



**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

March 11, 2021

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 \$16,974,753 for the year ended June 30, 2020, a 12.1% increase over the prior year. Expenses for County operations for the year ended June 30, 2020 totaled \$17,199,016, a 4.3% increase over the prior year. The significant increase in revenues is primarily due to an increase in property tax revenue and in infrastructure assets contributed by the Iowa Department of Transportation.

**AUDIT FINDINGS:**

Sand reported eleven findings related to the receipt and expenditure of taxpayer funds and one finding pertaining to the Friends of Conservation in Henry County, LTD (Friends of Conservation), a blended component unit. 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 receivables and capital assets not properly recorded in the County's financial statements, lack of reconciliations public health billings, collections and delinquent accounts and an unallowable donation to a private entity. Sand provided the County with recommendations to address each of these findings.

Ten of the findings discussed above for the County and one pertaining to the Friends of Conservation are repeated from the prior year. The County Board of Supervisors, other elected officials and management of the Friends of Conservation have a fiduciary responsibility to provide oversight of the County's and the Friends of Conservation'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, 2020**

**Henry County**



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Rob Sand  
Auditor of State

March 4, 2021

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, 2020. 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 Government Auditing Standards.

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,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

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## Henry County

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
Darin Stater	County Attorney	Jan 2023
Nathan Milks	County Assessor	Jan 2022

**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, 2020, 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, 2020, 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.

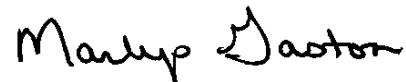
### *Supplementary Information*

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 seven years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the two years ended June 30, 2012 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2021 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

March 4, 2021

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2020. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2020 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 12.1%, or approximately \$1,832,000, from fiscal year 2019 to fiscal year 2020. Property tax increased approximately \$635,000, operating grants, contributions and restricted interest increased approximately \$460,000 and capital grants, contributions and restricted interest increased approximately \$823,000.
- Program expenses of the County's governmental activities were 4.3%, or approximately \$709,000, more in fiscal year 2020 than in fiscal year 2019. Public safety and legal services expenses increased approximately \$471,000. Administration expenses increased approximately \$237,000. County environment and education expenses increased \$205,000. Roads and transportation expenses decreased approximately \$332,000.
- The County's net position decreased .6%, or approximately \$224,000, from the June 30, 2019 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. The analysis that follows focuses on the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2020	2019
Current and other assets	\$ 17,522	19,674
Capital assets	42,118	39,314
Total assets	59,640	58,988
Deferred outflows of resources	1,506	1,306
Long-term liabilities	12,590	12,342
Other liabilities	572	1,167
Total liabilities	13,162	13,509
Deferred inflows of resources	10,552	9,129
Net position:		
Net investment in capital assets	33,602	33,039
Restricted	5,557	5,698
Unrestricted	(1,727)	(1,081)
Total net position	\$ 37,432	37,656

Net position of Henry County's governmental activities decreased .6% (approximately \$37.4 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.

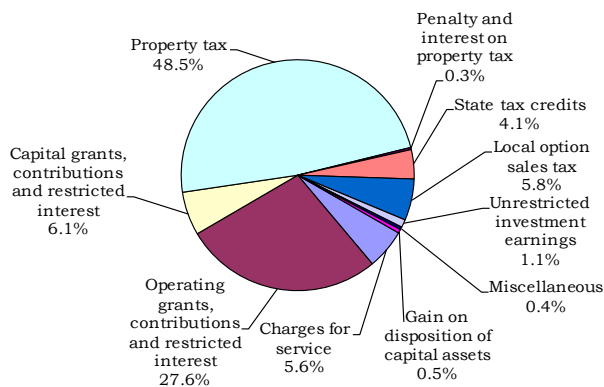
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

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 – decreased from a deficit of approximately \$1,081,000 at June 30, 2019 to a deficit of approximately \$1,727,000 at the end of this year. This decrease is due to pension related deferred inflows and a decrease in funds available in the General Fund at year end.

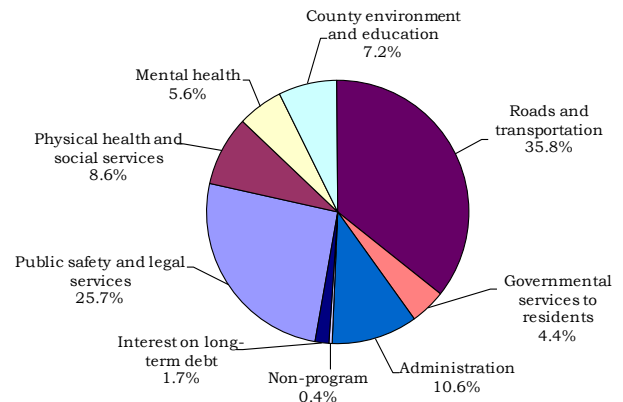
**Changes in Net Position of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2020	2019
<b>Program revenues:</b>		
Charges for service	\$ 945	1,042
Operating grants, contributions and restricted interest	4,681	4,221
Capital grants, contributions and restricted interest	1,038	215
<b>General revenues:</b>		
Property tax	8,240	7,605
Penalty and interest on property tax	45	66
State tax credits	701	682
Local option sales tax	981	954
Unrestricted investment earnings	191	250
Gain on disposition of capital assets	91	73
Miscellaneous	62	35
<b>Total revenues</b>	<b>16,975</b>	<b>15,143</b>
<b>Program expenses:</b>		
Public safety and legal services	4,428	3,957
Physical health and social services	1,472	1,338
Mental health	970	1,038
County environment and education	1,235	1,030
Roads and transportation	6,138	6,470
Governmental services to residents	756	690
Administration	1,831	1,594
Non-program	75	74
Interest on long-term debt	294	299
<b>Total expenses</b>	<b>17,199</b>	<b>16,490</b>
<b>Change in net position</b>	<b>(224)</b>	<b>(1,347)</b>
<b>Net position beginning of year</b>	<b>37,656</b>	<b>39,003</b>
<b>Net position end of year</b>	<b>\$ 37,432</b>	<b>37,656</b>

**Revenues by Source**



**Expenses by Program**



The County's governmental activities net position decreased approximately \$224,000 during the year. Revenues for governmental activities increased approximately \$1,832,000 over the prior year.

The County's taxable property valuation increased approximately \$36,431,000 and the tax levy rate increased approximately 3.1% to \$11.79 per \$1,000 of taxable valuation. Therefore, property tax revenue increased approximately \$635,000. This increase is partially due to the County levying for mental health in the current fiscal year. There was no such levy in the prior year. The total Henry County assessed taxable property valuation for property tax payable in fiscal year 2021 increased approximately \$37,150,000. The tax levy rate is set to increase to \$12.50848 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$1,022,000 next year.

