OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE June 25, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on Henry County, Iowa.

FINANCIAL HIGHLIGHTS:

The County's revenues totaled $15,142,623 for the year ended June 30, 2019, a 0.8% decrease from the prior year. Expenses for County operations for the year ended June 30, 2019 totaled $16,489,524, an 8.9% increase over the prior year. The significant increase in the expenses is due primarily to the County maintaining the Public Health Department which was previously maintained by the County Hospital and increased distributions to the regional fiscal agent for mental health.

AUDIT FINDINGS:

Sand reported twelve findings related to the receipt and expenditure of taxpayer funds. They are found on pages 72 through 80 of this report. The findings address issues such as lack of segregation of duties, material amounts of capital additions not properly recorded in the County's financial statements, lack of reconciliations of public health billings, collections and delinquent accounts and disbursements exceeding budgeted amounts. Sand provided the County with recommendations to address each of these findings.

Eight of the findings discussed above are repeated from the prior year. The County Board of Supervisors and other elected officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at https://auditor.iowa.gov/reports/audit-reports/.

# # #

HENRY COUNTY

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

JUNE 30, 2019

Henry County

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Rob Sand
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State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834   Facsimile (515) 281-6518

June 16, 2020

Officials of Henry County
Mount Pleasant, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Henry County, Iowa, for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>.

I appreciate the cooperation and courtesy extended by the officials and employees of Henry County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

Rob Sand
Auditor of State

Table of Contents

Henry County

Officials

(Before January 2019)

Name	Title	Term Expires
Marc Lindeen	Board of Supervisors	Jan 2019
Greg Moeller	Board of Supervisors	Jan 2021
Gary See	Board of Supervisors	Jan 2021
Shelly Barber	County Auditor	Jan 2021
Ana Lair	County Treasurer	Jan 2019
Mindy Fitzgibbon	County Recorder	Nov 2018
Rich McNamee	County Sheriff	Jan 2021
Darin Stater	County Attorney	Jan 2019
Gary Dustman	County Assessor	Jan 2022

(After January 2019)

Name	Title	Term Expires
Greg Moeller	Board of Supervisors	Jan 2021
Gary See	Board of Supervisors	Jan 2021
Marc Lindeen	Board of Supervisors	Jan 2023
Shelly Barber	County Auditor	Jan 2021
Ana Lair	County Treasurer	Jan 2023
Mindy Fitzgibbon	County Recorder	Jan 2023
Rich McNamee	County Sheriff	Jan 2021
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Henry County

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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, 2019, 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, 2019, 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 Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 48 through 57 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 six years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the three 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 June 16, 2020 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 solely 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 effectiveness of the County's 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.

Marlys K. Gaston, CPA
Deputy Auditor of State

June 16, 2020

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, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 0.8%, or approximately $119,000, from fiscal year 2018 to fiscal year 2019. Property tax revenues increased approximately $945,000, operating grants, contributions and restricted interest increased approximately $477,000 and capital grants, contributions and restricted interest decreased approximately $1,789,000.
- Program expenses of the County's governmental activities were 8.9%, or approximately $1,349,000, more in fiscal year 2019 than in fiscal year 2018. Physical health and social services expenses increased approximately $454,000. Roads and transportation expenses increased approximately $312,000. Mental health expenses increased approximately $251,000. Public safety and legal services expenses increased approximately $185,000. Interest on long-term debt expenses increased approximately $135,000.
- The County's net position decreased 3.5%, or approximately $1,347,000, from the June 30, 2018 balance.

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 Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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 decreased from approximately $39.0 million to approximately $37.7 million. The analysis that follows focuses on the net position of governmental activities.

Net Position of Governmental Activities
(Expressed in Thousands)

		June 30,	
		2019	2018
Current and other assets	$	19,674	25,785
Capital assets		39,314	33,597
Total assets		58,988	59,382
Deferred outflows of resources		1,306	1,247
Long-term liabilities		12,342	13,098
Other liabilities		1,167	295
Total liabilities		13,509	13,393
Deferred inflows of resources		9,129	8,233
Net position:			
Net investment in capital assets		33,039	33,018
Restricted		5,698	7,319
Unrestricted		(1,081)	(1,334)
Total net position	$	37,656	39,003

Net position of Henry County's governmental activities decreased 3.5% (approximately $39.0 million compared to approximately $37.7 million).

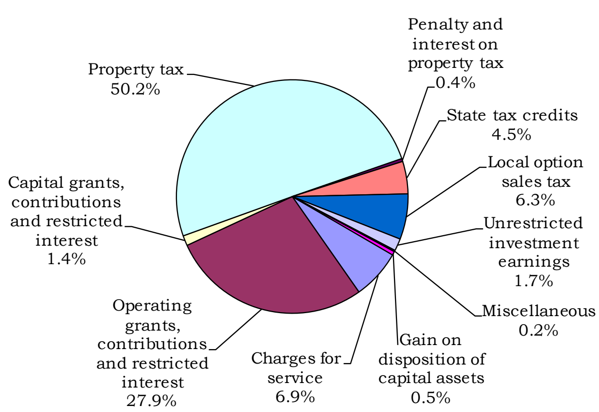
The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

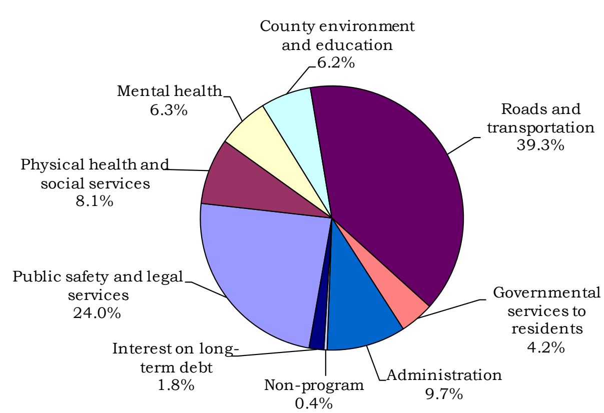
Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately $1,334,000 at June 30, 2018 to a deficit of approximately $1,081,000 at the end of this year. This deficit is primarily the result of recording the net pension and total OPEB liabilities. The decrease was primarily related to a decrease in the net pension liability for the year ended June 30, 2019.

