 for the purchase of two 2013 Tandem Axle Mack dump trucks in the following year. More detailed information about the County's capital assets is presented in Note 7 to the financial statements.

Long-Term Debt

At June 30, 2012, Henry County had \$1,536,504 in general obligation capital loan notes outstanding, compared to \$425,000 at June 30, 2011.

Debt increased as a result of issuing general obligation bonds to pay the costs of acquiring an election voting system, for improvements for the collection and disposal of surface waters, and for capital projects for the construction, reconstruction, improvement, repair or equipping of bridges, roads, and culverts relating to damage caused by disasters that occurred in prior years.

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 \$35 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 2013 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 6.5% versus 7.4% a year ago. This compares with the State's unemployment rate of 5.1% and the national rate of 8.2%.

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, 2012

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,418,329
Receivables:	
Property tax:	
Delinquent	17,665
Succeeding year	7,061,822
Interest and penalty on property tax	23,495
Accounts	27,329
Accrued interest	10,144
Due from other governments	459,138
Inventories	170,811
Prepaid insurance	103,885
Capital assets (net of accumulated depreciation)	<u>27,430,617</u>
Total assets	<u>42,723,235</u>
Liabilities	
Accounts payable	332,782
Due to other governments	447,399
Deferred revenue:	
Succeeding year property tax	7,061,822
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	206,011
Compensated absences	334,535
Portion due or payable after one year:	
General obligation bonds	1,330,493
Net OPEB liability	194,327
Landfill closure and post closure costs	<u>174,000</u>
Total liabilities	<u>10,081,369</u>
Net Assets	
Invested in capital assets, net of related debt	27,007,522
Restricted for:	
Supplemental levy purposes	468,909
Mental health purposes	534,671
Secondary roads purposes	2,115,563
Rural services purposes	185,397
Capital projects	5,813
Debt service	23,165
Other purposes	814,048
Unrestricted	<u>1,486,778</u>
Total net assets	<u>\$ 32,641,866</u>

See notes to financial statements.

HENRY COUNTY, IOWA
Statement of Activities
Year Ended June 30, 2012

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 3,012,285	219,127	57,491	-
Physical health and social services	758,180	67,444	234,510	-
Mental health	2,823,385	997,191	879,727	-
County environment and education	925,295	66,354	44,568	40,139
Roads and transportation	4,851,172	203,138	2,453,528	591,439
Governmental services to residents	553,162	306,064	41	-
Administration	1,134,299	23,566	-	-
Non-program	190,280	14,234	12,235	-
Interest on long-term debt	29,609	-	-	-
Total	\$ 14,277,667	1,897,118	3,682,100	631,578

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

Gain on disposition of capital assets

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

See notes to financial statements.

Net (Expense)
Revenue and
Changes in
Net Assets

(2,735,667)

(456,226)

(946,467)

(774,234)

(1,603,067)

(247,057)

(1,110,733)

(163,811)

(29,609)

(8,066,871)

6,444,433

144,871

65,123

787,635

855,385

37,530

29,359

44

8,364,380

297,509

32,344,357

\$ 32,641,866

HENRY COUNTY, IOWA
Balance Sheet
Governmental Funds
June 30, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<u>Assets</u>				
Cash and pooled investments	\$ 2,342,900	925,671	234,304	2,020,961
Receivables:				
Property tax:				
Delinquent	11,728	2,096	3,256	-
Succeeding year	4,674,962	834,891	1,316,963	-
Interest and penalty on property tax	23,495	-	-	-
Accounts	21,363	1,889	-	3,264
Accrued interest	10,115	-	-	-
Due from other funds	-	-	-	3,210
Due from other governments	101,554	11,550	-	192,755
Inventories	-	-	-	170,811
Prepaid items	103,885	-	-	-
Total assets	\$ 7,290,002	1,776,097	1,554,523	2,391,001
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 52,715	20,577	-	103,329
Due to other funds	3,210	-	-	-
Due to other governments	94,295	343,607	-	6,734
Deferred revenue:				
Succeeding year property tax	4,674,962	834,891	1,316,963	-
Other	34,228	1,971	3,153	-
Total liabilities	4,859,410	1,201,046	1,320,116	110,063
Fund balances:				
Nonspendable:				
Inventories	-	-	-	170,811
Prepaid insurance	103,885	-	-	-
Restricted for:				
Supplemental levy purposes	365,024	-	-	-
Mental health purposes	-	575,051	-	-
Rural services purposes	-	-	234,407	-
Secondary roads purposes	-	-	-	2,110,127
Conservation land acquisition	25,729	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Pioneer cemeteries	47,044	-	-	-
Community betterment purposes	-	-	-	-
Resource enhancement purposes	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Historic preservation	14,097	-	-	-
Conservation purposes	146,351	-	-	-
Economic development	72,562	-	-	-
Unassigned	1,655,900	-	-	-
Total fund balances	2,430,592	575,051	234,407	2,280,938
Total liabilities and fund balances	\$ 7,290,002	1,776,097	1,554,523	2,391,001

See notes to financial statements.