The County's capital grants, contributions and restricted interest increased 382.8% over fiscal year 2019 due to an increase of \$823,000 in infrastructure assets contributed by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$17.2 million compared to approximately \$16.5 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$10.5 million because some of the cost was paid by those who directly benefited from programs (approximately \$945,000) or by other government and organizations which subsidized certain programs with grants and contributions (approximately \$5,719,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for services increased in fiscal year 2020 from approximately \$5,478,000 to approximately \$6,664,000. As discussed above, the County received contributions of roads paid for by the Iowa Department of Transportation during fiscal year 2020.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Henry County completed the year, its governmental funds reported a combined fund balance of approximately \$6.9 million, a decrease of approximately \$2,900,000 from last year's total of approximately \$9.8 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$216,000 and expenditures increased approximately \$293,000 when compared to the prior year. The ending fund balance decreased approximately \$690,000 from the prior year to approximately \$2,549,000.
- Revenues of the Special Revenue, Mental Health Fund increased approximately \$268,000 over the prior year due to the current fiscal year having a property tax levy. Expenditures totaled approximately \$936,000, a decrease of 9.8% from the prior year. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$449,000 from the prior year to approximately \$93,000.
- Special Revenue, Rural Services Fund revenues increased approximately \$78,000 and expenditures decreased approximately \$10,000 from the prior year. The ending fund balance decreased approximately \$28,000 from the prior year to approximately \$123,000.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$150,000 and expenditures decreased approximately \$412,000 when compared to the prior year. The ending fund balance increased approximately \$397,000 over the prior year to approximately \$3,122,000.

- The Capital Projects Fund revenues decreased approximately \$53,000. Expenditures decreased approximately \$3,287,000 when compared to the prior year due to the near completion of the County jail and law enforcement center. During the year ended June 30, 2020, the County issued \$675,000 of general obligation capital loan notes to help finance the remaining construction of the jail, renovations to the County Recorder’s office and Secondary Roads maintenance building, courthouse computer systems and vehicles. The proceeds from the note issue were placed in the Capital Projects Fund to account for these projects. The ending fund balance decreased approximately \$2,138,000 from the prior year to approximately \$118,000.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Henry County amended its budget two times. The first amendment was made in February 2020 to increase budgeted disbursements to the administration and capital projects functions to finish the jail expansion. The second amendment was made in May 2020, primarily to increase budgeted disbursements for juvenile probation and conservation grant spending.

The County’s receipts were \$706,512 more than budgeted, a variance of 4.8%. The most significant variance resulted from the County receiving \$977,583 of local option sales tax which was omitted from the fiscal year budget.

Total disbursements were \$1,874,341 less than the amended budget. Actual disbursements for the county environment and education, roads and transportation and capital projects functions were \$488,655, \$431,059 and \$275,011, respectively, less than budgeted. This was primarily due to the timing of work on conservation FEMA projects, the County spending less in equipment operations than anticipated and the timing of construction on planned capital projects.

Even with the budget amendments, the County exceeded the budgeted amount in the capital projects and non-program functions for the year ended June 30, 2020.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2020, Henry County had approximately \$42.1 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 \$2,804,000, or 7.1%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2020	2019
Land	\$ 3,037	3,037
Construction in progress	146	6,740
Buildings and improvements	10,373	1,558
Equipment and vehicles	3,198	2,853
Infrastructure	25,364	25,126
Total	\$ 42,118	39,314



The County had depreciation expense of \$2,199,100 in fiscal year 2020 and total accumulated depreciation of \$33,377,016 at June 30, 2020. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### **Long-Term Debt**

At June 30, 2020, Henry County had \$8,634,000 of general obligation notes outstanding, compared to \$8,530,000 at June 30, 2019.

Debt increased as a result of issuing general obligation capital loan notes for construction of the jail, renovations to the County Recorder's office and Secondary Roads maintenance building, courthouse computer systems and vehicles.

The County continues to carry a general obligation bond rating of AA 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 \$74.8 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 2021 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 8% versus 2.5% a year ago. This compares with the State's unemployment rate of 8.0% and the national rate of 11.1%.

These indicators were taken into account when adopting the budget for fiscal year 2021. Amounts available for appropriation in the operating budget are approximately \$22,082,000, a 11.7% increase from the final fiscal year 2020 budget, primarily due to an increase in property and other county tax. Budgeted disbursements are expected to decrease approximately \$3,065,000 from the final fiscal year 2020 budget, primarily in the capital projects and roads and transportation functions. The County has added no major new programs or initiatives to the fiscal year 2021 budget.

If these estimates are realized, the County's budgetary operating balance is expected to increase approximately \$4,701,000 by the close of fiscal year 2021.

### **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, 2020

	Governmental Activities
<b>Assets</b>	
Cash and pooled investments	\$ 4,847,654
Cash held by health plan trustee	770,348
Receivables:	
Property tax:	
Delinquent	111,493
Succeeding year	9,702,541
Interest and penalty on property tax	12,673
Accounts	53,794
Accrued interest	339
Due from other governments	816,746
Inventories	1,115,965
Prepaid insurance	90,158
Capital assets not being depreciated	3,579,383
Capital assets, net of accumulated depreciation	38,538,616
<b>Total assets</b>	<b>59,639,710</b>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	1,496,125
OPEB related deferred outflows	9,961
	1,506,086
<b>Liabilities</b>	
Accounts payable	357,414
Accrued interest payable	23,309
Advances from grantors	113,851
Due to other governments	76,992
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	604,000
Compensated absences	275,070
Total OPEB liability	10,156
Portion due or payable after one year:	
General obligation notes	8,030,000
Compensated absences	252,470
Landfill closure and postclosure care costs	5,000
Net pension liability	3,171,291
Total OPEB liability	242,252
<b>Total liabilities</b>	<b>13,161,805</b>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	9,702,541
Pension related deferred inflows	783,197
OPEB related deferred inflows	66,306
<b>Total deferred inflows of resources</b>	<b>10,552,044</b>
<b>Net Position</b>	
Net investment in capital assets	33,601,658
Restricted for:	
Supplemental levy purposes	1,176,491
Mental health purposes	57,168
Rural services purposes	94,215
Secondary roads purposes	3,184,208
Debt service	42,446
Conservation land acquisition	91,918
Community betterment	608,043
Other purposes	302,636
Unrestricted	(1,726,836)
<b>Total net position</b>	<b>\$ 37,431,947</b>

See notes to financial statements.

