OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE March 29, 2017

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Henry County, Iowa.

The County had local tax revenue of $27,973,023 for the year ended June 30, 2016, which included $2,850,088 in tax credits from the state. The County forwarded $20,272,831 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $7,700,192 of the local tax revenue to finance County operations, a 3.7% increase over the prior year. Other revenues included charges for service of $953,162, operating grants, contributions and restricted interest of $3,541,181, capital grants, contributions and restricted interest of $1,966,295, local option sales tax of $920,179, unrestricted investment earnings of $45,882, gain on disposition of capital assets of $85,375 and other general revenues of $54,839.

Expenses for County operations for the year ended June 30, 2016 totaled $12,751,262, a 3.6% increase over prior year. Expenses included $5,246,018 for roads and transportation, $3,077,513 for public safety and legal services and $1,369,856 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at https://auditor.iowa.gov/reports/1610-0044-B00F.

# # #

HENRY COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2016

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Henry County

Officials

Name	Title	Term Expires
Greg Moeller	Board of Supervisors	Jan 2017
Gary See	Board of Supervisors	Jan 2017
Marc Lindeen	Board of Supervisors	Jan 2019
Shelly Barber	County Auditor	Jan 2017
Ana Lair	County Treasurer	Jan 2019
Shirley Wandling	County Recorder	Jan 2019
Rich McNamee	County Sheriff	Jan 2017
Darin Stater	County Attorney	Jan 2019
Gary Dustman	County Assessor	Jan 2018

Henry County

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

To the Officials of Henry County:

Report on the Financial Statements

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, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2016, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 14 and 46 through 55 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the three years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the six years ended June 30, 2012 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements. 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2017 on our consideration of Henry County's internal control over financial reporting and on 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 in considering Henry County's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

March 7, 2017

Henry County

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, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 17%, or approximately $2,223,000, from fiscal year 2015 to fiscal year 2016. Property tax increased approximately $135,000, operating grants, contributions and restricted interest increased approximately $213,000 and capital grants, contributions and restricted interest increased approximately $1,604,000.

- Program expenses of the County's governmental activities were 3.6%, or approximately $439,000, more in fiscal year 2016 than in fiscal year 2015. County environment and education expenses decreased approximately $186,000. Roads and transportation expenses increased approximately $485,000.

- The County's net position increased 7.8%, or approximately $2,516,000, from June 30, 2015 to June 30, 2016.

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 Position 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 financial statements by providing information about the most significant funds. The remaining financial statements provide 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, the County's proportionate share of the net pension liability and related contributions, 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 Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 years.

The County's governmental activities are presented in the Statement of Net Position 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 auto license and use tax, 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Henry County's combined net position increased from approximately $32.2 million to approximately $34.7 million. The analysis that follows focuses on the net position of governmental activities.

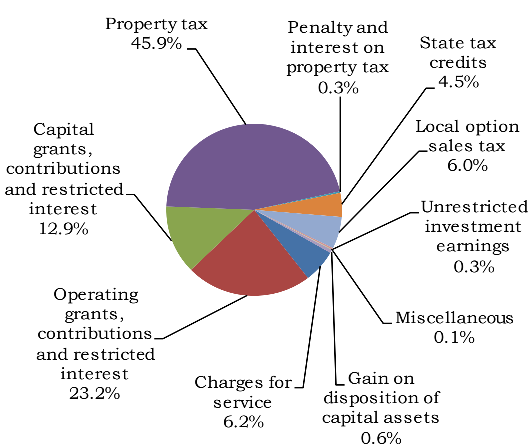
Net Position of Governmental Activities
(Expressed in Thousands)

	June 30, 2016	June 30, 2015
Current and other assets	$ 18,306	17,831
Capital assets	26,936	25,922
Total assets	45,242	43,753
Deferred outflows of resources	519	505
Long-term liabilities	3,604	3,244
Other liabilities	293	329
Total liabilities	3,897	3,573
Deferred inflows of resources	7,175	8,512
Net position:		
Net investment in capital assets	26,936	25,922
Restricted	8,036	7,069
Unrestricted	(283)	(818)
Total net position	$ 34,689	32,173

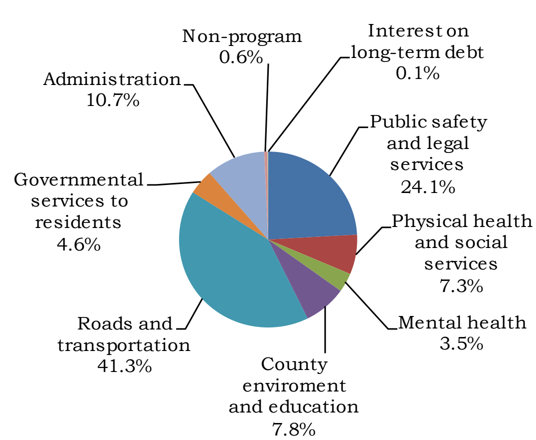
Net position of Henry County's governmental activities increased 7.8% (approximately $34.7 million compared to approximately $32.2 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately $818,000 at June 30, 2015 to a deficit of approximately $283,000 at the end of this year, an increase of 65.4%.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Program revenues:		
Charges for service	$ 953	888
Operating grants, contributions and restricted interest	3,541	3,328
Capital grants, contributions and restricted interest	1,966	362
General revenues:		
Property tax	7,017	6,882
Penalty and interest on property tax	44	58
State tax credits	683	541
Local option sales tax	920	783
Unrestricted investment earnings	46	26
Gain on disposition of capital assets	86	122
Miscellaneous	11	54
Total revenues	15,267	13,044
Program expenses:		
Public safety and legal services	3,078	3,106
Physical health and social services	936	851
Mental health	448	444
County enviroment and education	992	1,178
Roads and transportation	5,246	4,761
Governmental services to residents	590	537
Administration	1,370	1,356
Non-program	73	57
Interest on long-term debt	18	22
Total expenses	12,751	12,312
Change in net position	2,516	732
Net position beginning of year	32,173	31,441
Net position end of year	$ 34,689	32,173

Revenues by Source



Expenses by Program



The County increased property tax rates for fiscal year 2016 an average of 1.7%. The increase raised the County's property tax revenue approximately $135,000 in fiscal year 2016. Based on decreases in the total assessed valuation, property tax revenue is budgeted to decrease 586,000, or 7.9%

The cost of all governmental activities this year was approximately $12.8 million compared to approximately $12.3 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately $6.3 million because some of the cost was paid by those directly benefited from the programs (approximately $953,000) or by other governments and organizations which subsidized certain programs with grants and contributions. Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2016 from approximately $4,578,000 to approximately $6,460,000, principally due to receiving more grant funding during fiscal year 2016.