Nonmajor	Total
1,894,493	7,418,329
585	17,665
235,006	7,061,822
-	23,495
813	27,329
29	10,144
-	3,210
153,279	459,138
-	170,811
-	103,885
<u>2,284,205</u>	<u>15,295,828</u>

156,161	332,782
-	3,210
2,763	447,399
235,006	7,061,822
549	39,901
<u>394,479</u>	<u>7,885,114</u>

-	170,811
-	103,885
-	365,024
-	575,051
-	234,407
-	2,110,127
-	25,729
23,165	23,165
1,119,222	1,119,222
-	47,044
622,943	622,943
85,738	85,738
38,658	38,658
-	14,097
-	146,351
-	72,562
-	1,655,900
<u>1,889,726</u>	<u>7,410,714</u>
<u>2,284,205</u>	<u>15,295,828</u>

HENRY COUNTY, IOWA
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2012

Total governmental fund balances (page 13)	\$	7,410,714
 <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 \$49,791,756 and the accumulated depreciation is \$22,361,139.		27,430,617
Other long-term assets are not available to pay for current year expenditures and, therefore, are deferred in the governmental funds.		39,901
Long-term liabilities, including bonds 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>(2,239,366)</u>
Net assets of governmental activities (page 11)	\$	<u><u>32,641,866</u></u>

HENRY COUNTY, IOWA
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 4,373,255	809,083	1,262,074	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	63,445	-	-	-
Intergovernmental	518,649	1,488,518	52,755	2,779,682
Licenses and permits	250	-	-	6,175
Charges for service	526,789	928,837	-	6,321
Use of money and property	69,111	-	-	-
Miscellaneous	76,660	19,161	-	20,342
Total revenues	5,628,159	3,245,599	1,314,829	2,812,520
Expenditures:				
Operating:				
Public safety and legal services	2,619,087	-	250,932	-
Physical health and social services	653,386	-	-	-
Mental health	-	2,854,242	-	-
County environment and education	485,487	-	-	-
Roads and transportation	-	-	-	3,150,804
Governmental services to residents	531,757	-	2,136	-
Administration	1,119,981	-	-	-
Non-program	31,992	-	-	-
Debt service	-	-	-	-
Capital projects	14,707	-	-	218,833
Total expenditures	5,456,397	2,854,242	253,068	3,369,637
Excess (deficiency) of revenues over (under) expenditures	171,762	391,357	1,061,761	(557,117)
Other financing sources (uses):				
Sale of capital assets	71,250	-	-	-
Operating transfers in	-	-	-	1,081,504
Operating transfers out	-	-	(1,081,504)	-
General obligation bonds issued	-	-	-	-
Net premium on bonds issued	-	-	-	-
Total other financing sources (uses)	71,250	-	(1,081,504)	1,081,504
Net change in fund balances	243,012	391,357	(19,743)	524,387
Fund balances beginning of year	2,187,580	183,694	254,150	1,756,551
Fund balances end of year	\$ 2,430,592	575,051	234,407	2,280,938

See notes to financial statements.

Nonmajor	Total
144,685	6,589,097
855,385	855,385
-	63,445
38,315	4,877,919
41,844	48,269
7,422	1,469,369
566	69,677
33,155	149,318
<u>1,121,372</u>	<u>14,122,479</u>

4,428	2,874,447
169,396	822,782
-	2,854,242
465,605	951,092
77,175	3,227,979
5,906	539,799
26,868	1,146,849
51,157	83,149
149,927	149,927
320,032	553,572
<u>1,270,494</u>	<u>13,203,838</u>

<u>(149,122)</u>	<u>918,641</u>
------------------	----------------

-	71,250
-	1,081,504
-	(1,081,504)
1,205,000	1,205,000
46,504	46,504
<u>1,251,504</u>	<u>1,322,754</u>

1,102,382	2,241,395
787,344	5,169,319
<u>1,889,726</u>	<u>7,410,714</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, 2012

Net change in fund balances - Total governmental funds (page 15) **\$ 2,241,395**

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	\$ 549,362	
Capital assets contributed by the Iowa Department of Transportation	435,585	
Depreciation expense	<u>(1,626,544)</u>	(641,597)

In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (56,641)

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		2,503
--------------	--	-------

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

Issued	(1,205,000)	
Net premium on bonds issued	(46,504)	
Repaid	<u>140,000</u>	(1,111,504)

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	(71,871)	
Other postemployment benefits	<u>(64,776)</u>	<u>(136,647)</u>

Change in net assets of governmental activities (page 12) **\$ 297,509**

See notes to financial statements.

HENRY COUNTY, IOWA
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets

Cash and pooled investments:		
County Treasurer	\$	1,399,390
Other County officials		35,415
Receivables:		
Property tax:		
Delinquent		44,805
Succeeding year		17,631,656
Accounts		2,245
Accrued interest		26
Due from other governments		37,505
Total assets		<u>19,151,042</u>

Liabilities

Accounts payable		5,048
Salaries and benefits payable		2,328
Due to other governments		19,105,475
Trusts payable		23,378
Compensated absences		14,813
Total liabilities		<u>19,151,042</u>
Net assets	\$	<u><u>-</u></u>

See notes to financial statements.