Henry County  
Statement of Activities  
Year ended June 30, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 4,428,238	205,324	20,006	-	(4,202,908)
Physical health and social services	1,472,453	213,250	446,124	-	(813,079)
Mental health	969,959	-	278,340	-	(691,619)
County environment and education	1,234,655	19,544	105,901	-	(1,109,210)
Roads and transportation	6,137,726	145,892	3,827,355	1,038,084	(1,126,395)
Governmental services to residents	755,641	348,737	41	-	(406,863)
Administration	1,830,956	11,903	-	-	(1,819,053)
Non-program	74,896	-	-	-	(74,896)
Interest on long-term debt	294,492	-	3,266	-	(291,226)
<b>Total</b>	<b>\$ 17,199,016</b>	<b>944,650</b>	<b>4,681,033</b>	<b>1,038,084</b>	<b>(10,535,249)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					7,430,926
Debt service					809,528
Penalty and interest on property tax					44,851
State tax credits and replacements					700,712
Local option sales tax					981,339
Unrestricted investment earnings					190,763
Gain on disposition of capital assets					91,114
Miscellaneous					61,753
<b>Total general revenues</b>					<b>10,310,986</b>
Change in net position					(224,263)
Net position beginning of year					37,656,210
Net position end of year					<b>\$ 37,431,947</b>

See notes to financial statements.

Henry County  
Balance Sheet  
Governmental Funds

June 30, 2020

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 2,139,127	43,849	112,173	1,557,727
Cash held by health plan trustee	485,543	22,986	5,279	243,736
Receivables:				
Property tax:				
Delinquent	72,970	9,906	18,187	-
Succeeding year	6,123,518	831,308	1,870,353	-
Interest and penalty on property tax	12,673	-	-	-
Accounts	45,784	109	299	7,043
Accrued interest	308	-	-	-
Due from other governments	59,377	22,937	975	655,100
Inventories	-	-	-	1,115,965
Prepaid insurance	90,158	-	-	-
<b>Total assets</b>	<b>\$ 9,029,458</b>	<b>931,095</b>	<b>2,007,266</b>	<b>3,579,571</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 82,332	791	1,632	235,083
Advances from grantors	113,851	-	-	-
Due to other governments	76,992	-	-	-
Total Liabilities	273,175	791	1,632	235,083
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	6,123,518	831,308	1,870,353	-
Other	84,011	5,510	11,888	222,469
Total deferred inflows of resources	6,207,529	836,818	1,882,241	222,469
Fund balances:				
Nonspendable:				
Inventories	-	-	-	1,115,965
Prepaid insurance	90,158	-	-	-
Restricted for:				
Supplemental levy purposes	628,610	-	-	-
Mental health purposes	-	70,500	-	-
Rural services purposes	-	-	118,114	-
Secondary roads purposes	-	-	-	1,762,318
Conservation land acquisition	91,918	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	47,207	-	-	-
Health benefits	485,543	22,986	5,279	243,736
Assigned for:				
Historic preservation	2,857	-	-	-
Conservation purposes	69,276	-	-	-
Economic development	180,869	-	-	-
Unassigned	952,316	-	-	-
Total fund balances	2,548,754	93,486	123,393	3,122,019
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,029,458</b>	<b>931,095</b>	<b>2,007,266</b>	<b>3,579,571</b>

See notes to financial statements.

Capital		
Projects	Nonmajor	Total
122,339	872,439	4,847,654
-	12,804	770,348
-	10,430	111,493
-	877,362	9,702,541
-	-	12,673
-	559	53,794
-	31	339
-	78,357	816,746
-	-	1,115,965
-	-	90,158
<u>122,339</u>	<u>1,851,982</u>	<u>17,521,711</u>
4,680	32,896	357,414
-	-	113,851
-	-	76,992
<u>4,680</u>	<u>32,896</u>	<u>548,257</u>
-	877,362	9,702,541
-	5,758	329,636
-	883,120	10,032,177
-	-	1,115,965
-	-	90,158
-	-	628,610
-	-	70,500
-	-	118,114
-	-	1,762,318
-	-	91,918
-	59,997	59,997
117,659	-	117,659
-	863,165	910,372
-	12,804	770,348
-	-	2,857
-	-	69,276
-	-	180,869
-	-	952,316
<u>117,659</u>	<u>935,966</u>	<u>6,941,277</u>
<u>122,339</u>	<u>1,851,982</u>	<u>17,521,711</u>

**Henry County**

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

June 30, 2020

**Total governmental fund balances (page 19)** \$ 6,941,277

***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 \$75,495,015 and the accumulated depreciation is \$33,377,016. 42,117,999

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. 329,636

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:

Deferred outflows of resources	\$ 1,506,086	
Deferred inflows of resources	<u>(849,503)</u>	656,583

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. (12,613,548)

**Net position of governmental activities (page 16)** \$ 37,431,947

See notes to financial statements.



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

Year ended June 30, 2020

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 5,479,364	189,268	1,716,778	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	48,073	-	-	-
Intergovernmental	1,090,301	295,482	123,097	3,710,486
Licenses and permits	1,003	-	30,178	7,185
Charges for service	635,164	-	5,538	5,536
Use of money and property	149,150	-	-	-
Miscellaneous	46,977	2,119	7,500	82,750
Total revenues	<u>7,450,032</u>	<u>486,869</u>	<u>1,883,091</u>	<u>3,805,957</u>
Expenditures:				
Operating:				
Public safety and legal services	3,799,560	-	336,475	-
Physical health and social services	1,274,539	-	77,790	-
Mental health	-	935,696	-	-
County environment and education	560,644	-	107,236	-
Roads and transportation	150,000	-	-	4,220,560
Governmental services to residents	727,245	-	3,619	-
Administration	1,401,324	-	-	-
Non-program	48,396	-	-	-
Debt service	-	-	-	-
Capital projects	27,868	-	-	924,826
Total expenditures	<u>7,989,576</u>	<u>935,696</u>	<u>525,120</u>	<u>5,145,386</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(539,544)</u>	<u>(448,827)</u>	<u>1,357,971</u>	<u>(1,339,429)</u>
Other financing sources (uses):				
General obligation capital loan note issued	-	-	-	-
Transfers in	-	-	-	1,736,202
Transfers out	(150,000)	-	(1,386,202)	-
Total other financing sources (uses)	<u>(150,000)</u>	<u>-</u>	<u>(1,386,202)</u>	<u>1,736,202</u>
Change in fund balances	(689,544)	(448,827)	(28,231)	396,773
Fund balances beginning of year	3,238,298	542,313	151,624	2,725,246
Fund balances end of year	<u>\$ 2,548,754</u>	<u>93,486</u>	<u>123,393</u>	<u>3,122,019</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	805,109	8,190,519
-	981,339	981,339
-	-	48,073
-	86,330	5,305,696
-	-	38,366
-	3,006	649,244
55,915	5,071	210,136
-	17,665	157,011
<u>55,915</u>	<u>1,898,520</u>	<u>15,580,384</u>
-	1,509	4,137,544
-	109,058	1,461,387
-	-	935,696
-	454,572	1,122,452
-	151,650	4,522,210
-	1,889	732,753
-	6,459	1,407,783
-	26,500	74,896
-	865,464	865,464
<u>2,869,018</u>	<u>55,426</u>	<u>3,877,138</u>
<u>2,869,018</u>	<u>1,672,527</u>	<u>19,137,323</u>
<u>(2,813,103)</u>	<u>225,993</u>	<u>(3,556,939)</u>
675,000	-	675,000
-	-	1,736,202
-	(200,000)	(1,736,202)
<u>675,000</u>	<u>(200,000)</u>	<u>675,000</u>
(2,138,103)	25,993	(2,881,939)
<u>2,255,762</u>	<u>909,973</u>	<u>9,823,216</u>
<u>117,659</u>	<u>935,966</u>	<u>6,941,277</u>