INDIVIDUAL MAJOR FUND ANALYSIS

As Henry County completed the year, its governmental funds reported a combined fund balance of approximately $11.2 million, an increase of approximately $1,183,000 above last year's total of approximately $10 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately $62,000 and expenditures decreased approximately $343,000 when compared to the prior year. The ending fund balance increased approximately $424,000 over the prior year to approximately $4,273,000.

- The County has continued to look for ways to effectively manage the cost of mental health services. Revenues of the Special Revenue, Mental Health Fund decreased approximately $14,000 from the prior year. Expenditures totaled approximately $449,000, a decrease of 1.3% from the prior year. The Special Revenue, Mental Health Fund balance at year end increased approximately $429,000 over the prior year to approximately $2,496,000.

- Special Revenue, Rural Services Fund revenues increased approximately $122,000 while expenditures remained consistent to the prior year. The ending fund balance increased approximately $115,000 over the prior year to approximately $218,000.

- Special Revenue, Secondary Roads Fund revenues increased approximately $501,000 and expenditures increased approximately $256,000 when compared to the prior year. The ending fund balance increased approximately $380,000 over the prior year to approximately $3,399,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Henry County amended its budget one time. The amendment was made in May 2016 to provide for additional disbursements in certain County departments.

The County's receipts were $982,176 more than budgeted, a variance of 7.8%. The most significant variance resulted from the County receiving more intergovernmental receipts than anticipated.

Total disbursements were $3,448,918 less than the amended budget. Actual disbursements for the mental health, capital projects and roads and transportation functions were $1,772,679, $574,919 and $397,885, respectively, less than budgeted. This was primarily due to uncertainty surrounding the change in the state's method of paying for Medicaid services and the timing of capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Henry County had approximately $26.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities and roads and bridges. This is a net increase (including additions and deletions) of approximately $1,014,000, or 3.9%, from last year.

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

		June 30, 2016	June 30, 2015
Land	$	2,884	3,126
Buildings and improvements		992	1,041
Equipment and vehicles		2,182	1,942
Infrastructure		20,878	19,813
Total	$	26,936	25,922

The County had depreciation expense of $1,757,383 in fiscal year 2016 and total accumulated depreciation of $27,163,714 at June 30, 2016. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2016, Henry County had $665,000 of general obligation notes outstanding, compared to $880,000 at June 30, 2015.

The County continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the County's debt. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% 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 $69.3 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Henry County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Henry County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances and reducing funding to non-mandated programs to provide essential services for the citizens of Henry County.

Amounts available for appropriation in the operating budget are approximately $12,493,000, a 0.5% decrease over the final fiscal year 2016 budget. Budgeted disbursements decreased approximately $623,000 from the final fiscal year 2016 budget. The County has added no major new programs or initiatives to the fiscal year 2017 budget.

If these estimates are realized, the County's budgetary operating balance is expected to increase approximately $33,000, or 0.8%, by the close of fiscal year 2017.

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, 101 Main Street, Mt. Pleasant, Iowa 52641.

Basic Financial Statements

Henry County

Henry County

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Cash and pooled investments	$ 9,871,588
Cash held by health plan trustee	816,727
Receivables:	
Property tax:	
Delinquent	15,351
Succeeding year	6,837,721
Interest and penalty on property tax	11,835
Accounts	59,993
Accrued interest	141
Due from other governments	343,723
Inventories	258,929
Prepaid insurance	90,555
Capital assets, net of accumulated depreciation	26,935,724
Total assets	45,242,287
Deferred Outflows of Resources	
Pension related deferred outflows	518,906
Liabilities	
Accounts payable	293,255
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	220,000
Compensated absences	251,582
Portion due or payable after one year:	
General obligation notes	445,000
Compensated absences	82,926
Landfill closure and postclosure care costs	5,000
Net pension liability	2,343,521
Net OPEB liability	255,600
Total liabilities	3,896,884
Deferred Inflows of Resources	
Unavailable property tax revenue	6,837,721
Pension related deferred inflows	337,302
Total deferred inflows of resources	7,175,023
Net Position	
Net investment in capital assets	26,935,724
Restricted for:	
Supplemental levy purposes	1,073,071
Mental health purposes	2,484,851
Rural services purposes	181,125
Secondary roads purposes	3,208,016
Debt service	43,617
Capital projects	2,409
Conservation land acquisition	286,613
Community betterment	498,695
Other purposes	258,397
Unrestricted	(283,232)
Total net position	$ 34,689,286

See notes to financial statements.

Henry County

Henry County

Statement of Activities

Year ended June 30, 2016

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 3,077,513	221,687	59,201	-	(2,796,625)
Physical health and social services	936,252	69,950	138,990	-	(727,312)
Mental health	448,013	-	10,533	-	(437,480)
County environment and education	992,323	75,521	128,543	-	(788,259)
Roads and transportation	5,246,018	217,917	3,203,851	1,966,295	142,045
Governmental services to residents	589,945	336,031	33	-	(253,881)
Administration	1,369,856	32,056	-	-	(1,337,800)
Non-program	73,242	-	-	-	(73,242)
Interest on long-term debt	18,100	-	30	-	(18,070)
Total	$ 12,751,262	953,162	3,541,181	1,966,295	(6,290,624)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,799,922
Debt service					217,037
Penalty and interest on property tax					43,777
State tax credits and replacements					683,233
Local option sales tax					920,179
Unrestricted investment earnings					45,882
Gain on disposition of capital assets					85,375
Miscellaneous					11,062
Total general revenues					8,806,467
Change in net position					2,515,843
Net position beginning of year					32,173,443
Net position end of year					$ 34,689,286

See notes to financial statements.

Henry County

Balance Sheet
Governmental Funds

June 30, 2016

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	$ 3,717,436	2,500,189	210,395	2,712,673
Cash held by health plan trustee	517,351	25,008	6,768	254,796
Receivables:				
Property tax:				
Delinquent	10,726	-	4,143	-
Succeeding year	5,041,778	-	1,565,263	-
Interest and penalty on property tax	11,835	-	-	-
Accounts	38,008	976	2,763	17,881
Accrued interest	117	-	-	-
Due from other governments	34,970	-	-	234,513
Inventories	-	-	-	258,929
Prepaid insurance	90,555	-	-	-
Total assets	$ 9,462,776	2,526,173	1,789,332	3,478,792
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 127,977	29,714	2,646	79,329
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,041,778	-	1,565,263	-
Other	20,195	-	3,728	-
Total deferred inflows of resources	5,061,973	-	1,568,991	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	258,929
Prepaid insurance	90,555	-	-	-
Restricted for:				
Supplemental levy purposes	1,094,973	-	-	-
Mental health purposes	-	2,471,451	-	-
Rural services purposes	-	-	210,927	-
Secondary roads purposes	-	-	-	2,885,738
Conservation land acquisition	286,613	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	41,713	-	-	-
Assigned for:				
Historic preservation	13,764	-	-	-
Conservation purposes	213,529	-	-	-
Economic development	460,277	-	-	-
Health benefits	517,351	25,008	6,768	254,796
Unassigned	1,554,051	-	-	-
Total fund balances	4,272,826	2,496,459	217,695	3,399,463
Total liabilities, deferred inflows of resources and fund balances	$ 9,462,776	2,526,173	1,789,332	3,478,792

See notes to financial statements.