HENRY COUNTY, IOWA
Notes to Financial Statements
June 30, 2012

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, 2012

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. 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, 2012

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, 2012

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, 2012

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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, 2012, 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, 2012

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, 2012

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, 2012. 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 recognized as an expense in the period incurred.

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, 2012

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 the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements did not exceed amounts budgeted. However, disbursements in certain departments exceeded the amounts originally appropriated prior to the approval of an appropriation amendment by the Board of Supervisors.

F. Date of Management's Review

Management has evaluated subsequent events through April 23, 2013, the date which the statements were available to be issued.

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2012

Note 2 – Cash and Pooled Investments

The County’s deposits in banks at June 30, 2012 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, 2012 the County had \$2,700,000 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 \$5,138,038 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, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>1,081,504</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, 2012

Note 4 – Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General Obligation Bonds	Landfill Closure and Post Closure Costs	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 425,000	174,000	262,664	129,551	991,215
Increases	1,251,504	-	340,241	64,776	1,656,521
Decreases	140,000	-	268,370	-	408,370
Balance end of year	<u>\$ 1,536,504</u>	<u>174,000</u>	<u>334,535</u>	<u>194,327</u>	<u>2,239,366</u>
Due within one year	<u>\$ 206,011</u>	<u>-</u>	<u>334,535</u>	<u>-</u>	<u>540,546</u>

Bonds Payable

A summary of the County's June 30, 2012 general obligation bond indebtedness is as follows:

Year Ending June 30,	General Obligation Capital Loan Notes								
	Series 2009			Series 2012			Total		
	Issued September 15, 2009			Issued April 4, 2012					
Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total	
2013	2.20%	\$ 140,000	6,705	2.00%	\$ 66,011	17,105	\$ 206,011	23,810	229,821
2014	2.50	145,000	3,625	2.00	69,042	13,959	214,042	17,584	231,626
2015				2.00	218,654	13,146	218,654	13,146	231,800
2016				2.00	222,029	10,571	222,029	10,571	232,600
2017				2.00	225,343	7,957	225,343	7,957	233,300
2018				2.00	223,596	5,304	223,596	5,304	228,900
2019				2.00	226,829	2,671	226,829	2,671	229,500
Total		<u>\$ 285,000</u>	<u>10,330</u>		<u>\$ 1,251,504</u>	<u>70,713</u>	<u>\$ 1,536,504</u>	<u>81,043</u>	<u>1,617,547</u>

During the year ended June 30, 2012, the County issued general obligation bonds with a face value of \$1,205,000. The bonds were issued with a premium of \$46,504, effective interest rate of 1.177%, and stated interest rate of 2.0%. The County also retired \$140,000 of bonds during the year.

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2012

Note 5 – Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ <u>3,210</u>

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

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:

Fund	Description	Amount
General	Services	\$ <u>94,295</u>
Special Revenue:		
Mental Health	Services	343,607
Secondary Roads	Services	6,734
Community Betterment	Services	<u>2,763</u>
		<u>353,104</u>
Total for governmental funds		\$ <u>447,399</u>
Agency:		
County Assessor	Collections	\$ 1,013,384
Schools		11,341,354
Community Colleges		739,925
Corporations		4,254,571
Townships		140,747
E911 Surcharge		91,232
Auto License and Use Tax		424,956
County Hospital		592,644
Agricultural Extension		212,447
All other		<u>294,215</u>
Total for agency funds		\$ <u>19,105,475</u>

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2012

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,063,637	-	56,641	4,006,996
Construction in progress	16,176	-	16,176	-
Total capital assets not being depreciated	4,079,813	-	72,817	4,006,996
Capital assets being depreciated:				
Buildings, equipment, and vehicles	7,745,764	371,640	40,550	8,076,854
Infrastructure, road network	37,078,423	629,483	-	37,707,906
Total capital assets being depreciated	44,824,187	1,001,123	40,550	45,784,760
Less accumulated depreciation for:				
Buildings, equipment, and vehicles	5,031,350	387,750	40,550	5,378,550
Infrastructure, road network	15,743,795	1,238,794	-	16,982,589
Total accumulated depreciation	20,775,145	1,626,544	40,550	22,361,139
Total capital assets being depreciated, net	24,049,042	(625,421)	-	23,423,621
Governmental activities capital assets, net	\$ 28,128,855	(625,421)	72,817	27,430,617
Depreciation expense was charged to the following functions:				
Governmental activities:				
Public safety and legal services				\$ 97,462
Mental health				5,183
County environment and education				14,852
Roads and transportation				1,436,320
Governmental services to residents				1,151
Administration				7,241
Non-program				64,335
Total depreciation expense – governmental activities				\$ 1,626,544

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2012

Note 8 – Operating Leases

Henry County leases facilities for its operations. The lease term is from June 1, 2012 to May 31, 2013 with monthly lease payments due of \$600 per month.

Total payments for this operating lease totaled \$6,600 for the year ended June 30, 2012.

The County leases out the Care Facility crop land. The current cash lease agreement began on March 1, 2012 and ends on March 1, 2015. Total annual cash rent due from the lessee is \$12,144. Payments include \$6,072 on or before June 1st and \$6,072 on or before December 1st of each year.