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, 2020

**Change in fund balances - Total governmental funds (page 23)** \$ (2,881,939)

***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	\$ 3,912,005	
Capital assets contributed by the Iowa Department of Transportation	1,038,084	
Depreciation expense	<u>(2,199,100)</u>	2,750,989

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. 53,364

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	49,935	
Other	<u>252,986</u>	302,921

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Current year issuances exceeded repayments, as follows:

Issued	(675,000)	
Repaid	<u>571,000</u>	(104,000)

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. 581,071

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	(78,952)	
Pension expense	(822,379)	
OPEB expense	(25,310)	
Interest payable	<u>(28)</u>	<u>(926,669)</u>

**Change in net position of governmental activities (page 17)** \$ (224,263)

See notes to financial statements.

Henry County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2020

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 2,021,612
Other County officials	45,322
Cash held by health plan trustee	45,566
Receivables:	
Property tax:	
Delinquent	283,048
Succeeding year	22,315,924
Accounts	48,039
Accrued interest	91
Due from other governments	40,784
<b>Total assets</b>	24,800,386

**Liabilities**

Accounts payable	5,142
Due to other governments	24,769,143
Trusts payable	12,047
Compensated absences	14,054
<b>Total liabilities</b>	24,800,386
<b>Net position</b>	\$ -

See notes to financial statements.

Henry County

Notes to Financial Statements

June 30, 2020

**(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 acquisition, 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 receivables 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 receivables have 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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2019.

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 and OPEB 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, 2020. 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 outflows of resources and 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 receivables that will not be recognized until the year for which they are 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, 2020, disbursements exceeded the amount budgeted in the capital projects and non-program functions.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2020 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 \$3,089,495. 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, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	
Special Revenue:		
Secondary Roads	General	\$ 150,000
	Special Revenue:	
	Rural Services	1,386,202
	Community Betterment	200,000
		<u>1,586,202</u>
Total		<u>\$ 1,736,202</u>

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, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,036,673	-	-	3,036,673
Intangibles, road network	-	397,124	-	397,124
Construction in progress	6,739,483	4,054,274	(10,648,171)	145,586
Total capital assets not being depreciated	9,776,156	4,451,398	(10,648,171)	3,579,383
Capital assets being depreciated:				
Buildings	2,389,136	9,058,988	(13,500)	11,434,624
Improvements other than buildings	36,957	-	(12,750)	24,207
Equipment and vehicles	7,918,906	990,807	(499,255)	8,410,458
Infrastructure, road network	50,854,284	1,589,183	(397,124)	52,046,343
Total capital assets being depreciated	61,199,283	11,638,978	(922,629)	71,915,632
Less accumulated depreciation:				
Buildings	849,863	244,024	(13,500)	1,080,387
Improvements other than buildings	17,936	691	(12,750)	5,877
Equipment and vehicles	5,066,187	603,268	(457,627)	5,211,828
Infrastructure, road network	25,727,807	1,351,117	-	27,078,924
Total accumulated depreciation	31,661,793	2,199,100	(483,877)	33,377,016
Total capital assets being depreciated, net	29,537,490	9,439,878	(438,752)	38,538,616
Governmental activities capital assets, net	\$ 39,313,646	13,891,276	(11,086,923)	42,117,999

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 259,612
Physical health and social services	2,256
County environment and education	33,170
Roads and transportation	1,863,718
Administration	40,344
Total depreciation expense - governmental activities	<u>\$ 2,199,100</u>

**(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, 2020 is as follows:

Fund	Description	Amount
General	Services	<u>\$ 76,992</u>
Agency:		
County Assessor	Collections	\$ 952,865
Schools		13,276,004
Community Colleges		1,121,387
Corporations		5,254,271
Townships		182,721
Auto License and Use Tax		618,729
All other		<u>3,363,166</u>
Total for agency funds		<u>\$ 24,769,143</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2020 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	\$ 8,530,000	448,588	5,000	3,132,138	225,825	12,341,551
Increases	675,000	295,210	-	39,153	26,583	1,035,946
Decreases	571,000	216,258	-	-	-	787,258
Balance end of year	<u>\$ 8,634,000</u>	<u>527,540</u>	<u>5,000</u>	<u>3,171,291</u>	<u>252,408</u>	<u>12,590,239</u>
Due within one year	<u>\$ 604,000</u>	<u>275,070</u>	<u>-</u>	<u>-</u>	<u>10,156</u>	<u>889,226</u>

Notes Payable

On May 23, 2018, the County issued \$8,875,000 of general obligation capital loan notes, Series 2018A, with interest rates ranging from 3.00-4.00% per annum. The notes were issued to provide funds for the construction of a jail and law enforcement center. During the year ended June 30, 2020, the County paid principal of \$360,000 and interest of \$279,373 on the notes.

On July 9, 2019, the County issued \$675,000 of general obligation capital loan notes, Series 2019A, with interest rate of 2.4% per annum. The notes were issued for the renovation of the old jail into office space, remodeling the County Recorder's office, courthouse computer systems, Secondary Roads maintenance building and purchase of County Sheriff's office vehicles. During the year ended June 30, 2020, the County paid principal of \$211,000 and interest of \$14,490 on the notes.