Nonmajor	Total
730,895	9,871,588
12,804	816,727
482	15,351
230,680	6,837,721
-	11,835
365	59,993
24	141
74,240	343,723
-	258,929
-	90,555
1,049,490	18,306,563
53,589	293,255
230,680	6,837,721
441	24,364
231,121	6,862,085
-	258,929
-	90,555
-	1,094,973
-	2,471,451
-	210,927
-	2,885,738
-	286,613
43,176	43,176
2,409	2,409
706,391	748,104
-	13,764
-	213,529
-	460,277
12,804	816,727
-	1,554,051
764,780	11,151,223
1,049,490	18,306,563

Henry County

Henry County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position

June 30, 2016

Total governmental fund balances (page 21)		$ 11,151,223
Amounts reported for governmental activities in the Statement of Net Position are different because:		
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 $54,099,438 and the accumulated depreciation is $27,163,714.		26,935,724
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		24,364
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 518,906	
Deferred inflows of resources	(337,302)	181,604
Long-term liabilities, including notes payable, compensated absences payable, landfill closure and postclosure care costs payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(3,603,629)
Net position of governmental activities (page17)		$ 34,689,286

See notes to financial statements.

Henry County

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

Year ended June 30, 2016

	General	Special Revenue Mental Health	Special Revenue Rural Services	Special Revenue Secondary Roads
Revenues:				
Property and other county tax	$ 4,578,096	787,134	1,438,263	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	60,283	-	-	-
Intergovernmental	867,174	87,827	98,508	3,340,353
Licenses and permits	150	-	1,300	7,630
Charges for service	512,526	-	1,463	77,141
Use of money and property	92,523	-	-	-
Miscellaneous	44,660	3,784	-	63,311
Total revenues	6,155,412	878,745	1,539,534	3,488,435
Expenditures:				
Operating:				
Public safety and legal services	2,848,673	-	259,740	-
Physical health and social services	618,987	-	-	-
Mental health	-	449,387	-	-
County environment and education	555,894	-	-	-
Roads and transportation	-	-	-	3,975,049
Governmental services to residents	596,140	-	2,020	-
Administration	1,272,061	-	-	-
Non-program	49,966	-	-	-
Debt service	-	-	-	-
Capital projects	20,510	-	-	546,298
Total expenditures	5,962,231	449,387	261,760	4,521,347
Excess (deficiency) of revenues over (under) expenditures	193,181	429,358	1,277,774	(1,032,912)
Other financing sources (uses):				
Sale of capital assets	230,606	-	-	50,693
Transfers in	-	-	-	1,362,344
Transfers out	-	-	(1,162,344)	-
Total other financing sources (uses)	230,606	-	(1,162,344)	1,413,037
Change in fund balances	423,787	429,358	115,430	380,125
Fund balances beginning of year	3,849,039	2,067,101	102,265	3,019,338
Fund balances end of year	$ 4,272,826	2,496,459	217,695	3,399,463

See notes to financial statements.

Nonmajor	Total
217,115	7,020,608
920,179	920,179
-	60,283
56,472	4,450,334
17,720	26,800
8,481	599,611
310	92,833
19,855	131,610
1,240,132	13,302,258
7,171	3,115,584
314,007	932,994
-	449,387
444,496	1,000,390
83,805	4,058,854
3,082	601,242
56,022	1,328,083
22,500	72,466
233,100	233,100
41,481	608,289
1,205,664	12,400,389
34,468	901,869
-	281,299
-	1,362,344
(200,000)	(1,362,344)
(200,000)	281,299
(165,532)	1,183,168
930,312	9,968,055
764,780	11,151,223

Henry County

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities

Year ended June 30, 2016

Change in fund balances - Total governmental funds (page 25)		$ 1,183,168
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. Contributed capital assets and capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 1,000,933	
Capital assets contributed by the Iowa Department of Transportation	1,966,295	
Depreciation expense	(1,757,383)	1,209,845
In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		(195,924)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds.		(86,823)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		215,000
The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position.		406,370
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	934	
Pension expense	(203,227)	
Other postemployment benefits	(13,500)	(215,793)
Change in net position of governmental activities (page 19)		$ 2,515,843

See notes to financial statements.

Henry County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

Assets		
Cash and pooled investments:		
County Treasurer	$	1,367,892
Other County officials		48,185
Cash held by health plan trustee		47,580
Receivables:		
Property tax:		
Delinquent		37,331
Succeeding year		18,491,047
Accounts		1,238
Accrued interest		43
Due from other governments		51,999
Total assets		20,045,315
Liabilities		
Accounts payable		18,691
Due to other governments		19,986,244
Trusts payable		24,190
Compensated absences		16,190
Total liabilities		20,045,315
Net position	$	-

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

These financial statements present Henry County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County.

Blended Component Unit – The Friends of Conservation in Henry County, LTD (Friends of Conservation) is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County. It is reported as part of the County and blended into the Special Revenue Funds.

Friends of Conservation has been incorporated under Chapter 504A of the Code of Iowa to solicit and accept gifts from persons or organizations for the development and enhancement of environmental education and conservation projects. These donations are to be used to purchase items which are not included in the County's budget. Financial information of Friends of Conservation can be obtained from the Henry County Conservation Office.

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 appoints representatives to the following boards and commissions: Henry County Assessor's Conference Board, Henry County Emergency Management Commission and Henry County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Henry County Industrial Development Corporation and the Great River Regional Waste Authority.

B. Basis of Presentation

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

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net position results when constraints placed on net position are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities 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 Fund and the Special Revenue, Rural Services Fund 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.

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 position 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.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflow of Resources and Fund Equity

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

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

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles 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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class		Amount
Infrastructure	$	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:

Asset Class	Estimated Useful Lives (In Years)
Buildings	25 - 50
Building improvements	25 - 50
Infrastructure	10 - 65
Equipment	3 - 20
Vehicles	5 - 15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period.

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.

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 the 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, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. 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 inflows of resources in the governmental fund financial statements represent 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 inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS investments.