The County leases out office space in the CPC building. The agreement for the cash lease term that was signed in June of 2011 was from July 1, 2011 to June 30, 2012; however the lease was automatically renewed for July 1, 2012 to June 30, 2013. 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, 2012

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, 2012 were \$178,355.

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, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, 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, 2012

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 – 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 12 – Related Party Transactions

The following is a summary of transactions between the County and County officials, employees, or immediate family members of officials or employees:

<u>Name and Business Connection</u>	<u>Transactions Description</u>	<u>Amount</u>
Sonja Barber (Mother of Employee)	Services	\$ 375
Carla Belzer (Spouse of Employee)	Services	155
Kitty Brooks (Spouse of Employee)	Services	86
Tom Jacobsmeier (Employee)	Services	1,196
Rick Sywassink (Spouse of Employee)	Services	2,200
Derek Wellington (Employee)	Services	10,685
Blanca Wittmer (Spouse of Employee)	Services	90
Harold Kent White (Supervisor)	Tax sale redemptions	1,728

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2012

Note 13 – 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 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011, and 2010 were \$387,762, \$344,541, and \$319,750, respectively, equal to the required contributions for each year.

Note 14 – Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 87 active and 2 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, 2012

Note 14 – Other Postemployment Benefits (OPEB) (Continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, 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	5,830
Adjustment to annual required contribution	<u>(7,611)</u>
Annual OPEB cost	66,325
Contributions made	<u>(1,549)</u>
Increase in net OPEB obligation	64,776
Net OPEB obligation beginning of year	<u>129,551</u>
Net OPEB obligation end of year	<u>\$ 194,327</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, 2012.

For the year ended June 30, 2012, the County contributed \$1,549 to the medical plan. Plan members eligible for benefits contributed \$7,302, or 82% 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 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
2012	66,325	2.3%	194,327

Funded Status and Funding Progress – As of January 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$4,272,571 and the ratio of the UAAL to covered payroll was 12.49%. As of June 30, 2012, there were no trust fund assets.

(continued)

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2012

Note 14 – 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the 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. An inflation rate of 0% is assumed for the purpose of this computation.

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 15 – 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, 2012

Note 16 – 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 17 – 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 calendar years 2013 through 2017. No interest would be paid on the contract.

HENRY COUNTY, IOWA
Notes to Financial Statements (Continued)
June 30, 2012

Note 18 – 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 \$528,426 at June 30, 2012.

Note 19 – Commitments

The County has entered into contracts totaling \$162,694 for the storm sewer water detention basin project in Crossroads Business Park. As of June 30, 2012, costs of \$15,550 have been incurred. The balance of \$147,144 remaining on the contract will be paid as work on the project progresses.

The County has also accepted a quotation from H&L Mack for the purchase of two 2013 Tandem Axle Mack dump trucks for a total of \$222,700.

Note 20 – Prior Period Adjustment

Property acquired from Iowa Department of Transportation and United States General Services Administration Public Building Services in prior years had not been recorded in the Government-wide Financial Statements. Accordingly, an adjustment of \$296,590 was made to record the additional land and buildings as of July 1, 2011.

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, 2012

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 7,439,001	-
Interest and penalty on property tax	63,616	-
Intergovernmental	4,894,154	-
Licenses and permits	48,049	-
Charges for services	1,597,704	-
Use of money and property	67,447	-
Miscellaneous	193,774	-
Total receipts	<u>14,303,745</u>	<u>-</u>
Disbursements:		
Public safety and legal services	2,874,940	-
Physical health and social services	835,927	-
Mental health	2,765,076	-
County environment and education	951,299	-
Roads and transportation	3,330,760	-
Governmental services to residents	542,285	-
Administration	1,134,482	-
Non-program	45,492	-
Debt Service	149,927	-
Capital Projects	480,752	-
Total disbursements	<u>13,110,940</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	1,192,805	-
Other financing sources, net	<u>1,322,754</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,515,559	-
Balance beginning of year	<u>4,902,770</u>	<u>-</u>
Balance end of year	<u>\$ 7,418,329</u>	<u>-</u>

See accompanying independent auditors' report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
7,439,001	7,345,199	7,435,199	3,802
63,616	53,300	53,300	10,316
4,894,154	3,911,635	4,591,495	302,659
48,049	41,000	41,000	7,049
1,597,704	1,637,750	1,690,630	(92,926)
67,447	79,613	80,085	(12,638)
193,774	48,000	118,211	75,563
14,303,745	13,116,497	14,009,920	293,825
2,874,940	3,142,997	3,149,247	274,307
835,927	883,245	1,005,335	169,408
2,765,076	3,208,819	3,208,819	443,743
951,299	911,150	1,025,775	74,476
3,330,760	3,357,200	3,357,200	26,440
542,285	649,149	655,949	113,664
1,134,482	1,170,802	1,190,927	56,445
45,492	43,500	45,644	152
149,927	150,000	150,000	73
480,752	716,000	900,373	419,621
13,110,940	14,232,862	14,689,269	1,578,329
1,192,805	(1,116,365)	(679,349)	1,872,154
1,322,754	-	1,303,072	(19,682)
2,515,559	(1,116,365)	623,723	1,891,836
4,902,770	3,620,672	3,620,672	1,282,098
7,418,329	2,504,307	4,244,395	3,173,934

HENRY COUNTY, IOWA
Budgetary Comparison Schedule -
Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 14,303,745	(181,266)	14,122,479
Expenditures	13,110,940	92,898	13,203,838
Net	1,192,805	(274,164)	918,641
Other financing sources, net	1,322,754	-	1,322,754
Beginning fund balances	4,902,770	266,549	5,169,319
Ending fund balances	\$ 7,418,329	(7,615)	7,410,714

See accompanying independent auditors' report.