Changes in Net Position of Governmental Activities (Expressed in Thousands)			
		Year ended June 30,	
		2019	2018
Program revenues:			
Charges for service	$	1,042	901
Operating grants, contributions and restricted interest		4,221	3,744
Capital grants, contributions and restricted interest		215	2,004
General revenues:			
Property tax		7,605	6,660
Penalty and interest on property tax		66	51
State tax credits		682	621
Local option sales tax		954	904
Unrestricted investment earnings		250	92
Gain on disposition of capital assets		73	38
Miscellaneous		35	247
Total revenues		15,143	15,262
Program expenses:			
Public safety and legal services		3,957	3,772
Physical health and social services		1,338	884
Mental health		1,038	787
County environment and education		1,030	1,053
Roads and transportation		6,470	6,158
Governmental services to residents		690	709
Administration		1,594	1,557
Non-program		74	57
Interest on long-term debt		299	164
Total expenses		16,490	15,141
Change in net position		(1,347)	121
Net position beginning of year		39,003	38,882
Net position end of year	$	37,656	39,003

Revenues by Source



Expenses by Program



The County's taxable valuation increased approximately 5.28% and the levy rate increased approximately 6.4%, resulting in an increase in the County's property tax revenue of approximately $945,000 for fiscal year 2019. Based on an increase in the total assessed valuation, property tax revenues are budgeted to increase approximately $649,000, or 8.1%, next year.

The cost of all governmental activities this year was approximately $16.5 million compared to approximately $15.1 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately $11.0 million because some of the cost was paid by those who directly benefited from programs (approximately $1,042,000) or by other government and organizations which subsidized certain programs with grants and contributions (approximately $4,436,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for services decreased in fiscal year 2019 from approximately $6,649,000 to approximately $5,478,000, principally due to receiving more grant funding during fiscal year 2018.

INDIVIDUAL MAJOR FUND ANALYSIS

As Henry County completed the year, its governmental funds reported a combined fund balance of approximately $9.8 million, a decrease of approximately $7,635,000 from last year's total of approximately $17.5 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 $764,000, primarily due to an increase in property tax and the County maintaining the Public Health Department which was previously maintained by the County Hospital. Expenditures increased approximately $825,000 when compared to the prior year, also primarily due to the Public Health Department. The ending fund balance decreased approximately $464,000 from the prior year to approximately $3,238,000.

- 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 increased approximately $5,000 over the prior year. Expenditures totaled approximately $1,037,000, an increase of 33.3% over the prior year, primarily due to increase distributions to the regional fiscal agent. The Special Revenue, Mental Health Fund balance at year end decreased approximately $819,000 from the prior year to approximately $542,000.

- Special Revenue, Rural Services Fund revenues increased approximately $80,000 and expenditures increased approximately $106,000 over the prior year. The ending fund balance decreased approximately $60,000 from the prior year to approximately $152,000.

- Special Revenue, Secondary Roads Fund revenues increased approximately $231,000 and expenditures increased approximately $518,000 when compared to the prior year. The ending fund balance decreased approximately $372,000 from the prior year to approximately $2,725,000.

- The Capital Projects Fund revenues increase approximately $105,000 and expenditures increased approximately $5,357,000 when compared to the prior year due to expenditures for a new County jail and law enforcement center. The ending fund balance decreased approximately $6,047,000 from the prior year to approximately $2,256,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Henry County amended its budget two times. The first amendment was made in July 2018 to provide for disbursements to the mental health and roads and transportation functions due to errors when entering the original budget. The second amendment was made in May 2019, primarily to provide for disbursements in the physical health and social services, county environment and education and non-program functions due to an increase in public health grants and conservation cabin construction.

The County's receipts were $390,346 more than budgeted. The most significant variances resulted from the County receiving more intergovernmental receipts than anticipated and receiving more charges for service receipts than anticipated due to the Public Health Department.

Total disbursements were $4,898,213 less than the amended budget. Actual disbursements for the roads and transportation and capital projects functions were $273,714 and $3,726,062, respectively, less than budgeted. This was primarily due to the timing of road and transportation and capital projects related to the timing of construction of the new jail.

Even with the budget amendments, the County exceeded the budgeted amount in the debt service function for the year ended June 30, 2019 and disbursements in one department exceeded the amount appropriated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, Henry County had approximately $39.3 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 $5,717,000, or 17.0%, over last year.

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

		June 30, 2019	June 30, 2018
Land	$	3,037	3,037
Construction in progress		6,740	752
Buildings and improvements		1,558	1,246
Equipment and vehicles		2,853	2,849
Infrastructure		25,126	25,713
Total	$	39,314	33,597

Construction in progress increased approximately $5,988 due to construction of a new County jail and law enforcement center. The County had depreciation expense of $1,985,693 in fiscal year 2019 and total accumulated depreciation of $31,661,793 at June 30, 2019. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2019, Henry County had $8,530,000 of general obligation notes outstanding, compared to $9,100,000 at June 30, 2018.

Debt decreased as a result of scheduled debt payments during fiscal year 2019.

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 $73.0 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 2020 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.

Revenues in the operating budget are approximately $14,283,000, a 0.8% decrease from the final fiscal year 2019 budget. Budgeted disbursements are expected to decrease approximately $7,685,000 from the final fiscal year 2019 budget. The County has added no major new programs or initiatives to the fiscal year 2020 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately $3,546,000 by the close of fiscal year 2020.

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

Statement of Net Position

June 30, 2019

	Governmental Activities
Assets	
Cash and pooled investments	$ 9,047,302
Cash held by health plan trustee	823,189
Receivables:	
Property tax:	
Delinquent	14,024
Succeeding year	8,680,358
Interest and penalty on property tax	12,939
Accounts	36,185
Accrued interest	707
Due from other governments	450,544
Inventories	520,884
Prepaid insurance	88,306
Capital assets not being depreciated	9,776,156
Capital assets, net of accumulated depreciation	29,537,490
Total assets	58,988,084
Deferred Outflows of Resources	
Pension related deferred outflows	1,306,470
Liabilities	
Accounts payable	1,061,913
Accrued interest payable	23,281
Due to other governments	82,236
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	360,000
Compensated absences	336,441
Portion due or payable after one year:	
General obligation notes	8,170,000
Compensated absences	112,147
Landfill closure and postclosure care costs	5,000
Net pension liability	3,132,138
Total OPEB liability	225,825
Total liabilities	13,508,981
Deferred Inflows of Resources	
Unavailable property tax revenue	8,680,358
Pension related deferred inflows	391,387
OPEB related deferred inflows	57,618
Total deferred inflows of resources	9,129,363
Net Position	
Net investment in capital assets	33,039,408
Restricted for:	
Supplemental levy purposes	1,458,062
Mental health purposes	524,951
Rural services purposes	109,742
Secondary roads purposes	2,587,449
Debt service	21,000
Conservation land acquisition	82,076
Community betterment	556,551
Other purposes	358,380
Unrestricted	(1,081,409)
Total net position	$ 37,656,210

See notes to financial statements.