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

Non-spendable – Amounts which cannot be spent because they are in a non-spendable 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.

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. Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the non-program function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2016 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 ensure 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.

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of $2,663,151 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

The County had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	Special Revenue:	
	Rural Services	$ 1,162,344
	Community Betterment	200,000
Total		$ 1,362,344

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,125,765	-	(241,472)	2,884,293
Construction in progress	-	2,311,053	(2,311,053)	-
Total capital assets not being depreciated	3,125,765	2,311,053	(2,552,525)	2,884,293
Capital assets being depreciated:				
Buildings	1,660,385	-	-	1,660,385
Improvements other than buildings	36,957	-	-	36,957
Equipment and vehicles	6,572,767	752,473	(472,588)	6,852,652
Infrastructure, road network	40,354,098	2,311,053	-	42,665,151
Total capital assets being depreciated	48,624,207	3,063,526	(472,588)	51,215,145
Less accumulated depreciation:				
Buildings	641,708	48,111	-	689,819
Improvements other than buildings	15,168	691	-	15,859
Equipment and vehicles	4,630,504	462,304	(421,838)	4,670,970
Infrastructure, road network	20,540,789	1,246,277	-	21,787,066
Total accumulated depreciation	25,828,169	1,757,383	(421,838)	27,163,714
Total capital assets being depreciated, net	22,796,038	1,306,143	(50,750)	24,051,431
Governmental activities capital assets, net	$ 25,921,803	3,617,196	(2,603,275)	26,935,724

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 61,746
Physical health and social services	3,103
County environment and education	31,608
Roads and transportation	1,608,724
Governmental services to residents	1,800
Administration	50,402
Total depreciation expense - governmental activities	$ 1,757,383

(5) 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 at June 30, 2016 is as follows:

Fund	Description	Amount
Agency:		
County Assessor	Collections	$ 675,262
Schools		11,571,180
Community Colleges		905,906
Corporations		4,436,956
Auto License and Use Tax		410,664
All other		1,986,276
Total for agency funds		$ 19,986,244

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	General Obligation Capital Loan Notes	Compensated Absences	Landfill Closure and Postclosure Care Costs	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	$ 880,000	335,442	5,000	1,781,794	242,100	3,244,336
Increases	-	303,441	-	561,727	25,700	890,868
Decreases	215,000	304,375	-	-	12,200	531,575
Balance end of year	$ 665,000	334,508	5,000	2,343,521	255,600	3,603,629
Due within one year	$ 220,000	251,582	-	-	-	471,582

General Obligation Capital Loan Notes

A summary of the County's June 30, 2016 general obligation capital loan note indebtedness is as follows:

	Voting System and Capital Improvements Series 2012A Issued Apr 4, 2012			
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	2.00%	$ 220,000	13,300	233,300
2018	2.00	220,000	8,900	228,900
2019	2.00	225,000	4,500	229,500
Total		$ 665,000	26,700	691,700

During the year ended June 30, 2016, the County retired $215,000 of general obligation capital loan notes.

(7) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88 %. The Sheriff, deputies and the County each contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 totaled $406,370.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of $2,343,521 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's proportion was 0.047435%, which was a increase of 0.002508% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of $203,227. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 35,084	29,912
Changes of assumptions	63,934	22,177
Net difference between projected and actual earnings on IPERS' investments		272,228
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	13,518	12,985
County contributions subsequent to the measurement date	406,370	-
Total	$ 518,906	337,302

$406,370 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2017	$ (118,443)
2018	(118,443)
2019	(118,443)
2020	130,198
2021	365
Total	$ (224,766)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 % average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	$ 4,789,081	2,343,521	281,739

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – At June 30, 2016, the County reported payables to the defined benefit pension plan of $39,854 for legally required employer contributions and $28,838 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, 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 entire premium for the medical/prescription drug benefits, 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.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	$ 29,700
Interest on net OPEB obligation	10,900
Adjustment to annual required contribution	(14,900)
Annual OPEB cost	25,700
Contributions made	(12,200)
Increase in net OPEB obligation	13,500
Net OPEB obligation beginning of year	242,100
Net OPEB obligation end of year	$ 255,600

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, 2016.

For the year ended June 30, 2016, the County contributed $12,200 to the medical plan. Plan members eligible for benefits contributed $17,500, or 58.9% 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:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$ 24,700	38.1%	$ 227,900
2015	24,500	42.0	242,100
2016	25,700	47.5	255,600

Funded Status and Funding Progress – As of January 1, 2016, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was $246,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $246,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $4,022,000 and the ratio of the UAAL to covered payroll was 6.10%. As of June 30, 2016, there were no trust fund assets.

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, 2016 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 5%. The ultimate medical trend rate is 5%. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RP2014 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan range from $647 for a single retiree to $1,351 per month for retirees and their spouse who are 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.

(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 746 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 official's 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 casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate.

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2016 were $162,331.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's' funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, 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 claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of $1,000,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Employee Health Insurance Plan

The County, in conjunction with the City of Fairfield, 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 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 administer. Settled claims have not exceeded the plan coverage during any of the past three years.

The cash balance of the Henry County Health Care Plan was $864,307 at June 30, 2016.

(11) Lessor Operating Leases

The County leases farm ground. The following is a schedule by year of minimum future rentals on these operating leases as of June 30, 2016:

Year ending June 30,	Amount
2017	$ 6,140
2018	3,070
Total	$ 9,210

(12) Closure and Postclosure Care Cost

The County established a Citizens Convenience Center in March 2013. The closure and postclosure care costs have been estimated at $5,000. The County has established a Special Revenue, Solid Waste Fund to set aside $5,000 to cover the estimated cost. A liability for $5,000 has been reported for these costs in the Statement of Net Position.