HENRY COUNTY, IOWA
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2012

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 the 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, one budget amendment increased budgeted disbursements by \$456,407. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts originally appropriated prior to the approval of an appropriation amendment by the Board of Supervisors.

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

Required Supplementary Information

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
2012	Jan. 1, 2010	-	533	533	0.00	4,273	12.49

See Note 14 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, 2012

	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	\$ 94,522	504,138	12,276	20,327
Receivables:				
Property tax				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	560	-	253
Accrued interest	26	-	-	3
Due from other governments	-	153,279	-	-
Total assets	\$ 94,548	657,977	12,276	20,583
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 8,810	32,271	-	-
Due to other governments	-	2,763	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	8,810	35,034	-	-
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Community betterment purposes	-	622,943	-	-
Resource enhancement purposes	85,738	-	-	-
Other purposes	-	-	12,276	20,583
Total fund balances	85,738	622,943	12,276	20,583
Total liabilities and fund balances	\$ 94,548	657,977	12,276	20,583

See accompanying independent auditors' report.

Attorney's Forfeiture Fund	Debt Service	Capital Projects	Total
5,998	23,129	1,234,103	1,894,493
-	585	-	585
-	235,006	-	235,006
-	-	-	813
-	-	-	29
-	-	-	153,279
5,998	258,720	1,234,103	2,284,205
199	-	114,881	156,161
-	-	-	2,763
-	235,006	-	235,006
-	549	-	549
199	235,555	114,881	394,479
-	23,165	-	23,165
-	-	1,119,222	1,119,222
-	-	-	622,943
-	-	-	85,738
5,799	-	-	38,658
5,799	23,165	1,119,222	1,889,726
5,998	258,720	1,234,103	2,284,205

HENRY COUNTY, IOWA
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

	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	-	855,385	-	-
Intergovernmental	12,537	20,385	-	-
Licenses and permits	-	41,844	-	-
Charges for service	-	3,876	-	3,546
Use of money and property	457	-	2	41
Miscellaneous	-	26,210	1,146	-
Total revenues	<u>12,994</u>	<u>947,700</u>	<u>1,148</u>	<u>3,587</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	229	-
Physical health and social services	-	169,396	-	-
County environment and education	55,255	410,350	-	-
Roads and transportation	-	77,175	-	-
Governmental services to residents	-	-	-	5,906
Administration	-	26,868	-	-
Non-program	-	51,157	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>55,255</u>	<u>734,946</u>	<u>229</u>	<u>5,906</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(42,261)</u>	<u>212,754</u>	<u>919</u>	<u>(2,319)</u>
Other financing sources (uses):				
General obligation bonds issued	-	-	-	-
Net premium on bonds issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(42,261)	212,754	919	(2,319)
Fund balances beginning of year	<u>127,999</u>	<u>410,189</u>	<u>11,357</u>	<u>22,902</u>
Fund balances end of year	<u>\$ 85,738</u>	<u>622,943</u>	<u>12,276</u>	<u>20,583</u>

See accompanying independent auditors' report.

Attorney's Forfeiture Fund	Debt Service	Capital Projects	Total
-	144,685	-	144,685
-	-	-	855,385
-	5,393	-	38,315
-	-	-	41,844
-	-	-	7,422
-	17	49	566
5,799	-	-	33,155
5,799	150,095	49	1,121,372
4,199	-	-	4,428
-	-	-	169,396
-	-	-	465,605
-	-	-	77,175
-	-	-	5,906
-	-	-	26,868
-	-	-	51,157
-	149,927	-	149,927
-	-	320,032	320,032
4,199	149,927	320,032	1,270,494
1,600	168	(319,983)	(149,122)
-	-	1,205,000	1,205,000
-	-	46,504	46,504
-	-	1,251,504	1,251,504
1,600	168	931,521	1,102,382
4,199	22,997	187,701	787,344
5,799	23,165	1,119,222	1,889,726

HENRY COUNTY, IOWA
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

	<u>County Offices</u>		County Care Facility	Agricultural Extension Education	County Assessor
	County Recorder	County Sheriff			
<u>Assets</u>					
Cash and pooled investments:					
County Treasurer	\$ -	-	-	2,985	519,565
Other County officials	15,629	19,786	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	517	1,281
Succeeding year	-	-	-	208,945	511,368
Accounts	76	-	-	-	21
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
	<hr/>				
Total assets	\$ 15,705	19,786	-	212,447	1,032,235
<hr/>					
<u>Liabilities</u>					
Accounts payable	\$ -	-	-	-	1,710
Salaries and benefits payable	-	-	-	-	2,328
Due to other governments	15,705	-	-	212,447	1,013,384
Trusts payable	-	19,786	-	-	-
Compensated absences	-	-	-	-	14,813
	<hr/>				
Total liabilities	\$ 15,705	19,786	-	212,447	1,032,235
<hr/>					

(continued)

See accompanying independent auditors' report.