A summary of the County's June 30, 2020 general obligation indebtedness is as follows:

Year Ending June 30,	Jail and Law Enforcement Center			Jail and Public Improvements			Total	
	Series 2018A			Series 2019A				
	Issued May 23, 2018			Issued July 9, 2019				
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2021	3.00%	\$ 375,000	268,572	2.40%	\$ 229,000	11,136	\$ 604,000	279,708
2022	3.00	385,000	257,323	2.40	235,000	5,640	620,000	262,963
2023	3.00	395,000	245,772	-	-	-	395,000	245,772
2024	3.00	410,000	233,922	-	-	-	410,000	233,922
2025	3.00	420,000	221,623	-	-	-	420,000	221,623
2026-2030	3.00	2,290,000	911,763	-	-	-	2,290,000	911,763
2031-2035	3.00-4.00	2,675,000	528,345	-	-	-	2,675,000	528,345
2036-2037	3.50-4.00	1,220,000	64,400	-	-	-	1,220,000	64,400
Total		\$ 8,170,000	2,731,720		\$ 464,000	16,776	\$ 8,634,000	2,748,496

**(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](http://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 2020, 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 9.51% of covered payroll, for a total rate of 19.02%. Protection occupation members contributed 6.61% of covered payroll and the County contributed 9.91% of covered payroll, for a total rate of 16.52%.

The County's contributions to IPERS for the year ended June 30, 2020 totaled \$581,071.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the County reported a liability of \$3,171,291 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the County's proportion was 0.054766%, which was an increase of 0.005271% over its proportion measured as of June 30, 2018.



For the year ended June 30, 2020, the County recognized pension expense of \$822,379. At June 30, 2020, 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	\$ 22,043	137,814
Changes of assumptions	465,263	106,820
Net difference between projected and actual earnings on IPERS' investments	-	522,784
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	427,748	15,779
County contributions subsequent to the measurement date	581,071	-
Total	<u>\$ 1,496,125</u>	<u>783,197</u>

\$581,071 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, 2021. 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
2021	\$ 158,899
2022	(45,019)
2023	(6,283)
2024	(5,608)
2025	29,868
Total	<u>\$ 131,857</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 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, 2019 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 2019 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%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – 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.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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	\$ 6,649,202	3,171,291	254,938

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](http://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, 2020.

**(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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>106</u>
Total	<u>108</u>

Total OPEB Liability – The County's total OPEB liability of \$252,408 was measured as of June 30, 2020 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 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, 2020)	3.00% per annum.
Rates of salary increase	3.00% per annum, including
(effective January 1, 2020)	inflation.
Discount rate	
(effective January 1, 2020)	3.50% compounded annually
Healthcare cost trend rate	
(effective January 1, 2020)	5.00% per annum.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50% 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 MP2019 generational projection of future mortality improvement.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 225,825
Changes for the year:	
Service cost	23,692
Interest	8,565
Differences between expected and actual experiences	(14,702)
Changes in assumptions	10,758
Benefit payments	<u>(1,730)</u>
Net changes	<u>26,583</u>
Total OPEB liability end of year	<u>\$ 252,408</u>

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 (2.50%) or 1% higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 269,562	252,408	235,952

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 if 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	\$ 224,214	252,408	285,909

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the County recognized OPEB expense of \$25,310. At June 30, 2020, the County reported deferred outflows of resources and inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(51,249)
Changes in assumptions	9,961	(15,057)
Total	<u>\$ 9,961</u>	<u>(66,306)</u>

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

Year ending June 30,	Amount
2021	\$ (5,217)
2022	(5,217)
2023	(5,217)
2024	(5,217)
2025	(5,217)
Thereafter	<u>(30,260)</u>
	<u>\$ (56,345)</u>

**(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 779 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, 2020 were \$179,600.

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, 2020, no liability has been recorded in the County's financial statements. As of June 30, 2020, 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 administrator. 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 \$815,914 at June 30, 2020.

**(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, 2020:

Year ending June 30,	Amount
2021	<u>\$ 2,456</u>

The County received \$2,456 of the \$4,912 due for the year ended June 30, 2020. The remaining \$2,456 lease payment was remitted during the year ended June 30, 2021.

**(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, 2020 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	\$ 5,421
City of Wayland	Urban renewal and economic development projects	8,574

**(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, 2020, as follows:

Revenues:		
Property and other county tax		\$ 189,268
Intergovernmental:		
State tax credits	\$ 17,142	
Payments from regional fiscal agent	<u>278,340</u>	295,482
Miscellaneous		<u>2,119</u>
Total revenues		<u>486,869</u>
Expenditures:		
Services to persons with:		
Mental illness		\$ 4,522
General administration:		
Direct administration	85,007	
Distribution to regional fiscal agent	<u>565,843</u>	650,850
County provided services		<u>280,324</u>
Total expenditures		<u>935,696</u>
Deficiency of revenues under expenditures		(448,827)
Fund balance beginning of year		<u>542,313</u>
Fund balance end of year		<u>\$ 93,486</u>

**(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) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economics, including that of Henry County, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Henry County. However, the extend of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Henry County.



**(16) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity.

**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, 2020

	Actual	Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 9,120,500	-	9,120,500
Interest and penalty on property tax	45,186	-	45,186
Intergovernmental	5,306,994	-	5,306,994
Licenses and permits	36,948	-	36,948
Charges for service	636,516	-	636,516
Use of money and property	210,509	-	210,509
Miscellaneous	159,856	16,605	143,251
Total receipts	<u>15,516,509</u>	<u>16,605</u>	<u>15,499,904</u>
<b>Disbursements:</b>			
Public safety and legal services	4,144,443	-	4,144,443
Physical health and social services	1,481,803	-	1,481,803
Mental health	936,713	-	936,713
County environment and education	1,084,927	26,807	1,058,120
Roads and transportation	5,128,458	-	5,128,458
Governmental services to residents	733,215	-	733,215
Administration	1,404,958	-	1,404,958
Non-program	96,136	-	96,136
Debt service	865,464	-	865,464
Capital projects	4,559,381	-	4,559,381
Total disbursements	<u>20,435,498</u>	<u>26,807</u>	<u>20,408,691</u>
Excess (deficiency) of receipts over (under) disbursements	(4,918,989)	(10,202)	(4,908,787)
Other financing sources, net	666,500	-	666,500
Change in balances	(4,252,489)	(10,202)	(4,242,287)
Balance beginning of year	9,870,491	33,214	9,837,277
Balance end of year	<u>\$ 5,618,002</u>	<u>23,012</u>	<u>5,594,990</u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Net
		Variance
8,279,354	8,279,354	841,146
53,300	53,300	(8,114)
4,915,898	5,286,742	20,252
91,301	91,301	(54,353)
723,120	723,120	(86,604)
112,705	240,005	(29,496)
107,100	119,570	23,681
<u>14,282,778</u>	<u>14,793,392</u>	<u>706,512</u>
4,366,538	4,410,438	265,995
1,593,769	1,696,569	214,766
1,001,940	1,001,940	65,227
1,164,775	1,546,775	488,655
5,559,517	5,559,517	431,059
787,191	789,191	55,976
1,498,248	1,801,448	396,490
68,300	68,300	(27,836)
866,850	866,850	1,386
1,596,700	4,542,004	(17,377)
<u>18,503,828</u>	<u>22,283,032</u>	<u>1,874,341</u>
(4,221,050)	(7,489,640)	2,580,853
675,400	675,400	(8,900)
<u>(3,545,650)</u>	<u>(6,814,240)</u>	<u>2,571,953</u>
4,978,419	4,978,419	4,858,858
<u>1,432,769</u>	<u>(1,835,821)</u>	<u>7,430,811</u>