(13) Henry County Financial Information Included in the Southeast Iowa Link Mental Health Region

Southeast Iowa Link Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Jefferson County, Keokuk County, Lee County, Louisa County, Van Buren County, Washington County and Henry County. The financial activity of Henry County's Special Revenue, Mental Health Fund is included in the Southeast Iowa Link Mental Health Region for the year ended June 30, 2016, as follows:

Revenues:		
Property and other county tax		$ 787,134
Intergovernmental:		
State tax credits		87,827
Miscellaneous		3,784
Total revenues		878,745
Expenditures:		
Services to persons with:		
Mental illness	330,546	
Intellectual disabilities	4,593	
Other developmental disabilities	18,183	353,322
General administration:		
Direct administration		96,065
Total expenditures		449,387
Excess of revenues over expenditures		429,358
Fund balance beginning of year		2,067,101
Fund balance end of year		$ 2,496,459

(14) New Accounting Pronouncement

The County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Required Supplementary Information

Henry County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2016

	Actual	Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	$ 7,943,538	-	7,943,538
Interest and penalty on property tax	59,142	-	59,142
Intergovernmental	4,671,610	-	4,671,610
Licenses and permits	27,172	-	27,172
Charges for service	592,368	-	592,368
Use of money and property	90,337	-	90,337
Miscellaneous	176,022	11,495	164,527
Total receipts	13,560,189	11,495	13,548,694
Disbursements:			
Public safety and legal services	3,147,500	-	3,147,500
Physical health and social services	919,651	-	919,651
Mental health	474,213	-	474,213
County environment and education	1,009,487	11,149	998,338
Roads and transportation	4,097,255	-	4,097,255
Governmental services to residents	604,945	-	604,945
Administration	1,333,162	-	1,333,162
Non-program	73,966	-	73,966
Debt service	233,102	-	233,102
Capital projects	603,081	-	603,081
Total disbursements	12,496,362	11,149	12,485,213
Excess (deficiency) of receipts over (under) disbursements	1,063,827	346	1,063,481
Other financing sources, net	230,606	-	230,606
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,294,433	346	1,294,087
Balance beginning of year	9,393,882	30,109	9,363,773
Balance end of year	$ 10,688,315	30,455	10,657,860

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net
Original	Final	Variance
7,678,509	7,678,509	265,029
53,300	53,300	5,842
3,880,997	4,126,614	544,996
56,100	56,100	(28,928)
478,070	512,570	79,798
59,640	59,640	30,697
62,600	79,785	84,742
12,269,216	12,566,518	982,176
3,348,866	3,367,716	220,216
936,600	1,133,600	213,949
2,246,892	2,246,892	1,772,679
1,049,629	1,088,364	90,026
4,495,140	4,495,140	397,885
668,106	673,606	68,661
1,446,813	1,446,813	113,651
58,500	70,500	(3,466)
233,500	233,500	398
1,178,000	1,178,000	574,919
15,662,046	15,934,131	3,448,918
(3,392,830)	(3,367,613)	4,431,094
-	230,605	1
(3,392,830)	(3,137,008)	4,431,095
7,018,408	7,018,408	2,345,365
3,625,578	3,881,400	6,776,460

Henry County

Henry County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 13,560,189	(257,931)	13,302,258
Expenditures	12,496,362	(95,973)	12,400,389
Net	1,063,827	(161,958)	901,869
Other financing sources, net	230,606	50,693	281,299
Beginning fund balances	9,393,882	574,173	9,968,055
Ending fund balances	$ 10,688,315	462,908	11,151,223

See accompanying independent auditor's report.

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit 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 $272,085. 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 E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the non-program function.

Henry County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Required Supplementary Information

		2016	2015
County's proportion of the net pension liability		0.047435%	0.044927%
County's proportionate share of the net pension liability	$	2,344	1,782
County's covered-employee payroll	$	4,227	4,156
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll		55.45%	42.88%
IPERS' net position as a percentage of the total pension liability		85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Henry County

Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

		2016	2015	2014	2013
Statutorily required contribution	$	406	389	382	358
Contributions in relation to the statutorily required contribution		(406)	(389)	(382)	(358)
Contribution deficiency (excess)	$	-	-	-	-
County's covered-employee payroll	$	4,432	4,227	4,156	3,978
Contributions as a percentage of covered-employee payroll		9.16%	9.20%	9.19%	9.00%

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
388	345	320	295	264	243
(388)	(345)	(320)	(295)	(264)	(243)
-	-	-	-	-	-
4,588	4,617	4,562	4,397	4,173	3,927
8.46%	7.47%	7.01%	6.71%	6.33%	6.19%

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Henry County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of 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
2013	Jan. 1, 2013	-	225	225	0.00	3,874	5.80
2014	Jan. 1, 2013	-	225	225	0.00	3,874	5.80
2015	Jan. 1, 2013	-	225	225	0.00	3,874	5.80
2016	Jan. 1, 2016	-	246	246	0.00	4,022	6.10

See Note 8 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 auditor's report.

Henry County

Supplementary Information

Henry County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

	Resource Enhancement and Protection	Community Betterment	Sheriff's Foreiture
Assets			
Cash and pooled investments	$ 134,831	477,989	10,804
Cash held by health plan trustee	-	12,804	-
Receivables:			
Property tax			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Accrued interest	22	-	-
Due from other governments	-	74,240	-
Total assets	$ 134,853	565,033	10,804
Liabilities, Defered Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ -	53,534	-
Deferred inflows of resources:			
Unavailable property tax revenues	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Health benefits	-	12,804	-
Other purposes	134,853	498,695	10,804
Total fund balances	134,853	511,499	10,804
Total liabilities, deferred inflows of resources and fund balances	$ 134,853	565,033	10,804

See accompanying independent auditor's report.

Special Revenue						
County Recorder's Records Management	Attorney's Forfeiture	Solid Waste	Friends of Conservation in Henry County	Debt Service	Capital Projects	Total
21,651	4,621	5,000	30,455	43,135	2,409	730,895
-	-	-	-	-	-	12,804
-	-	-	-	482	-	482
-	-	-	-	230,680	-	230,680
307	58	-	-	-	-	365
2	-	-	-	-	-	24
-	-	-	-	-	-	74,240
21,960	4,679	5,000	30,455	274,297	2,409	1,049,490
-	55	-	-	-	-	53,589
-	-	-	-	230,680	-	230,680
-	-	-	-	441	-	441
-	-	-	-	231,121	-	231,121
-	-	-	-	43,176	-	43,176
-	-	-	-	-	2,409	2,409
-	-	-	-	-	-	12,804
21,960	4,624	5,000	30,455	-	-	706,391
21,960	4,624	5,000	30,455	43,176	2,409	764,780
21,960	4,679	5,000	30,455	274,297	2,409	1,049,490

Henry County

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

Year ended June 30, 2016

	Resource Enhancement and Protection	Community Betterment	Sheriff's Forfeiture
Revenues:			
Property tax and other county tax	$ -	-	-
Local option sales tax	-	920,179	-
Intergovernmental	15,933	17,930	-
Licenses and permits	-	17,720	-
Charges for service	-	5,152	-
Use of money and property	253	-	3
Miscellaneous	-	5,000	1,635
Total revenues	16,186	965,981	1,638
Expenditures:			
Operating:			
Public safety and legal services	-	-	4,086
Physical health and social services	-	314,007	-
County environment and education	-	433,347	-
Roads and transportation	-	83,805	-
Governmental services to residents	-	-	-
Administration	-	56,022	-
Non-program	-	22,500	-
Debt service	-	-	-
Capital projects	-	41,480	-
Total expenditures	-	951,161	4,086
Excess (deficiency) of revenues over (under) expenditures	16,186	14,820	(2,448)
Other financing uses:			
Transfer out	-	(200,000)	-
Changes in fund balances	16,186	(185,180)	(2,448)
Fund balances beginning of year	118,667	696,679	13,252
Fund balances end of year	$ 134,853	511,499	10,804

See accompanying independent auditor's report.