Schools	Community Colleges	Corporations	Townships	E911 Surcharge	Special Assessments
164,318	10,631	70,005	1,979	84,107	2,100
-	-	-	-	-	-
27,770	1,837	11,209	482	-	-
11,149,266	727,457	4,173,357	138,286	-	-
-	-	-	-	1,895	-
-	-	-	-	26	-
-	-	-	-	8,286	-
11,341,354	739,925	4,254,571	140,747	94,314	2,100
-	-	-	-	3,082	-
-	-	-	-	-	-
11,341,354	739,925	4,254,571	140,747	91,232	2,100
-	-	-	-	-	-
-	-	-	-	-	-
11,341,354	739,925	4,254,571	140,747	94,314	2,100

HENRY COUNTY, IOWA
Combining Schedule of Fiduciary Assets and Liabilities (Continued)
Agency Funds
June 30, 2012

	Fire Districts	Advance Tax	Auto License and Use Tax	County Recorder's Electronic Transaction Fee
<u>Assets</u>				
Cash and pooled investments:				
County Treasurer	\$ 1,664	3,592	424,956	263
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	243	-	-	-
Succeeding year	140,253	-	-	-
Accounts	-	-	-	253
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
 Total assets	 \$ 142,160	 3,592	 424,956	 516
<u>Liabilities</u>				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other governments	142,160	-	424,956	516
Trusts payable	-	3,592	-	-
Compensated absences	-	-	-	-
 Total liabilities	 \$ 142,160	 3,592	 424,956	 516

See accompanying independent auditor's report.

County Hospital	Civil Defense Emergency Management	Tax Sale Redemption Trust	Brucellosis and Tuberculosis Eradication	Total
8,459	74,990	29,309	467	1,399,390
-	-	-	-	35,415
1,461	-	-	5	44,805
582,724	-	-	-	17,631,656
-	-	-	-	2,245
-	-	-	-	26
-	29,219	-	-	37,505
592,644	104,209	29,309	472	19,151,042
-	256	-	-	5,048
-	-	-	-	2,328
592,644	103,953	29,309	472	19,105,475
-	-	-	-	23,378
-	-	-	-	14,813
592,644	104,209	29,309	472	19,151,042

HENRY COUNTY, IOWA
Combining Schedule of Changes in Fiduciary
Assets and Liabilities
Agency Funds
Year Ended June 30, 2012

	<u>County Offices</u>		County Care Facility	Agricultural Extension Education
	County Recorder	County Sheriff		
Assets and Liabilities				
Balances beginning of year	\$ 20,085	22,495	18,433	201,356
Additions:				
Property and other county tax	-	-	-	204,502
E911 surcharge	-	-	-	-
State tax credits	-	-	-	7,283
Office fees and collections	236,128	169,180	-	-
Electronic transaction fee	-	-	-	-
Interest on investments	-	-	-	-
Auto licenses, use tax, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	222,585	250,562	-
Miscellaneous	-	-	-	-
Total additions	<u>236,128</u>	<u>391,765</u>	<u>250,562</u>	<u>211,785</u>
Deductions:				
Agency remittances:				
To other funds	104,419	187,607	-	-
To other governments	136,089	-	-	200,694
Trusts paid out	-	206,867	268,995	-
Total deductions	<u>240,508</u>	<u>394,474</u>	<u>268,995</u>	<u>200,694</u>
Balances end of year	<u>\$ 15,705</u>	<u>19,786</u>	<u>-</u>	<u>212,447</u>

(continued)

See accompanying independent auditors' report.

County Assessor	Schools	Community Colleges	Corporations	Townships	E911 Surcharge	Special Assessments
845,462	10,821,351	714,397	4,055,729	140,674	178,767	152
500,236	10,951,192	716,144	4,776,320	135,911	-	-
-	-	-	-	-	76,475	-
18,228	405,508	25,949	145,383	6,067	-	-
137	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	409	-
-	-	-	-	-	-	-
-	-	-	-	-	-	6,780
-	-	-	-	-	-	-
131	-	-	-	-	720	-
518,732	11,356,700	742,093	4,921,703	141,978	77,604	6,780
-	-	-	-	-	-	-
331,959	10,836,697	716,565	4,722,861	141,905	162,057	4,832
-	-	-	-	-	-	-
331,959	10,836,697	716,565	4,722,861	141,905	162,057	4,832
1,032,235	11,341,354	739,925	4,254,571	140,747	94,314	2,100

HENRY COUNTY, IOWA
Combining Schedule of Changes in Fiduciary
Assets and Liabilities (Continued)
Agency Funds
Year Ended June 30, 2012

	Fire Districts	Advance Tax	Auto License and Use Tax	County Recorder's Electronic Transaction Fee
Assets and Liabilities				
Balances beginning of year	\$ 138,353	4,559	415,903	821
Additions:				
Property and other county tax	126,694	-	-	-
E911 surcharge	-	-	-	-
State tax credits	4,615	-	-	-
Office fees and collections	-	-	-	-
Electronic transaction fee	-	-	-	4,048
Interest on investments	-	-	-	-
Auto licenses, use tax, and postage	-	-	4,952,104	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	31,874	-	-
Total additions	131,309	31,874	4,952,104	4,048
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	127,502	-	4,943,051	4,353
Trusts paid out	-	32,841	-	-
Total deductions	127,502	32,841	4,943,051	4,353
Balances end of year	\$ 142,160	3,592	424,956	516

See accompanying independent auditors' report.