Henry County

Statement of Activities

Year ended June 30, 2019

	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	$ 3,956,931	236,982	73,237	-	(3,646,712)
Physical health and social services	1,337,816	177,567	469,837	-	(690,412)
Mental health	1,037,538	-	218,414	-	(819,124)
County environment and education	1,029,534	40,488	48,818	-	(940,228)
Roads and transportation	6,470,198	238,410	3,402,776	215,453	(2,613,559)
Governmental services to residents	689,806	329,069	143	-	(360,594)
Administration	1,593,946	19,813	-	-	(1,574,133)
Non-program	74,306	-	-	-	(74,306)
Interest on long-term debt	299,449	-	7,284	-	(292,165)
Total	$ 16,489,524	1,042,329	4,220,509	215,453	(11,011,233)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,831,246
Debt service					773,593
Penalty and interest on property tax					65,908
State tax credits and replacements					681,776
Local option sales tax					953,607
Unrestricted investment earnings					249,945
Gain on disposition of capital assets					73,237
Miscellaneous					35,020
Total general revenues					9,664,332
Change in net position					(1,346,901)
Net position beginning of year					39,003,111
Net position end of year					$ 37,656,210

See notes to financial statements.

Henry County

Balance Sheet
Governmental Funds

June 30, 2019

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	$ 2,704,505	484,843	145,106	1,738,148
Cash held by health plan trustee	520,377	25,238	6,971	257,799
Receivables:				
Property tax:				
Delinquent	9,481	319	2,867	-
Succeeding year	5,830,359	197,883	1,794,128	-
Interest and penalty on property tax	12,939	-	-	-
Accounts	32,862	-	95	1,746
Accrued interest	621	-	-	-
Due from other governments	60,501	34,036	-	281,405
Inventories	-	-	-	520,884
Prepaid insurance	88,306	-	-	-
Total assets	$ 9,259,951	742,319	1,949,167	2,799,982
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 100,902	1,808	355	68,744
Due to other governments	68,191	-	200	5,992
Total Liabilities	169,093	1,808	555	74,736
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,830,359	197,883	1,794,128	-
Other	22,201	315	2,860	-
Total deferred inflows of resources	5,852,560	198,198	1,796,988	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	520,884
Prepaid insurance	88,306	-	-	-
Restricted for:				
Supplemental levy purposes	883,271	-	-	-
Mental health purposes	-	517,075	-	-
Rural services purposes	-	-	144,653	-
Secondary roads purposes	-	-	-	1,946,563
Conservation land acquisition	82,076	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	51,900	-	-	-
Health benefits	520,377	25,238	6,971	257,799
Assigned for:				
Historic preservation	15,420	-	-	-
Conservation purposes	85,630	-	-	-
Economic development	338,369	-	-	-
Unassigned	1,172,949	-	-	-
Total fund balances	3,238,298	542,313	151,624	2,725,246
Total liabilities, deferred inflows of resources and fund balances	$ 9,259,951	742,319	1,949,167	2,799,982

See notes to financial statements.

Capital Projects	Nonmajor	Total
3,123,405	851,295	9,047,302
-	12,804	823,189
-	1,357	14,024
-	857,988	8,680,358
-	-	12,939
-	1,482	36,185
-	86	707
-	74,602	450,544
-	-	520,884
-	-	88,306
3,123,405	1,799,614	19,674,438
866,262	23,842	1,061,913
1,381	6,472	82,236
867,643	30,314	1,144,149
-	857,988	8,680,358
-	1,339	26,715
-	859,327	8,707,073
-	-	520,884
-	-	88,306
-	-	883,271
-	-	517,075
-	-	144,653
-	-	1,946,563
-	-	82,076
-	42,942	42,942
2,255,762	-	2,255,762
-	854,227	906,127
-	12,804	823,189
-	-	15,420
-	-	85,630
-	-	338,369
-	-	1,172,949
2,255,762	909,973	9,823,216
3,123,405	1,799,614	19,674,438

Henry County

Henry County

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

June 30, 2019

Total governmental fund balances (page 19)		$ 9,823,216
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 capital assets is $70,975,439 and the accumulated depreciation is $31,661,793.		39,313,646
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.		26,715
Pension and OPEB 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:		
Pension related deferred outflows of resources	$ 1,306,470	
Pension related deferred inflows of resources	(391,387)	
OPEB related deferred inflows of resources	(57,618)	857,465
Long-term liabilities, including notes payable, compensated absences payable, landfill closure and postclosure care costs payable, net pension liability, total OPEB liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(12,364,832)
Net position of governmental activities (page 16)		$ 37,656,210

See notes to financial statements.

Henry County

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

Year ended June 30, 2019

	General	Special Revenue Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	$ 5,175,386	4	1,655,501	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	65,908	-	-	-
Intergovernmental	1,116,091	218,414	113,403	3,536,037
Licenses and permits	50	-	24,440	8,010
Charges for service	650,103	-	4,092	69,352
Use of money and property	162,587	-	-	-
Miscellaneous	63,135	-	7,500	42,287
Total revenues	7,233,260	218,418	1,804,936	3,655,686
Expenditures:				
Operating:				
Public safety and legal services	3,542,091	-	318,415	-
Physical health and social services	1,174,087	-	74,591	-
Mental health	-	1,037,006	-	-
County environment and education	557,468	-	139,290	-
Roads and transportation	-	-	-	4,929,884
Governmental services to residents	682,944	-	2,489	-
Administration	1,514,483	-	-	-
Non-program	47,806	-	-	-
Debt service	-	-	-	-
Capital projects	177,988	-	-	627,707
Total expenditures	7,696,867	1,037,006	534,785	5,557,591
Excess (deficiency) of revenues over (under) expenditures	(463,607)	(818,588)	1,270,151	(1,901,905)
Other financing sources (uses):				
Transfers in	-	-	-	1,529,944
Transfers out	-	-	(1,329,944)	-
Total other financing sources (uses)	-	-	(1,329,944)	1,529,944
Change in fund balances	(463,607)	(818,588)	(59,793)	(371,961)
Fund balances beginning of year	3,701,905	1,360,901	211,417	3,097,207
Fund balances end of year	$ 3,238,298	542,313	151,624	2,725,246

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	773,605	7,604,496
-	953,607	953,607
-	-	65,908
-	84,595	5,068,540
-	-	32,500
-	2,712	726,259
109,353	9,939	281,879
-	21,979	134,901
109,353	1,846,437	14,868,090
-	-	3,860,506
-	76,433	1,325,111
-	-	1,037,006
-	396,008	1,092,766
-	75,280	5,005,164
-	3,088	688,521
-	30,129	1,544,612
-	26,500	74,306
-	871,760	871,760
6,156,049	41,480	7,003,224
6,156,049	1,520,678	22,502,976
(6,046,696)	325,759	(7,634,886)
-	-	1,529,944
-	(200,000)	(1,529,944)
-	(200,000)	-
(6,046,696)	125,759	(7,634,886)
8,302,458	784,214	17,458,102
2,255,762	909,973	9,823,216

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, 2019

Change in fund balances - Total governmental funds (page 23)		$ (7,634,886)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 7,413,726	
Capital assets contributed by the Iowa Department of Transportation	215,453	
Depreciation expense	(1,985,693)	5,643,486
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.		73,237
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, as follows:		
Property tax		343
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.		570,000
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.		539,169
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	(11,654)	
Pension expense	(520,001)	
OPEB expense	(8,906)	
Interest payable	2,311	(538,250)
Change in net position of governmental activities (page 17)		$ (1,346,901)

See notes to financial statements.