Special Revenue						
County Recorder's Records Management	Attorney's Forfeiture	Solid Waste	Friends of Conservation in Henry County	Debt Service	Capital Projects	Total
-	-	-	-	217,115	-	217,115
-	-	-	-	-	-	920,179
-	-	-	-	22,609	-	56,472
-	-	-	-	-	-	17,720
3,329	-	-	-	-	-	8,481
23	1	-	-	30	-	310
-	1,725	-	11,495	-	-	19,855
3,352	1,726	-	11,495	239,754	-	1,240,132
-	3,085	-	-	-	-	7,171
-	-	-	-	-	-	314,007
-	-	-	11,149	-	-	444,496
-	-	-	-	-	-	83,805
3,082	-	-	-	-	-	3,082
-	-	-	-	-	-	56,022
-	-	-	-	-	-	22,500
-	-	-	-	233,100	-	233,100
-	-	-	-	-	1	41,481
3,082	3,085	-	11,149	233,100	1	1,205,664
270	(1,359)	-	346	6,654	(1)	34,468
-	-	-	-	-	-	(200,000)
270	(1,359)	-	346	6,654	(1)	(165,532)
21,690	5,983	5,000	30,109	36,522	2,410	930,312
21,960	4,624	5,000	30,455	43,176	2,409	764,780

Henry County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	$ -	2,911	270,681	137,966
Other County officials	48,185	-	-	-
Cash held by health plan trustee	-	-	35,039	-
Receivables:				
Property tax:				
Delinquent	-	490	819	24,170
Succeeding year	-	230,091	385,140	11,409,044
Accounts	573	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	$ 48,758	233,492	691,679	11,571,180
Liabilities				
Accounts payable	$ -	-	227	-
Due to other governments	24,568	233,492	675,262	11,571,180
Trusts payable	24,190	-	-	-
Compensated absences	-	-	16,190	-
Total liabilities	$ 48,758	233,492	691,679	11,571,180

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
10,452	56,397	1,952	2,970	410,664	473,899	1,367,892
-	-	-	-	-	-	48,185
-	-	-	-	-	12,541	47,580
1,909	7,179	636	-	-	2,128	37,331
893,545	4,373,380	152,588	-	-	1,047,259	18,491,047
-	-	-	-	-	665	1,238
-	-	-	-	-	43	43
-	-	-	-	-	51,999	51,999
905,906	4,436,956	155,176	2,970	410,664	1,588,534	20,045,315
-	-	-	-	-	18,464	18,691
905,906	4,436,956	155,176	2,970	410,664	1,570,070	19,986,244
-	-	-	-	-	-	24,190
-	-	-	-	-	-	16,190
905,906	4,436,956	155,176	2,970	410,664	1,588,534	20,045,315

Henry County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	$ 45,087	238,227	701,506	11,363,253
Additions:				
Property and other county tax	-	216,355	359,958	10,677,689
E-911 surcharge	-	-	-	-
State tax credits	-	23,162	42,332	1,091,823
Drivers license fees	-	-	-	-
Office fees and collections	494,361	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	465,309	-	-	-
Miscellaneous	-	-	130	-
Total additions	959,670	239,517	402,420	11,769,512
Deductions:				
Agency remittances:				
To other funds	284,917	-	-	-
To other governments	295,853	244,252	412,247	11,561,585
Trusts paid out	375,229	-	-	-
Total deductions	955,999	244,252	412,247	11,561,585
Balances end of year	$ 48,758	233,492	691,679	11,571,180

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assess-ments	Auto License and Use Tax	Other	Total
850,791	4,362,984	144,980	4,103	420,927	1,281,563	19,413,421
850,430	4,751,508	147,601	-	-	1,102,435	18,105,976
-	-	-	-	-	98,627	98,627
83,237	632,033	8,925	-	-	285,343	2,166,855
-	-	-	-	97,259	-	97,259
-	-	-	-	-	-	494,361
-	-	-	-	5,435,514	-	5,435,514
-	-	-	10,340	-	-	10,340
-	-	-	-	-	-	465,309
-	-	-	-	-	426,966	427,096
933,667	5,383,541	156,526	10,340	5,532,773	1,913,371	27,301,337
-	-	-	-	212,810	-	497,727
878,552	5,309,569	146,330	11,473	5,330,226	1,606,400	25,796,487
-	-	-	-	-	-	375,229
878,552	5,309,569	146,330	11,473	5,543,036	1,606,400	26,669,443
905,906	4,436,956	155,176	2,970	410,664	1,588,534	20,045,315

Henry County

Schedule of Revenues By Source and Expenditures By Function –
All Governmental Funds

For the Last Ten Years

	2016	2015	2014	2013
Revenues:				
Property and other county tax	$ 7,020,608	6,878,857	7,041,662	6,865,372
Local option sales tax	920,179	783,381	864,028	777,807
Interest and penalty on property tax	60,283	54,816	70,180	70,778
Intergovernmental	4,450,334	4,034,237	3,956,994	3,754,964
Licenses and permits	26,800	54,217	50,844	45,897
Charges for service	599,611	506,529	538,556	577,826
Use of money and property	92,833	63,087	56,905	59,925
Miscellaneous	131,610	186,410	363,188	100,310
Total	$ 13,302,258	12,561,534	12,942,357	12,252,879
Expenditures:				
Operating:				
Public safety and legal services	$ 3,115,584	3,210,299	3,091,679	2,913,511
Physical health and social services	932,994	847,679	829,896	919,124
Mental health	449,387	455,095	431,591	440,919
County environment and education	1,000,390	1,276,337	1,073,816	996,801
Roads and transportation	4,058,854	3,849,219	3,659,681	3,789,962
Governmental services to residents	601,242	552,586	546,676	522,693
Administration	1,328,083	1,315,147	1,331,540	1,126,226
Non-program	72,466	56,424	59,105	53,964
Debt service	233,100	232,303	232,625	230,821
Capital projects	608,289	546,443	858,275	843,576
Total	$ 12,400,389	12,341,532	12,114,884	11,837,597

See accompanying independent auditor's report.