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Henry County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2020

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
			<u>Basis</u>
Revenues	\$ 15,516,509	63,875	15,580,384
Expenditures	20,435,498	(1,298,175)	19,137,323
Net	(4,918,989)	1,362,050	(3,556,939)
Other financing sources, net	666,500	8,500	675,000
Beginning fund balances	9,870,491	(47,275)	9,823,216
Ending fund balances	<u>\$ 5,618,002</u>	<u>1,323,275</u>	<u>6,941,277</u>

See accompanying independent auditor's report.

Henry County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2020

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 \$3,779,204. 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 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, 2020, disbursements exceeded the amount budgeted in the capital projects and non-program functions.

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Henry County

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

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

Required Supplementary Information

	2020	2019	2018	2017
County's proportion of the net pension liability	0.005477%	0.049495%	0.050205%	0.049920%
County's proportionate share of the net pension liability	\$ 3,171	3,132	3,344	3,142
County's covered payroll	\$ 5,633	4,940	4,583	4,432
County's proportionate share of the net pension liability as a percentage of its covered payroll	56.29%	63.40%	72.97%	70.89%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

\* 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.

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2016	2015
0.047435%	0.044927%
2,344	1,782
4,227	4,156
55.45%	42.88%
85.19%	87.61%



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Henry County

Schedule of County Contributions

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

Required Supplementary Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 581	539	449	419
Contributions in relation to the statutorily required contribution	(581)	(539)	(449)	(419)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 6,110	5,633	4,940	4,583
Contributions as a percentage of covered payroll	9.51%	9.57%	9.09%	9.14%

See accompanying independent auditor's report.

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2016	2015	2014	2013	2012	2011
406	389	382	358	388	345
(406)	(389)	(382)	(358)	(388)	(345)
-	-	-	-	-	-
4,432	4,227	4,156	3,978	4,588	4,617
9.16%	9.20%	9.19%	9.00%	8.46%	7.47%

Henry County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

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.

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Henry County

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

For the Last Three Years  
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 23,692	18,168	17,639
Interest cost	8,565	7,710	7,168
Difference between expected and actual experiences	(14,702)	-	(48,190)
Changes in assumptions	10,758	-	(19,278)
Benefit payments	(1,730)	(12,047)	(7,063)
Net change in total OPEB liability	26,583	13,831	(49,724)
Total OPEB liability beginning of year	225,825	211,994	261,718
Total OPEB liability end of year	\$ 252,408	225,825	211,994
Covered-employee payroll	\$ 5,486,423	4,510,219	4,378,853
Total OPEB liability as a percentage of covered-employee payroll	4.6%	5.0%	4.8%

See accompanying independent 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, 2020	3.50%
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, 2020

				Special
<b>Assets</b>	Resource Enhancement and Protection	Community Betterment	Sheriff's Foreiture	
Cash and pooled investments	\$ 134,709	549,493	63,297	
Cash held by health plan trustee	-	12,804	-	
Receivables:				
Property tax				
Delinquent	-	-	-	
Succeeding year	-	-	-	
Accounts	-	285	-	
Accrued interest	30	-	-	
Due from other governments	-	78,357	-	
<b>Total assets</b>	<b>\$ 134,739</b>	<b>640,939</b>	<b>63,297</b>	
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	-	32,896	-	
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	134,739	595,239	63,297	
Total fund balances	134,739	608,043	63,297	
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 134,739</b>	<b>640,939</b>	<b>63,297</b>	

See accompanying independent auditor's report.

Revenue							
County Recorder's Records Management	Attorney's Forfeiture	Solid Waste	K-9	Friends of Conservation in Henry County	Debt Service		Total
24,374	17,169	5,000	60	23,012	55,325		872,439
-	-	-	-	-	-		12,804
-	-	-	-	-	10,430		10,430
-	-	-	-	-	877,362		877,362
274	-	-	-	-	-		559
1	-	-	-	-	-		31
-	-	-	-	-	-		78,357
<u>24,649</u>	<u>17,169</u>	<u>5,000</u>	<u>60</u>	<u>23,012</u>	<u>943,117</u>		<u>1,851,982</u>
-	-	-	-	-	-		32,896
-	-	-	-	-	877,362		877,362
-	-	-	-	-	5,758		5,758
-	-	-	-	-	883,120		883,120
-	-	-	-	-	59,997		59,997
-	-	-	-	-	-		12,804
<u>24,649</u>	<u>17,169</u>	<u>5,000</u>	<u>60</u>	<u>23,012</u>	<u>-</u>		<u>863,165</u>
<u>24,649</u>	<u>17,169</u>	<u>5,000</u>	<u>60</u>	<u>23,012</u>	<u>59,997</u>		<u>935,966</u>
<u>24,649</u>	<u>17,169</u>	<u>5,000</u>	<u>60</u>	<u>23,012</u>	<u>943,117</u>		<u>1,851,982</u>



Henry County

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

Year ended June 30, 2020

	Special		
	Resource Enhancement and Protection	Community Betterment	Sheriff's Forfeiture
Revenues:			
Property tax and other county tax	\$ -	-	-
Local option sales tax	-	981,339	-
Intergovernmental	12,186	-	-
Charges for service	-	-	-
Use of money and property	729	-	805
Miscellaneous	-	285	335
Total revenues	<u>12,915</u>	<u>981,624</u>	<u>1,140</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	109,058	-
County environment and education	46,726	381,039	-
Roads and transportation	-	151,650	-
Governmental services to residents	-	-	-
Administration	-	6,459	-
Non-program	-	26,500	-
Debt service	-	-	-
Capital projects	-	55,426	-
Total expenditures	<u>46,726</u>	<u>730,132</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(33,811)	251,492	1,140
Other financing uses:			
Transfer out	-	(200,000)	-
Changes in fund balances	(33,811)	51,492	1,140
Fund balances beginning of year	168,550	556,551	62,157
Fund balances end of year	<u>\$ 134,739</u>	<u>608,043</u>	<u>63,297</u>

See accompanying independent auditor's report.