Henry County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

Assets	
Cash and pooled investments:	
County Treasurer	$ 1,744,520
Other County officials	43,411
Cash held by health plan trustee	48,192
Receivables:	
Property tax:	
Delinquent	33,921
Succeeding year	21,022,381
Accounts	637
Accrued interest	178
Due from other governments	77,360
Total assets	22,970,600
Liabilities	
Accounts payable	11,655
Due to other governments	22,920,951
Trusts payable	17,076
Compensated absences	20,918
Total liabilities	22,970,600
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 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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 and reduced by outstanding balances for notes attributable to the construction or improvement of those assets.

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

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, transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

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

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 Balance/Net Position

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 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 represent 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 reported as a deferred inflow of resources 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, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

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, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. 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 an initial, individual cost 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, 2019. 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.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Henry County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB 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 in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

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, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the debt service function and disbursements in one department exceeded the amount appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2019 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 $4,595,663. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	Special Revenue:	
	Rural Services	$ 1,329,944
	Community Betterment	200,000
Total		$ 1,529,944

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, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,036,673	-	-	3,036,673
Construction in progress	752,133	7,082,567	(1,095,217)	6,739,483
Total capital assets not being depreciated	3,788,806	7,082,567	(1,095,217)	9,776,156
Capital assets being depreciated:				
Buildings	2,021,522	375,520	(7,906)	2,389,136
Improvements other than buildings	36,957	-	-	36,957
Equipment and vehicles	7,643,284	632,849	(357,227)	7,918,906
Infrastructure, road network	50,134,587	719,697	-	50,854,284
Total capital assets being depreciated	59,836,350	1,728,066	(365,133)	61,199,283
Less accumulated depreciation:				
Buildings	794,924	62,845	(7,906)	849,863
Improvements other than buildings	17,244	692	-	17,936
Equipment and vehicles	4,793,942	616,472	(344,227)	5,066,187
Infrastructure, road network	24,422,123	1,305,684	-	25,727,807
Total accumulated depreciation	30,028,233	1,985,693	(352,133)	31,661,793
Total capital assets being depreciated, net	29,808,117	(257,627)	(13,000)	29,537,490
Governmental activities capital assets, net	$ 33,596,923	6,824,940	(1,108,217)	39,313,646

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 68,383
Physical health and social services	2,257
County environment and education	40,248
Roads and transportation	1,837,037
Administration	37,768
Total depreciation expense - governmental activities	$ 1,985,693

(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, 2019 is as follows:

Fund	Description		Amount
General	Services	$	68,191
Special Revenue:			
Rural Services	Services		200
Secondary Roads	Services		5,992
Community Betterment	Services		6,472
Capital Projects	Services		1,381
Total for governmental funds		$	82,236
Agency:			
County Assessor	Collections	$	903,427
Schools			12,425,629
Community Colleges			1,021,051
Corporations			5,033,044
Townships			174,689
Auto License and Use Tax			418,293
All other			2,944,818
Total for agency funds		$	22,920,951

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	General Obligation Capital Loan Notes	Compensated Absences	Landfill Closure and Postclosure Care Costs	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	$ 9,100,000	436,934	5,000	3,344,290	211,994	13,098,218
Increases	-	412,533	-	-	13,831	426,364
Decreases	570,000	400,879	-	212,152	-	1,183,031
Balance end of year	$ 8,530,000	448,588	5,000	3,132,138	225,825	12,341,551
Due within one year	$ 360,000	336,441	-	-	-	696,441

A summary of the County's June 30, 2019 general obligation capital loan note indebtedness is as follows:

	Jail and Law Enforcement Center Series 2018A Issued May 23, 2018			
Year Ending June 30,	Interest Rates		Principal	Interest
2020	3.00%	$	360,000	279,373
2021	3.00		375,000	268,572
2022	3.00		385,000	257,323
2023	3.00		395,000	245,772
2024	3.00		410,000	233,922
2025-2029	3.00		2,225,000	978,513
2030-2034	3.00-4.00		2,585,000	617,518
2035-2037	3.50-4.00		1,795,000	130,100
Total		$	8,530,000	3,011,093

During the year ended June 30, 2019, the County retired $570,000 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 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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 totaled $539,169.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of $3,132,138 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the County's proportion was 0.049495%, which was a decrease of 0.000710% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of $520,001. At June 30, 2019, 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	$ 30,955	100,454
Changes of assumptions	603,534	136,590
Net difference between projected and actual earnings on IPERS' investments	-	128,179
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	132,812	26,164
County contributions subsequent to the measurement date	539,169	-
Total	$ 1,306,470	391,387

$539,169 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, 2020. 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
2020	$ 280,043
2021	143,957
2022	(39,687)
2023	(4,374)
2024	(4,025)
Total	$ 375,914

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100.0%	

<u>Discount Rate</u> – The discount rate used to measure the total pension liability was 7.00%. 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.

<u>Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u> – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	$ 6,173,229	3,132,138	581,860

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 – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2019.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Henry County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	91
Total	94

Total OPEB Liability – The County's total OPEB liability of $225,825 was measured as of June 30, 2019 and was determined by an actuarial valuation as of January 1, 2018.

The total OPEB liability was rolled forward from the July 1, 2018 valuation date to the June 30, 2019 measurement date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective January 1, 2018)	3.00% per annum.
Rates of salary increase (effective January 1, 2018)	3.00% per annum, including inflation.
Discount rate (effective January 1, 2018)	3.44% compounded annually
Healthcare cost trend rate (effective January 1, 2018)	5.00% per annum.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.44% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2006 with MP2017 generational projection of future mortality improvement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	$ 211,994
Changes for the year:	
Service cost	18,168
Interest	7,710
Benefit payments	(12,047)
Net changes	13,831
Total OPEB liability end of year	$ 225,825

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.44%) or 1% higher (4.44%) than the current discount rate.