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
6,589,097	6,387,875	5,864,095	5,625,596	5,346,817	5,287,941
855,385	786,898	694,627	802,726	909,448	742,401
63,445	64,650	63,679	54,712	54,613	51,707
4,877,919	4,415,362	4,670,875	4,003,348	4,007,676	4,166,574
48,269	44,619	50,018	37,609	37,977	26,286
1,469,369	1,295,656	1,189,127	1,133,216	1,079,923	1,085,987
69,677	79,991	104,846	175,992	334,003	376,657
149,318	326,901	122,718	100,872	123,047	90,461
14,122,479	13,401,952	12,759,985	11,934,071	11,893,504	11,828,014
2,874,447	2,950,196	2,925,965	2,692,807	2,589,262	2,390,505
822,782	821,232	952,628	678,995	636,927	575,500
2,854,242	2,722,452	2,475,959	2,420,009	2,417,058	2,174,543
951,092	913,793	878,687	992,234	817,454	723,004
3,227,979	4,105,833	3,302,125	3,377,196	3,771,448	3,078,274
539,799	506,262	559,357	506,155	464,697	471,210
1,146,849	1,098,594	1,066,405	1,061,437	977,325	958,748
83,149	52,737	42,763	37,043	4,677	20,317
149,927	146,317	149,694	151,271	146,672	143,927
553,572	758,917	978,207	136,039	567,491	845,593
13,203,838	14,076,333	13,331,790	12,053,186	12,393,011	11,381,621

Henry County

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

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

To the Officials of Henry County:

We have audited 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, the 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, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henry County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a 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 deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a 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 the accompanying Schedule of Findings as items (B) through (F) 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 which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 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 the Findings

Henry County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Henry County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and 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.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

March 7, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

		Applicable Offices
(1)	All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Treasurer, Sheriff , Recorder, Ag Extension and Secondary Roads
(2)	Generally, one individual may have control over collecting, depositing, posting, maintaining receivable records and daily reconciling of receipts for which no compensating controls exist. A listing of mail receipts is not prepared.	Treasurer, Sheriff, Secondary Roads, Recorder, Friends of Conservation, Ag Extension and Conservation
	The initial receipts listing is compared to cash receipts records by a person who handles accounting records.	Ag Extension
(3)	One person is responsible for handling cash, writing checks and recording cash.	Conservation
(4)	Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Sheriff, Recorder, Friends of Conservation and Conservation
(5)	The person responsible for the detailed record keeping of investments is also the custodian of the investments.	Treasurer
(6)	Individuals who perform daily balancing have the ability to void receipts in the PCS system. A report is maintained for voided receipts, but the report is not independently reviewed.	Sheriff
(7)	There is no independent review of journal entries.	Auditor

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials and personnel from other County offices, 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 the reviews should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

Treasurer – All staff including the Treasurer are cross trained in all departments, with the authority to receipt revenue, so it is not possible to meet this recommendation. Our mail processing procedure is as follows:

Either a staff person from the Treasurer's office or Recorder's office picks up the mail at the post office. Mail is then opened in the center of the office by the first available staff person. That person sorts the mail for processing and places it in receptacles that are accessible by all staff.

We have many compensating controls in place for receipting, collecting, posting and depositing and we maintain a random mail check. The Treasurer's office staff has separate cash drawers with all revenue receipted by that staff person accounted for in their individual drawer. End of day procedure includes the following: Staff person prints totals receipted by them in the Tax accounting system (Vision) and creates a worksheet showing the total cash, checks and In-Office- Payments (IOP credit/debit) and verifies by initial. A second staff person confirms the amounts and initials that daily worksheet. All individual daily worksheets and money are placed in the vault for a staff person to finalize the daily balance the next morning. The morning balance process includes verification of the deposit, daily balance amounts, and cash drawer count by another staff person. There are four staff members who rotate doing the office daily balance. Motor vehicle end of day is confirmed in a similar manner as each staff person totals their cash drawer (less $50 maintained in the drawer for change), initials and hands it to another staff person for confirmation as they view that cash drawer in the ARTS system which shows total checks, cash and IOP for that drawer. All deposits are confirmed and initialed by two people. Month end process is completed by rotating staff with the treasurer doing a confirmation. A random mail listing is done by randomly pulling mail (by the treasurer) and listed. On a later date those listings are handed to a staff person for verification of the processed mail. We do not have the capability to list every piece of mail received in the office. In addition to the above from time to time we carry out and document random cash drawer counts at a time other than end of day.

Investments and investments records are maintained by the Treasurer. Each month the Treasurer provides a staff person with all investment information and totals who confirms those investments. All certificates of deposit are confirmed every six months with their respective financial institutions by a staff person.

Sheriff – With limited staff we try our best to our ability to segregate duties.

Recorder – There are only three full time individuals and one part time individual working in the Recorder's Office. We will do our best to segregate duties.

Secondary Roads – We will continue to segregate duties to the best of our ability.

Conservation – We are recording cash and checks on to a spreadsheet. The credit card receipts have not been entered onto the spreadsheet, having the effect of not all of the revenues listed on the spreadsheet. When the credit card statement reaches a high balance, a check is written from the account and deposited with the Treasurer and a receipt is returned to the Conservation Office. Having discussed this, staff will enter the credit card receipts going forward. The use of a spreadsheet is the best option for the office. Staff is knowledgeable with Excel and when compared to having the expense of a software program and updates, the office feels Excel is sufficient for their needs.

If there are receipts received through the mail. Staff will record it on a listing and a second person can review.

The Conservation Office has not had any voided receipts and in the event there are, any refunds would be issued from the County, not the Conservation Office.

Staff compares Treasurer's receipts to the spreadsheet. Since the credit card receipts have not been entered onto the spreadsheet, when staff receives a receipt from the Treasurer's office, it is not tied to the spreadsheet. As mentioned above, going forward, credit card transactions will be entered on the spreadsheet along with cash and check receipts.

The board members are willing to help review the bank statements in a timely manner (within 30 days) and initial and date the bank statements to document evidence of their review.

We will do our best to segregate duties and use resources available to improve internal controls.

Ag Extension – With limited staff, segregation of duties is difficult. We are currently restructuring staff positions and bookkeeping duties. We will work on implementing possible solutions.

Friends of Conservation – We will try to segregate duties to the best of our ability. We will also have an independent person review bank reconciliations for propriety.

Auditor – We try our best to segregate duties as best we can with four employees and will work on doing a better job in the future.

Conclusion – Responses accepted.

(B) Accounting Policies and Procedures Manual

Criteria – Accounting policies and procedures manuals provide the following benefits:

(1) Aid in training additional or replacement staff.

(2) Help achieve uniformity in accounting and in the application of policies and procedures.

(3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

(4) Ensure the charts of accounts are appropriately utilized.

Condition – The Sheriff's Office and the Conservation Departments do not have accounting policies and procedures manuals.

Cause – Officials have been unaware of the need for an accounting policies and procedures manual.