County Hospital	Civil Defense Emergency Management	Tax Sale Redemption Trust	Brucellosis and Tuberculosis Eradication	Total
570,455	45,506	66,291	441	18,261,230
570,141	-	-	5,461	17,986,601
-	-	-	-	76,475
20,634	-	-	81	633,748
-	-	-	-	405,445
-	-	-	-	4,048
-	-	-	-	409
-	-	-	-	4,952,104
-	-	-	-	6,780
-	-	-	-	473,147
-	219,692	264,354	-	516,771
590,775	219,692	264,354	5,542	25,055,528
-	-	-	-	292,026
568,586	160,989	301,336	5,511	23,364,987
-	-	-	-	508,703
568,586	160,989	301,336	5,511	24,165,716
592,644	104,209	29,309	472	19,151,042

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

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 6,589,097	6,387,875	5,864,095	5,625,596
Local option sales tax	855,385	786,898	694,627	802,726
Interest and penalty on property tax	63,445	64,650	63,679	54,712
Intergovernmental	4,877,919	4,415,362	4,670,875	4,003,348
Licenses and permits	48,269	44,619	50,018	37,609
Charges for service	1,469,369	1,295,656	1,189,127	1,133,216
Use of money and property	69,677	79,991	104,846	175,992
Miscellaneous	149,318	326,901	122,718	100,872
Total	\$ 14,122,479	13,401,952	12,759,985	11,934,071
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,874,447	2,950,196	2,925,965	2,692,807
Physical health and social services	822,782	821,232	952,628	678,995
Mental health	2,854,242	2,722,452	2,475,959	2,420,009
County environment and education	951,092	913,793	878,687	992,234
Roads and transportation	3,227,979	4,105,833	3,302,125	3,377,196
Governmental services to residents	539,799	506,262	559,357	506,155
Administration	1,146,849	1,098,594	1,066,405	1,061,437
Non-program	83,149	52,737	42,763	37,043
Debt Service	149,927	146,317	149,694	151,271
Capital Projects	553,572	758,917	978,207	136,039
Total	\$ 13,203,838	14,076,333	13,331,790	12,053,186

See accompanying independent auditors' report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
5,346,817	5,287,941	4,982,817	4,601,265	3,736,759	4,208,579
909,448	742,401	761,258	734,914	642,822	556,368
54,613	51,707	63,175	61,687	65,711	186,253
4,007,676	4,166,574	4,112,669	4,233,685	4,536,342	3,582,143
37,977	26,286	21,983	2,455	425	5,605
1,079,923	1,085,987	1,036,887	869,478	787,498	682,749
334,003	376,657	283,310	122,278	82,151	106,483
123,047	90,461	63,533	84,596	448,703	221,634
11,893,504	11,828,014	11,325,632	10,710,358	10,300,411	9,549,814
2,589,262	2,390,505	2,337,219	2,075,236	1,985,029	1,808,178
636,927	575,500	457,298	1,116,744	674,561	819,266
2,417,058	2,174,543	2,176,930	2,079,953	1,938,760	2,115,734
817,454	723,004	812,685	352,567	630,331	627,944
3,771,448	3,078,274	3,124,499	2,949,915	2,640,111	2,648,650
464,697	471,210	899,360	759,414	675,291	507,507
977,325	958,748	959,002	1,044,354	1,410,046	906,120
4,677	20,317	22,692	48,558	85,211	86,691
146,672	143,927	-	-	-	-
567,491	845,593	543,658	329,616	555,458	650,530
12,393,011	11,381,621	11,333,343	10,756,357	10,594,798	10,170,620

Offices located in:
Burlington
(319) 753-9877
Cedar Rapids
(319) 393-2374
Centerville
(641) 437-4296
Fairfield
(641) 472-6171
Mt. Pleasant
(319) 385-3026



Offices located in:
Muscatine
(563) 264-2727
Oskaloosa
(641) 672-2523
Ottumwa
(641) 683-1823
Pella
(641) 628-9411
Sigourney
(641) 622-1013

TD&T Financial Group, P.C.

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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 23, 2013. 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

The management of Henry County is responsible for establishing and maintaining effective 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, 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 as items II-A-12, II-B-12, II-C-12, II-D-12, and II-E-12 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 as items II-F-12 and II-G-12 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 III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Henry County and other parties to whom Henry County may report, including federal awarding agencies and pass-through entities, 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
April 23, 2013

HENRY COUNTY, IOWA
Schedule of Findings
Year Ended June 30, 2012

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.