	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB liability	$ 240,752	225,825	211,530

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	$ 202,433	225,825	253,352

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of $8,906. At June 30, 2019, the County reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources
Differences between expected and actual experience	$ 41,154
Changes in assumptions	16,464
Total	$ 57,618

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2020	$ (4,925)
2021	(4,925)
2022	(4,925)
2023	(4,925)
Thereafter	(37,918)
	$ (57,618)

(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 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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, 2019 were $177,899.

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 $500,000 per claim. Claims exceeding $500,000 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, 2019, no liability has been recorded in the County's financial statements. As of June 30, 2019, 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 and employee blanket bond in the amount of $1,000,000 and $100,000, respectively. In addition, the County also carries commercial insurance from other insurers for coverage associated with computer crime for $500,000. 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 $871,381 at June 30, 2019.

(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, 2019:

Year ending June 30,	Amount
2020	$ 4,912
2021	2,456
Total	$ 7,368

The County received $4,912 for the year ended June 30, 2019.

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Mount Pleasant	Urban renewal and economic development projects	$ 5,260
City of Wayland	Urban renewal and economic development projects	10,718

(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, 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, 2019, as follows:

Revenues:		
Property and other county tax		$ 4
Intergovernmental:		
MH-DD reimbursements from other governments		218,414
Total revenues		218,418
Expenditures:		
Services to persons with:		
Mental illness		$ 4,443
General administration:		
Direct administration	87,742	
Distribution to regional fiscal agent	727,392	815,134
County provided services		217,429
Total expenditures		1,037,006
Deficiency of revenues under expenditures		(818,588)
Fund balance beginning of year		1,360,901
Fund balance end of year		$ 542,313

(14) 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.

(15) Subsequent Events

In July 2019, the County issued $675,000 in general obligation capital loan notes, Series 2019A, for essential county purposes related to improvements and equipment for remodeling the Recorder's Office and the Secondary Roads maintenance building and to convert the old jail facility into office space, acquisition of the Courthouse computer systems and equipping of vehicles for the Sheriff's Department. The notes are payable from the continuing annual levy of taxes against all taxable property of the County.

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of Henry County, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the County's operations and finances.

Henry County

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, 2019

	Actual	Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	$ 8,560,127	-	8,560,127
Interest and penalty on property tax	65,908	-	65,908
Intergovernmental	5,001,382	-	5,001,382
Licenses and permits	33,458	-	33,458
Charges for service	747,072	-	747,072
Use of money and property	284,154	-	284,154
Miscellaneous	116,827	18,882	97,945
Total receipts	14,808,928	18,882	14,790,046
Disbursements:			
Public safety and legal services	3,867,309	-	3,867,309
Physical health and social services	1,334,681	-	1,334,681
Mental health	1,037,060	-	1,037,060
County environment and education	1,081,629	17,317	1,064,312
Roads and transportation	4,731,949	-	4,731,949
Governmental services to residents	687,842	-	687,842
Administration	1,516,996	-	1,516,996
Non-program	50,801	-	50,801
Debt service	871,761	-	871,761
Capital projects	6,128,138	-	6,128,138
Total disbursements	21,308,166	17,317	21,290,849
Excess (deficiency) of receipts over (under) disbursements	(6,499,238)	1,565	(6,500,803)
Other financing sources, net	11,100	-	11,100
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(6,488,138)	1,565	(6,489,703)
Balance beginning of year	16,358,629	31,649	16,326,980
Balance end of year	$ 9,870,491	33,214	9,837,277

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net
Original	Final	Variance
8,495,220	8,645,220	(85,093)
53,300	53,300	12,608
4,783,964	4,798,154	203,228
24,400	24,400	9,058
515,830	518,236	228,836
105,330	243,105	41,049
115,900	117,285	(19,340)
14,093,944	14,399,700	390,346
3,987,494	3,995,614	128,305
1,510,378	1,601,133	266,452
351,888	1,079,280	42,220
1,117,641	1,178,541	114,229
5,004,863	5,005,663	273,714
752,197	752,797	64,955
1,604,172	1,620,572	103,576
70,800	236,300	185,499
864,962	864,962	(6,799)
9,854,200	9,854,200	3,726,062
25,118,595	26,189,062	4,898,213
(11,024,651)	(11,789,362)	5,288,559
-	11,100	-
(11,024,651)	(11,778,262)	5,288,559
15,305,766	15,305,766	1,021,214
4,281,115	3,527,504	6,309,773

Henry County

Henry County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2019

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 14,808,928	59,162	14,868,090
Expenditures	21,308,166	1,194,810	22,502,976
Net	(6,499,238)	(1,135,648)	(7,634,886)
Other financing sources, net	11,100	(11,100)	-
Beginning fund balances	16,358,629	1,099,473	17,458,102
Ending fund balances	$ 9,870,491	(47,275)	9,823,216

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, two budget amendments increased budgeted disbursements by $1,070,467. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the debt service function and disbursements in one department exceeded the amount appropriated.

Henry County

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

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

Required Supplementary Information

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.049495%	0.050205%	0.049920%	0.047435%	0.044927%
County's proportionate share of the net pension liability	$ 3,132	3,344	3,142	2,344	1,782
County's covered payroll	$ 4,940	4,583	4,432	4,227	4,156
County's proportionate share of the net pension liability as a percentage of its covered payroll	63.40%	72.97%	70.89%	55.45%	42.88%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	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

	2019	2018	2017	2016
Statutorily required contribution	$ 539	449	419	406
Contributions in relation to the statutorily required contribution	(539)	(449)	(419)	(406)
Contribution deficiency (excess)	$ -	-	-	-
County's covered payroll	$ 5,633	4,940	4,583	4,432
Contributions as a percentage of covered payroll	9.57%	9.09%	9.14%	9.16%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
389	382	358	388	345	320
(389)	(382)	(358)	(388)	(345)	(320)
-	-	-	-	-	-
4,227	4,156	3,978	4,588	4,617	4,562
9.20%	9.19%	9.00%	8.46%	7.47%	7.01%

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.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 (unfunded actuarial liability) 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.

Henry County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Last Two Years
Required Supplementary Information

	2019	2018
Service cost	$ 18,168	17,639
Interest cost	7,710	7,168
Difference between expected and actual experiences	-	(48,190)
Changes in assumptions	-	(19,278)
Benefit payments	(12,047)	(7,063)
Net change in total OPEB liability	13,831	(49,724)
Total OPEB liability beginning of year	211,994	261,718
Total OPEB liability end of year	$ 225,825	211,994
Covered-employee payroll	$ 4,510,219	4,378,853
Total OPEB liability as a percentage of covered-employee payroll	5.0%	4.8%

See accompanying indepentdent auditor's report.