Effect – Lack of an accounting policies and procedures manual could result in a County office's lack of ability to continue operating effectively and efficiently in the event there is accounting staff turnover.

Recommendation – An accounting policies and procedures manual should be developed for both the County Sheriff and Conservation Departments.

Responses –

Sheriff – We are working on developing policies and procedures.

Conservation – We are currently working on the manual and it is updated as necessary and will need to be approved by the Board.

Conclusions – Responses accepted.

(C) County Sheriff's Jail Room and Board

Criteria – Policies and procedures over room and board receipts would address that all receipts are to be properly collected, recorded, and deposited. Reconciliations and independent review would ensure that these policies and procedures are being accurately followed.

Condition - Policies and procedures have not been developed to account for room and board receipts. Reconciliations between the amounts billed and the amounts collected are not performed.

Cause – Policies have not been established and procedures have not been implemented that address collection, recording, and depositing of receipts for the room and board account. Reconciliations and review have not been completed for the account, as well.

Effect – Lack of policies and procedures could result in unrecorded or misstated receipts.

Recommendation – The Sheriff's Office should establish policies and procedures which address room and board duties to ensure all receipts are properly collected, recorded and deposited. Also, an independent person should perform a reconciliation of inmate census data to billings, collections and deposits to ensure all sentenced inmates are properly billed for room and board and fees collected are properly deposited.

Response – We are working on developing policies and procedures. We will work with our software provider to see if they can provide better reports.

Conclusion – Response accepted.

(D) Computer Systems

Criteria – Properly designed policies and procedures pertaining to control activities over the County's computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The County does not have a written disaster recovery plan and does not require back-up tapes be stored off site daily in a fire proof vault or safe.

Cause – Management has not required written disaster recovery plan or off site storage for back-up tapes.

Effect – The failure to have a formal disaster recovery plan could result in the County's inability to function in the event of a disaster or continue County business without interruption. Storing back-up tapes off-site helps ensure financial and other information is readily available in the case of a disaster or emergency.

Recommendation – A written disaster recovery plan should also be developed and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response – We are working on a written policy and backups are stored off site and in the Cloud.

Conclusion – Response accepted.

(E) Payroll

Criteria – Salary payments are made for time worked by employees based on the number of working days.

Condition – Certain salary payments were made in advance of the wages being earned. In accordance with an Attorney General's opinion dated July 12, 1979, the credit of the state or its political subdivisions cannot be extended except for a public purpose, or to fulfill or liquidate a moral or legal obligation incurred by the state or its political subdivisions.

Cause – The County pays their salaried employees payments divisible by the number of pay periods during the year, in order to not have a salary payable at year end.

Effect – These payments create an advance in wages being earned and could allow employees to be overpaid, if an employee were to leave employment suddenly.

Recommendation – The County should not allow salary payments in advance of wages earned. The approved salary should be divided by the number of working days in the fiscal year to ensure any employee who leaves employment is not overpaid.

Response – We divide the salaries by 26 pay periods and if anyone leaves employment during the fiscal year we do calculate their pay in the manner suggested to make sure they are not over paid upon leaving employment.

Conclusion – Response acknowledged. Salary payments in advance of the wages being earned should not be allowed.

(F) County Board of Supervisors

Criteria – A cell phone policy provides provisions for employee use of cell phones concerning:

- Incidental personal use
- Cell phone assignment
- Restricted cell phone uses
- Reimbursement by employees for personal use

Condition – The County owns cell phones for use by various employees while on County business. The County has not established a formal policy to regulate the use of these cell phones.

Cause – Officials have been unaware of the need for a cell phone policy.

Effect – Lack of a cell phone policy could result in reimbursement for personal use for cell phones.

Recommendation – The County should adopt a formal written policy regulating the use of County cell phones. The policy should include provisions for incidental personal use, assignment of cell phones, restricted cell phone uses and reimbursement by employees for personal use.

Response – We will be discussing this issue and work on writing a policy for the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the non-program service function.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This was overlooked, and as Auditor, I am aware of the law and will do my very best that this does not happen again in the future.

Conclusion – Response accepted.

(2) Questionable Expenditures – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

(3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

(4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Derek Wellington, IT coordinator, owner of Wellington Electric, Inc	Electrical work	$ 15,090
Garry Allender, husband of Deputy Assessor, owner of Allender's Lawn Service	Mowing	7,324
Trevor Bentler, son of Sheriff's office manager	Tobacco grant duties	150
Reece McNamee, son of Sheriff	Tobacco grant duties	100
Sidney Burden, daughter of dispatcher	Matron duty	36

The transactions with Derek Wellington may represent a conflict of interest as defined in Chapter 331.341 of the Code of Iowa.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Garry Allender do not appear to represent a conflict of interest since the transactions were entered into through competitive bidding.

The remainder of the transactions do not appear to represent conflicts of interest in accordance with Chapter 331.342(2) (j) of the Code of Iowa since the total transactions by vendor did not exceed $1,500 during the fiscal year.

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

Response – We do not use Wellington Electric directly. It would only be if we have called another company to do the work, and they are too busy and they subcontract with them but the other company is who the County pays and they would in turn pay the subcontractor. As for Mr. Allender that will not be an issue as his spouse no longer works for Henry County.

Conclusion – Response accepted.

(5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure coverage is adequate for current operations.

(6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

(7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

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

(9) 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, 2016 for the County Extension Office did not exceed the amount budgeted.

(10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Sheriff.

Recommendation – The County Sheriff should obtain and retain an image of the front and back of each cancelled check as required.

Response – The County Sheriff has requested images of the front and back of each cancelled check from bank.

Conclusion – Response accepted.

(11) County Sheriff – The County Sheriff maintains a bank account for activity related to reserve officers. This account's activity was not reflected in the County's accounting system and has not been included in the County's annual budget or financial report.

Recommendation – Chapter 80D.11 of the Code of Iowa defines reserve peace officers as employees of the governing body. The activity should be included in the County's annual budget and financial statements and disbursements should be charged to the appropriate expenditure account in accordance with the Uniform Chart of Accounts for County Governments in Iowa.

Response – The County Sheriff will make no changes at this time.

Conclusion – Response acknowledged. The County Sheriff should work with the County Auditor to ensure compliance with Chapter 80D.11 of the Code of Iowa.

(12) Emergency Management Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted prior to approval of the budget amendment.

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

Response – We will be watching the budget a little closer and if we see if we are going to be close to going over we will amend the budget.

Conclusion – Response accepted.

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Jesse J. Harthan, Senior Auditor
Lucas P. Mullen, Staff Auditor
Kristin R. Finke, Assistant Auditor
Nick Kruse, Auditor Intern

Andrew E. Nielsen, CPA
Deputy Auditor of State