(continued)

HENRY COUNTY, IOWA
Schedule of Findings (Continued)
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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.

	Applicable Offices
(1) There is no independent approval process for non-routine journal entries entered into the system.	Auditor
(2) Amounts invested in certificates of deposit and in Iowa Public Agency Investment Trust accounts are not reviewed periodically by an individual who does not have custody of these accounts	Treasurer
(3) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle, or record cash	County Care Facility

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel or other County employees to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses –

Auditor and Treasurer – With limited staff, we segregate responsibilities the best we can. We will implement procedures in the future to ensure that there are independent reviews of non-routine journal entries and investment accounts.

County Care Facility – There is no longer a County Care Facility Department for Henry County after June 30, 2012.

Conclusion – Responses accepted.

(continued)

HENRY COUNTY, IOWA
Schedule of Findings (Continued)
Year Ended June 30, 2012

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

INTERNAL CONTROL DEFICIENCIES (Continued):

II-B-12 Financial Reporting – During the audit, we identified misstatements in the general ledger, some of which were material, that were not initially identified by the County’s internal control. These misstatements included receivables, payables, and capital asset additions and deletions not recorded in the County’s financial statements. There were also miscalculations identified in the accruals for compensated absences payable and succeeding year property tax receivable. In addition, adjustments were required to eliminate the effect of interfund transactions. 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 revenues, expenditures, receivables, payables, and capital asset additions and deletions are identified and included in the County’s financial statements. These procedures should include a review process to ensure that all accruals are also calculated properly.

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

Conclusion – Response accepted.

II-C-12 Federal Grant Controls – Our audit disclosed a lack of controls over certain federal awards. 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.

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.

(continued)

HENRY COUNTY, IOWA
Schedule of Findings (Continued)
Year Ended June 30, 2012

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

INTERNAL CONTROL DEFICIENCIES (Continued):

II-D-12 Timely Deposits – Collections were not always deposited timely with the County Treasurer.

Recommendation – Receipts should be remitted to the County Treasurer’s Office on a timely basis.

Response – We will work to improve our consistency with the timeliness of deposits.

Conclusion – Response accepted.

II-E-12 County Care Facility – Resident receipts and disbursements were not accurately included in the cash ledger summary and the accounts were not reconciled promptly and accurately.

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 – There is no longer a County Care Facility Department for Henry County after June 30, 2012.

Conclusion – Response accepted.

II-F-12 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 (Continued)
Year Ended June 30, 2012

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

INTERNAL CONTROL DEFICIENCIES (Continued):

II-G-12 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 (Continued)
 Year Ended June 30, 2012

Part III: Other Findings Related to Required Statutory Reporting:

III-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts originally appropriated prior to the approval of an appropriation amendment by the Board of Supervisors. In addition, the budget amendment that was published was overstated due to amounts for non-budgetary funds being included.

Recommendation – 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. Budget amendments should be reviewed for accuracy prior to being published.

Response – The Board of Supervisors will make every attempt to not exceed departmental appropriations before budget amendments can be made, including using their authority as outlined in Chapter 331.434(6) of the Code of Iowa. In addition, future budget amendments will be reviewed for accuracy before they are published.

Conclusion – Response accepted.

III-B-12 Questionable Expenditures – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

III-D-12 Business Transactions – Business transactions between the County and County officials, employees, or immediate family members of officials or employees were as follows:

<u>Name and Business Connection</u>	<u>Transactions Description</u>	<u>Amount</u>
Sonja Barber (Mother of Employee)	Services	\$ 375
Carla Belzer (Spouse of Employee)	Services	155
Kitty Brooks (Spouse of Employee)	Services	86
Tom Jacobsmeier (Employee)	Services	1,196
Rick Sywassink (Spouse of Employee)	Services	2,200
Derek Wellington (Employee)	Services	10,685
Blanca Wittmer (Spouse of Employee)	Services	90
Harold Kent White (Supervisor)	Tax sale redemptions	1,728

(continued)

HENRY COUNTY, IOWA
Schedule of Findings (Continued)
Year Ended June 30, 2012

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

III-D-12 Business Transactions (Continued):

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

III-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

III-F-12 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 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 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 (Continued)
Year Ended June 30, 2012

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

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

III-H-12 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

III-I-12 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, 2012 for the County Extension Office did not exceed the amount budgeted.

III-J-12 Payroll – The salaries of elected officials adopted by the Board of Supervisors were not reduced from the compensation schedule recommended by the Compensation Board by an equal percentage for each official as required by Chapter 331.907 of the Code of Iowa. In addition, a Deputy Treasurer was paid more than the amount adopted by the Board of Supervisors.

Recommendation – The County should comply with Chapter 331.907 of the Code of Iowa to determine salaries of elected officials. Also, all pay rates should be reviewed for accuracy prior to the first payroll of the year.

Response – These instances of non-compliance were the result of clerical errors. However, we will make every attempt to review these items in the future so as to ensure we are in compliance with the requirements in Chapter 331.907 of the Code of Iowa and to ensure that no employees are paid more than the amount approved by the Board of Supervisors.

Conclusion – Response accepted.

HENRY COUNTY, IOWA
Audit Staff

This audit was performed by:

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