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2019	3.44%
Year ended June 30, 2018	3.44%
Year ended June 30, 2017	4.50%

Henry County

Supplementary Information

Henry County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

	Resource Enhancement and Protection	Community Betterment	Special Sheriff's Foreiture
Assets			
Cash and pooled investments	$ 168,472	499,459	62,157
Cash held by health plan trustee	-	12,804	-
Receivables:			
Property tax			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Accrued interest	78	-	-
Due from other governments	-	74,602	-
Total assets	$ 168,550	586,865	62,157
Liabilities, Defered Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ -	23,842	-
Due to other governments	-	6,472	-
Accounts payable	-	30,314	-
Deferred inflows of resources:			
Unavailable property tax revenues	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Health benefits	-	12,804	-
Other purposes	168,550	543,747	62,157
Total fund balances	168,550	556,551	62,157
Total liabilities, deferred inflows of resources and fund balances	$ 168,550	586,865	62,157

See accompanying independent auditor's report.

Revenue					
County Recorder's Records Management	Attorney's Forfeiture	Solid Waste	Friends of Conservation in Henry County	Debt Service	Total
23,239	16,830	5,000	33,214	42,924	851,295
-	-	-	-	-	12,804
-	-	-	-	1,357	1,357
-	-	-	-	857,988	857,988
244	1,238	-	-	-	1,482
8	-	-	-	-	86
-	-	-	-	-	74,602
23,491	18,068	5,000	33,214	902,269	1,799,614
-	-	-	-	-	23,842
-	-	-	-	-	6,472
-	-	-	-	-	30,314
-	-	-	-	857,988	857,988
-	-	-	-	1,339	1,339
-	-	-	-	859,327	859,327
-	-	-	-	42,942	42,942
-	-	-	-	-	12,804
23,491	18,068	5,000	33,214	-	854,227
23,491	18,068	5,000	33,214	42,942	909,973
23,491	18,068	5,000	33,214	902,269	1,799,614

Henry County

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

Year ended June 30, 2019

	Special		
	Resource Enhancement and Protection	Community Betterment	Sheriff's Forfeiture
Revenues:			
Property tax and other county tax	$ -	-	-
Local option sales tax	-	953,607	-
Intergovernmental	10,093	-	-
Charges for service	-	-	-
Use of money and property	984	-	1,202
Miscellaneous	-	-	1,385
Total revenues	11,077	953,607	2,587
Expenditures:			
Operating:			
Physical health and social services	-	76,433	-
County environment and education	984	377,707	-
Roads and transportation	-	75,280	-
Governmental services to residents	-	-	-
Administration	-	30,129	-
Non-program	-	26,500	-
Debt service	-	-	-
Capital projects	-	41,480	-
Total expenditures	984	627,529	-
Excess (deficiency) of revenues over (under) expenditures	10,093	326,078	2,587
Other financing uses:			
Transfer out	-	(200,000)	-
Changes in fund balances	10,093	126,078	2,587
Fund balances beginning of year	158,457	430,473	59,570
Fund balances end of year	$ 168,550	556,551	62,157

See accompanying independent auditor's report.

Revenue					
County Recorder's Records Management	Attorney's Forfeiture	Solid Waste	Friends of Conservation in Henry County	Debt Service	Total
-	-	-	-	773,605	773,605
-	-	-	-	-	953,607
-	-	-	-	74,502	84,595
2,712	-	-	-	-	2,712
143	326	-	-	7,284	9,939
-	1,712	-	18,882	-	21,979
2,855	2,038	-	18,882	855,391	1,846,437
-	-	-	-	-	76,433
-	-	-	17,317	-	396,008
-	-	-	-	-	75,280
3,088	-	-	-	-	3,088
-	-	-	-	-	30,129
-	-	-	-	-	26,500
-	-	-	-	871,760	871,760
-	-	-	-	-	41,480
3,088	-	-	17,317	871,760	1,520,678
(233)	2,038	-	1,565	(16,369)	325,759
-	-	-	-	-	(200,000)
(233)	2,038	-	1,565	(16,369)	125,759
23,724	16,030	5,000	31,649	59,311	784,214
23,491	18,068	5,000	33,214	42,942	909,973

Henry County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

		County Offices	Agricultural Extension Education	County Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	$	-	2,055	382,228	100,833
Other County officials		43,411	-	-	-
Cash held by health plan trustee		-	-	35,515	-
Receivables:					
Property tax:					
Delinquent		-	411	799	19,829
Succeeding year		-	254,286	494,717	12,304,967
Accounts		482	-	25	-
Accrued interest		-	-	-	-
Due from other governments		-	-	-	-
Total assets	$	43,893	256,752	913,284	12,425,629
Liabilities					
Accounts payable	$	-	-	175	-
Due to other governments		26,817	256,752	903,427	12,425,629
Trusts payable		17,076	-	-	-
Compensated absences		-	-	9,682	-
Total liabilities		43,893	256,752	913,284	12,425,629

See accompanying independent auditor’s report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
8,248	62,229	1,074	58,444	418,293	711,116	1,744,520
-	-	-	-	-	-	43,411
-	-	-	-	-	12,677	48,192
1,630	7,992	373	-	-	2,887	33,921
1,011,173	4,962,823	173,242	-	-	1,821,173	21,022,381
-	-	-	-	-	130	637
-	-	-	-	-	178	178
-	-	-	-	-	77,360	77,360
1,021,051	5,033,044	174,689	58,444	418,293	2,625,521	22,970,600
-	-	-	-	-	11,480	11,655
1,021,051	5,033,044	174,689	58,444	418,293	2,602,805	22,920,951
-	-	-	-	-	-	17,076
-	-	-	-	-	11,236	20,918
1,021,051	5,033,044	174,689	58,444	418,293	2,625,521	22,970,600

Henry County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	$ 25,654	245,319	847,473	11,476,493
Additions:				
Property and other county tax	-	240,503	466,154	12,152,730
911 surcharge	-	-	-	-
State tax credits	-	22,130	45,786	1,080,911
Drivers license fees	-	-	-	-
Office fees and collections	516,700	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	214,633	-	-	-
Miscellaneous	-	-	129	-
Total additions	731,333	262,633	512,069	13,233,641
Deductions:				
Agency remittances:				
To other funds	320,266	-	-	-
To other governments	312,198	251,200	446,258	12,284,505
Trusts paid out	80,630	-	-	-
Total deductions	713,094	251,200	446,258	12,284,505
Balances end of year	$ 43,893	256,752	913,284	12,425,629