Revenue							
County Recorder's Records Management	Attorney's Forfeiture	Solid Waste	K-9	Friends of Conservation in Henry County	Debt Service	Total	
-	-	-	-	-	805,109	805,109	
-	-	-	-	-	-	981,339	
-	-	-	-	-	74,144	86,330	
3,006	-	-	-	-	-	3,006	
41	230	-	-	-	3,266	5,071	
-	380	-	60	16,605	-	17,665	
3,047	610	-	60	16,605	882,519	1,898,520	
-	1,509	-	-	-	-	1,509	
-	-	-	-	-	-	109,058	
-	-	-	-	26,807	-	454,572	
-	-	-	-	-	-	151,650	
1,889	-	-	-	-	-	1,889	
-	-	-	-	-	-	6,459	
-	-	-	-	-	-	26,500	
-	-	-	-	-	865,464	865,464	
-	-	-	-	-	-	55,426	
1,889	1,509	-	-	26,807	865,464	1,672,527	
1,158	(899)	-	60	(10,202)	17,055	225,993	
-	-	-	-	-	-	(200,000)	
1,158	(899)	-	60	(10,202)	17,055	25,993	
23,491	18,068	5,000	-	33,214	42,942	909,973	
24,649	17,169	5,000	60	23,012	59,997	935,966	

Henry County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2020

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	4,058	439,737	194,678
Other County officials	45,322	-	-	-
Cash held by health plan trustee	-	-	33,494	-
Receivables:				
Property tax:				
Delinquent	-	3,102	5,780	151,776
Succeeding year	-	260,338	485,036	12,929,550
Accounts	-	-	50	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 45,322</b>	<b>267,498</b>	<b>964,097</b>	<b>13,276,004</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	104	-
Due to other governments	33,275	267,498	952,865	13,276,004
Trusts payable	12,047	-	-	-
Compensated absences	-	-	11,128	-
<b>Total liabilities</b>	<b>\$ 45,322</b>	<b>267,498</b>	<b>964,097</b>	<b>13,276,004</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
16,211	102,238	2,209	49,544	618,729	594,208	2,021,612
-	-	-	-	-	-	45,322
-	-	-	-	-	12,072	45,566
12,880	80,918	1,914	-	-	26,678	283,048
1,092,296	5,071,115	178,598	-	-	2,298,991	22,315,924
-	-	-	-	-	47,989	48,039
-	-	-	-	-	91	91
-	-	-	-	-	40,784	40,784
<u>1,121,387</u>	<u>5,254,271</u>	<u>182,721</u>	<u>49,544</u>	<u>618,729</u>	<u>3,020,813</u>	<u>24,800,386</u>
-	-	-	-	-	5,038	5,142
1,121,387	5,254,271	182,721	49,544	618,729	3,012,849	24,769,143
-	-	-	-	-	-	12,047
-	-	-	-	-	2,926	14,054
<u>1,121,387</u>	<u>5,254,271</u>	<u>182,721</u>	<u>49,544</u>	<u>618,729</u>	<u>3,020,813</u>	<u>24,800,386</u>

Henry County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2020

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 43,893	256,752	913,284	12,425,629
Additions:				
Property and other county tax	-	246,315	457,499	12,294,674
911 surcharge	-	-	-	-
State tax credits	-	22,027	42,854	1,067,227
Drivers license fees	-	-	-	-
Office fees and collections	436,938	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	314,528	-	-	-
Miscellaneous	-	-	176	-
Total additions	751,466	268,342	500,529	13,361,901
Deductions:				
Agency remittances:				
To other funds	297,912	-	-	-
To other governments	279,542	257,596	449,716	12,511,526
Trusts paid out	172,583	-	-	-
Total deductions	750,037	257,596	449,716	12,511,526
Balances end of year	\$ 45,322	267,498	964,097	13,276,004

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
1,021,051	5,033,044	174,689	58,444	418,293	2,625,521	22,970,600
1,041,513	5,406,316	172,707	-	-	2,309,501	21,928,525
-	-	-	-	-	120,518	120,518
87,991	643,245	9,765	-	-	153,523	2,026,632
-	-	-	-	90,814	-	90,814
-	-	-	-	-	-	436,938
-	-	-	-	5,981,876	-	5,981,876
-	-	-	4,576	-	-	4,576
-	-	-	-	-	-	314,528
-	-	-	42,202	-	683,045	725,423
1,129,504	6,049,561	182,472	46,778	6,072,690	3,266,587	31,629,830
-	-	-	-	225,045	-	522,957
1,029,168	5,828,334	174,440	55,678	5,647,209	2,871,295	29,104,504
-	-	-	-	-	-	172,583
1,029,168	5,828,334	174,440	55,678	5,872,254	2,871,295	29,800,044
1,121,387	5,254,271	182,721	49,544	618,729	3,020,813	24,800,386

Henry County

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

For the Last Ten Years

	2020	2019	2018	2017
<b>Revenues:</b>				
Property and other county tax	\$ 8,190,519	7,604,496	6,658,892	6,457,527
Local option sales tax	981,339	953,607	904,185	996,246
Interest and penalty on property tax	48,073	65,908	49,353	56,632
Intergovernmental	5,305,696	5,068,540	4,547,287	4,970,154
Licenses and permits	38,366	32,500	43,840	22,455
Charges for service	649,244	726,259	535,507	563,050
Use of money and property	210,136	281,879	138,798	109,846
Miscellaneous	157,011	134,901	140,586	348,673
<b>Total</b>	<b>\$ 15,580,384</b>	<b>14,868,090</b>	<b>13,018,448</b>	<b>13,524,583</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 4,137,544	3,860,506	3,694,061	3,464,399
Physical health and social services	1,461,387	1,325,111	1,025,678	897,765
Mental health	935,696	1,037,006	777,916	720,300
County environment and education	1,122,452	1,092,766	1,025,557	1,183,223
Roads and transportation	4,522,210	5,005,164	4,569,075	4,399,107
Governmental services to residents	732,753	688,521	692,055	636,934
Administration	1,407,783	1,544,612	1,473,997	1,527,382
Non-program	74,896	74,306	56,928	62,135
Debt service	865,464	871,760	358,388	233,800
Capital projects	3,877,138	7,003,224	1,362,413	1,192,337
<b>Total</b>	<b>\$ 19,137,323</b>	<b>22,502,976</b>	<b>15,036,068</b>	<b>14,317,382</b>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
7,020,608	6,878,857	7,041,662	6,865,372	6,589,097	6,387,875
920,179	783,381	864,028	777,807	855,385	786,898
60,283	54,816	70,180	70,778	63,445	64,650
4,450,334	4,034,237	3,956,994	3,754,964	4,877,919	4,415,362
26,800	54,217	50,844	45,897	48,269	44,619
599,611	506,529	538,556	577,826	1,469,369	1,295,656
92,833	63,087	56,905	59,925	69,677	79,991
131,610	186,410	363,188	100,310	149,318	326,901
<b>13,302,258</b>	<b>12,561,534</b>	<b>12,942,357</b>	<b>12,252,879</b>	<b>14,122,479</b>	<b>13,401,952</b>
3,115,584	3,210,299	3,091,679	2,913,511	2,874,447	2,950,196
932,994	847,679	829,896	919,124	822,782	821,232
449,387	455,095	431,591	440,919	2,854,242	2,722,452
1,000,390	1,276,337	1,073,816	996,801	951,092	913,793
4,058,854	3,849,219	3,659,681	3,789,962	3,227,979	4,105,833
601,242	552,586	546,676	522,693	539,799	506,262
1,328,083	1,315,147	1,331,540	1,126,226	1,146,849	1,098,594
72,466	56,424	59,105	53,964	83,149	52,737
233,100	232,303	232,625	230,821	149,927	146,317
608,289	546,443	858,275	843,576	553,572	758,917
<b>12,400,389</b>	<b>12,341,532</b>	<b>12,114,884</b>	<b>11,837,597</b>	<b>13,203,838</b>	<b>14,076,333</b>