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
976,712	4,790,820	169,969	54,863	481,073	2,195,212	21,263,588
961,463	5,317,013	166,781	-	-	1,815,728	21,120,372
-	-	-	-	-	165,030	165,030
88,559	640,979	10,452	-	-	328,742	2,217,559
-	-	-	-	137,109	-	137,109
-	-	-	-	-	-	516,700
-	-	-	-	5,759,845	-	5,759,845
-	-	-	7,112	-	-	7,112
-	-	-	-	-	-	214,633
-	-	-	46,918	-	599,592	646,639
1,050,022	5,957,992	177,233	54,030	5,896,954	2,909,092	30,784,999
-	-	-	-	227,244	-	547,510
1,005,683	5,715,768	172,513	50,449	5,732,490	2,478,783	28,449,847
-	-	-	-	-	-	80,630
1,005,683	5,715,768	172,513	50,449	5,959,734	2,478,783	29,077,987
1,021,051	5,033,044	174,689	58,444	418,293	2,625,521	22,970,600

Henry County

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

For the Last Ten Years

	2019	2018	2017	2016
Revenues:				
Property and other county tax	$ 7,604,496	6,658,892	6,457,527	7,020,608
Local option sales tax	953,607	904,185	996,246	920,179
Interest and penalty on property tax	65,908	49,353	56,632	60,283
Intergovernmental	5,068,540	4,547,287	4,970,154	4,450,334
Licenses and permits	32,500	43,840	22,455	26,800
Charges for service	726,259	535,507	563,050	599,611
Use of money and property	281,879	138,798	109,846	92,833
Miscellaneous	134,901	140,586	348,673	131,610
Total	$ 14,868,090	13,018,448	13,524,583	13,302,258
Expenditures:				
Operating:				
Public safety and legal services	$ 3,860,506	3,694,061	3,464,399	3,115,584
Physical health and social services	1,325,111	1,025,678	897,765	932,994
Mental health	1,037,006	777,916	720,300	449,387
County environment and education	1,092,766	1,025,557	1,183,223	1,000,390
Roads and transportation	5,005,164	4,569,075	4,399,107	4,058,854
Governmental services to residents	688,521	692,055	636,934	601,242
Administration	1,544,612	1,473,997	1,527,382	1,328,083
Non-program	74,306	56,928	62,135	72,466
Debt service	871,760	358,388	233,800	233,100
Capital projects	7,003,224	1,362,413	1,192,337	608,289
Total	$ 22,502,976	15,036,068	14,317,382	12,400,389

See accompanying independent auditor’s report.

2015	2014	2013	2012	2011	2010
6,878,857	7,041,662	6,865,372	6,589,097	6,387,875	5,864,095
783,381	864,028	777,807	855,385	786,898	694,627
54,816	70,180	70,778	63,445	64,650	63,679
4,034,237	3,956,994	3,754,964	4,877,919	4,415,362	4,670,875
54,217	50,844	45,897	48,269	44,619	50,018
506,529	538,556	577,826	1,469,369	1,295,656	1,189,127
63,087	56,905	59,925	69,677	79,991	104,846
186,410	363,188	100,310	149,318	326,901	122,718
12,561,534	12,942,357	12,252,879	14,122,479	13,401,952	12,759,985
3,210,299	3,091,679	2,913,511	2,874,447	2,950,196	2,925,965
847,679	829,896	919,124	822,782	821,232	952,628
455,095	431,591	440,919	2,854,242	2,722,452	2,475,959
1,276,337	1,073,816	996,801	951,092	913,793	878,687
3,849,219	3,659,681	3,789,962	3,227,979	4,105,833	3,302,125
552,586	546,676	522,693	539,799	506,262	559,357
1,315,147	1,331,540	1,126,226	1,146,849	1,098,594	1,066,405
56,424	59,105	53,964	83,149	52,737	42,763
232,303	232,625	230,821	149,927	146,317	149,694
546,443	858,275	843,576	553,572	758,917	978,207
12,341,532	12,114,884	11,837,597	13,203,838	14,076,333	13,331,790

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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, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 16, 2020.

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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of 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 deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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 (C) through (G) 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, 2019 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.

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

June 16, 2020

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.	Recorder, Secondary Roads, Ag Extension and Conservation
(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.	Sheriff, Secondary Roads, Recorder, Friends of Conservation, Ag Extension and Conservation
(3) A listing of mail receipts is not prepared and tested by the independent mail opener.	Recorder
(4) One person is responsible for handling cash, writing checks and recording cash	Conservation
(5) 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, Ag Extension and Conservation

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 each County Office'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 –

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

Recorder – There are four full time individuals working in the Recorder's Office. We will do our best to segregate duties.

Secondary Roads – We will continue to do our best with the limited resources available to our office.

Conservation – The Conservation Board members are willing to help review the bank statements in a timely manner and initial and date the bank statements as evidence of their review. We will do our best to segregate duties and use resources available to improve internal controls.

Ag Extension – We will try to segregate duties as much as possible with our limited resources available in our office.

Friends of Conservation – We will try to segregate duties to the best of our abilities. We are limited due to the small number of people involved in the organization.

Conclusion – Responses accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – During the audit, we identified material amounts of capital asset additions not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of capital asset additions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

Recommendation – The County should establish procedures to ensure all capital asset additions are identified and properly reported in the County's financial statements.

Response – We will review our procedures to ensure capital assets are properly recorded.

Conclusion – Response accepted.

(C) 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 does 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 the County Sheriff's office 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 the County Sheriff.

Response – We are currently working on a policies and procedures manual.

Conclusion – Response accepted.

(D) County Sheriff's Jail Room and Board

Criteria – Policies and procedures over room and board receipts should address that all receipts are to be properly collected, recorded and deposited. Reconciliations and independent review would ensure 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 to address collection, recording and depositing of receipts for the room and board account. In addition, reconciliations and review have not been completed for the account.

Effect – Lack of policies and procedures to ensure the proper accounting for room and board collections, including the preparation of reconciliations of billings and collections, 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 currently working on a policies and procedures manual.

Conclusion – Response acknowledged. The County Sheriff's office should also establish procedures to ensure the proper accounting for room and board collections, including procedures to reconcile billings and collections.

(E) 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, and help ensure the reliability of financial reporting, the 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 fireproof 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 be developed, and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response – We will work to get our current plan completed.

Conclusion – Response acknowledged. The County should also ensure back-up tapes are stored at an off-site location.

(F) Payroll

Criteria – Salary payments are not made for time worked by employees based on the correct number of working days during the fiscal year.

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 salaried employees an amount 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 a situation where wages are advanced prior to being earned and could allow employees to be overpaid, if an employee were to leave employment suddenly.

Recommendation – The County should not pay salary in advance of the wages being 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 – On July 1, 2020, there will be no advance payment done anymore, salary employees will be calculated on a daily basis and paid as based.

Conclusion – Response accepted.

(G) Reconciliation of Public Health Billings, Collections, Delinquent Accounts and Write-offs

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling billings, collections and a delinquent account and comparing collections to deposit to ensure proper recording of receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Billings, collections and delinquent accounts were not reconciled throughout the year and delinquent account listings were not prepared. Also, collections were not reconciled to deposits. There is no written policy addressing the allocation method to be used for delinquent or partial payments.

Cause – The County Public Health Department was established within the County during the year ended June 30, 2019. During the year the Public Health Department utilized a moment in time billing system and reports were not run at year end to establish accounts receivable at June 30, 2019. The Department has not established policies and procedures to maintain delinquent account listings, or to reconcile billings, collections and delinquent account balances, reconcile collections to deposits and adjust and write off uncollectible balances.

Effect – The condition could result in unrecorded or misstated receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The Department should designate an independent person to review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review. In addition, the Department should establish written procedures for write-offs of delinquent account balances.

Response – The Department has purchased a new accounting system to establish total billings, collections and delinquent accounts and will establish procedures for write-off of delinquent account balances. Reconciliations will be performed monthly and an independent review of the reconciliation will be evidenced by a signature and date of the review.

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, 2019 exceeded the amount budgeted in the debt service function and disbursements in one department exceeded the amount appropriated.

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

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

Response – The County will try to do better at amending budgets prior to exceeding the budget and appropriations going forward.

Conclusion – Response accepted.

(2) Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 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 – No business transactions between the County and County officials or employees were noted.

(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 under the authority of Chapter 176A of the Iowa Code 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, 2019 for the County Extension office did not exceed the amount budgeted.

Several 4-H Clubs maintain bank accounts separate from the County Extension Council's accounting records. While the 4-H Clubs are subject to oversight by Iowa State University and the County Extension Office, the transactions and resulting balances of the Clubs were not reflected in the Extension's Council's accounting system and have not been included in the annual budget, monthly financial reports or annual financial reports as required by the County Extension Office. At June 30, 2019, seven of the seventeen Clubs had not been turned over to the County Extension Office.

Recommendation – In accordance with County Extension policy, and to strengthen internal control and increase operating efficiencies, the financial transaction of the 4-H Club separate accounts should be integrated with the County Extension's accounting records under the Extensions Districts EIN. The financial activity should be included in the County Extension's accounting records, monthly financial reports and the annual financial reports.

Response – Henry County Ag Extension is working with the seven 4-H Clubs to turn the separate accounts over during year ending June 30, 2020.

Conclusion – Response accepted.

(10) 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. Chapter 331.427(1) of the Code of Iowa requires "…county revenues from taxes and other sources for general county services shall be credited to the general fund of the county…". Donations to fund County employee activities are public funds and should be accounted for in accordance with statutes. The activity of this account 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 Sheriff will continue to handle it in the same manner and will not report it for budgeting and financial purposes, as this money is all self-funded and not taxpayer funded.

Conclusion – Response acknowledged. The County Sheriff should work with the County Auditor to ensure compliance with Chapters 80D.11 and 331.427 of the Code of Iowa.

(11) Donations – During the fiscal year, the County donated $7,500 each to Iowa Wesleyan University and Main Street Mount Pleasant. In addition, the County donated $500 to Fellowship Cup.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III Section 31 of the Iowa Constitution states, "…no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly."

We previously requested a letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of a Library Board of Trustees giving proceeds from a gift to a private non-profit foundation. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2008. Following are pertinent excerpts from this letter of advice:

"Past opinions of this office have consistently concluded that a governmental body may not donate public funds to a private entity, even if the entity is established for charitable or educational purposes and performs work which the government could perform directly…private gifts and bequests of money to a city or county, upon receipt and acceptance, become public funds under the stewardship of the city or county. In addition to any restrictions or limitations imposed by the donor on use of the funds, all of the constitutional and statutory requirements regarding accounting for, depositing, investing and expending the public funds apply equally to funds received through taxation and funds received from private donors."

"Political subdivisions and municipalities, including cities, counties, schools, and townships are municipal – governmental – entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support "public" services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities."

"…I do not believe that a city library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be 'public funds,' subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking."

A 28E agreement, as described in the advice letter, does not exist.

Recommendation – Except as provided in Chapter 15A of the Code of Iowa, for purposes which meet this Chapter's definition of economic development, we are not aware of any statutory authority for the City to provide public funds to a private non-profit organization. The County should seek reimbursement of the amounts donated.

Response – The Board of Supervisors will discuss these transactions with the County Attorney as the Board of Supervisors feel it is of value to the economic development of the County.

Conclusion – Response acknowledged. Chapter 15A of the Code of Iowa states economic Development is a public purpose and defines economic development as "private or joint public and private investment involving the creation of new jobs and income or the retention of existing jobs and income that would otherwise be lost." In compliance with this statute, the Board should ensure and document all funds provided for economic development purposes create new jobs and income or retain existing jobs and income that would otherwise be lost. The funds should be given with these restrictions and the Board should monitor the use of the funds in compliance with the restrictions.

(12) Vertical Infrastructure – Chapter 26.3(2) of the Code of Iowa states in part, "A governmental entity shall have an engineer licensed under chapter 542B, a landscape engineer licensed under chapter 544B, or an architect licensed under chapter 544A prepare plans and specifications, and calculate the estimated total cost of a proposed public improvement." Chapter 26.3(1) of the Code of Iowa states, "If the estimated total cost of a public improvement exceeds the competitive bid threshold of one hundred thousand dollars, or the adjusted competitive bid threshold established in section 314.1B, the governmental entity shall advertise for sealed bids for the proposed public improvement by posting a notice to bidders not less than thirteen and not more than forty-five days before the date of filing bids…" The adjusted competitive bid threshold was $135,000 for the calendar year beginning January 1, 2018.

During the fiscal year, the County Conservation Board approved public improvement projects for the construction of two cabins. The approval was done without a calculated estimated total cost by a licensed engineer, licensed landscape engineer or a licensed architect as required by Chapter 26.3(2) of the Code of Iowa and the County did not obtain competitive bids as required by Chapter 26.3 of the Code of Iowa. The project was completed primarily by County conservation employees and total costs of the completed cabins, individually, exceeded the bid threshold established in Chapter 314.1B of the Code of Iowa.

Recommendation – The County should consult legal counsel on the disposition of this matter. For future public improvement projects, the County should comply with Chapter 26 of the Code of Iowa.

Response – The County will contact the County Attorney to determine the disposition of this matter. The County will establish policies and procedures to ensure all future public improvement projects comply with Chapter 26 of the Code of Iowa.

Conclusion – Response accepted.

Staff

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