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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, 2020, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 4, 2021.

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 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, 2020 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.

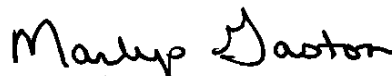
### Henry County's Responses to the Findings

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 K. Gaston, CPA  
Deputy Auditor of State

March 4, 2021

Henry County  
 Schedule of Findings  
 Year ended June 30, 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 and the Friends of Conservation of Henry County, LTD’s (Friends of Conservation) 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:

	<u>Applicable Offices</u>
(1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Treasurer, Recorder, Secondary Roads 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.	Recorder, Secondary Roads, Conservation, Sheriff, Public Health Nurse and Friends of Conservation
(3) 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.	Recorder, Sheriff, Conservation and Friends of Conservation
(4) Responsibilities for maintaining detail accounts receivable records is not segregated from posting receipts.	Public Health Nurse

Cause – The County offices noted above and the Friends of Conservation 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 and the Friends of Conservation’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.

Henry County

Schedule of Findings

Year ended June 30, 2020

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.

Response and Corrective Action Planned

Treasurer – With limited staff, all employees need access to the accounting records. Having one employee open the mail but not work at the counter daily would not be efficient. We will strive to have more than one person involved in opening mail.

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

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

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

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

Public Health Nurse – With limited staff we will attempt to segregate duties as much as possible.

Friends of Conservation – We have had a limited amount of members due to COVID so we could not segregate our duties. Hopefully next year we can hold meetings like normal and segregate duties.

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 a material amounts of receivables and capital assets 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.

Henry County

Schedule of Findings

Year ended June 30, 2020

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off and capital asset transactions 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 receivables and capital asset additions are identified and properly reported in the County’s financial statements.

Responses

Treasurer – We will review our procedures to ensure all receivables are properly recorded. This will include discussion with other departments who provide the receipting information including the date earned.

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

Conclusion – Responses 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.

Condition – The Sheriff’s Office does not have accounting policies and procedures manual.

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.

Henry County  
Schedule of Findings  
Year ended June 30, 2020

(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 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 accepted.

(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.

Cause – Management has not required written disaster recovery plan.

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.

Recommendation – A written disaster recovery plan should be developed.

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

Conclusion – Response accepted.

Henry County  
Schedule of Findings  
Year ended June 30, 2020

(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.

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 accounts list was not prepared. Also, collections were not reconciled to deposits.

Cause – 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, 2020. Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile billings, collections and receivables, reconcile collections to deposits and adjust and write off uncollectible balances.

Effect – The condition could result in unrecorded or misstated revenues and receivables.

Henry County

Schedule of Findings

Year ended June 30, 2020

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 – 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.



Henry County  
Schedule of Findings  
Year ended June 30, 2020

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the capital projects and nonprogram functions.

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.

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) Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) 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.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) 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.
- (9) 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).

Henry County

Schedule of Findings

Year ended June 30, 2020

- (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. The activity should be included in the County’s annual budget and financial statements and disbursements should be charged to the appropriate expenditure account in accordance with the Uniform Chart of Accounts for County Governments in Iowa.

Response – The 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 Chapter 80D.11 of the Code of Iowa.

- (11) Donations – During the fiscal year, the County donated \$7,500 each to Iowa Wesleyan University.

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.”

Recommendation – We are not aware of any statutory authority for the County to provide public funds to a private non-profit organization. The County should seek reimbursement of current and past donations and should cease providing donations in the future, in compliance with the Iowa Constitution.

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. The County should seek reimbursement of current and prior donations to this organization and should cease providing future donations in compliance with the Iowa Constitution.

- (12) Compensatory Pay - The County Employee Handbook (Handbook) states “With Department Head approval, employees may request compensatory time in lieu of overtime pay. Employees may accumulate up to 120 hours of compensatory time. Department Heads may approve the payout of compensatory time upon written request of the employee. Non-exempt employees will be compensated at one and one half times their normal hourly rate for all hours worked in excess of their normally scheduled day, or hours worked outside of their normal schedule. All overtime and compensatory time accrued or used must have the prior approval of the Department Head.”

Henry County

Schedule of Findings

Year ended June 30, 2020

During the fiscal year, the IT director worked 817.85 of overtime (comp time) hours which calculated to \$35,294 of comp time pay, 60% of the Directors regular salary for the year. Timesheets supporting the comp time earned and paid out were reviewed and approved by the County Auditor. However, documentation for prior approval of the appropriate department head, prior to earning the comp time, was not available.

Recommendation – Projects which may create comp time hours being earned should have prior approval with an estimated hour expected. This prior approval should be clearly documented to demonstrate compliance with County policy.

Response – These hours were approved ahead of time as they were earned working on the set up of the IT equipment in the new jail and many long hours were put in trying to get it finished so that it could open as well as his regular duties as IT for the rest of the county. We opened the new Law Center on November 9, 2019. He was incharge of working with all the communications vendors and the 911 people in switching everything over to the new building. No, we didn't have an approval document which we should have for as many hours as he put in out there to get them opened and then all the extra hours trouble shooting once it was converted over and open. He is also in charge of all the hardware and software issues with the 911 system, besides the rest of the county IT.

Conclusion – Response acknowledged. The County should ensure prior approval for future comp time for all employees is properly documented.

Henry County

Staff

This audit was performed by:

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