



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

September 2, 2022

Contact: Ernest Ruben
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$23,264,690 for the year ended June 30, 2021, a 37.1% increase over the prior year. Expenses for County operations for the year ended June 30, 2021 totaled \$17,925,846, a 4.2% 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 thirteen findings related to the receipt and expenditure of taxpayer funds. They are found on pages 78 through 89 of this report. The findings address issues such as lack of segregation of duties, material amounts of receivables 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 are repeated from the prior year. The County Board of Supervisors and other elected officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports – Auditor of State](#).

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HENRY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

Henry County



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Rob Sand
Auditor of State

August 30, 2022

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, 2021. 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

(Before January 2021)

<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

(After January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marc Lindeen	Board of Supervisors	Jan 2023
Greg Moeller	Board of Supervisors	Jan 2025
Chad White	Board of Supervisors	Jan 2025
Shelly Barber	County Auditor	Jan 2025
Ana Lair	County Treasurer	Jan 2023
Mindy Fitzgibbon	County Recorder	Jan 2023
Rich McNamee	County Sheriff	Jan 2025
Darin Stater	County Attorney	Jan 2023
Nathan Milks	County Assessor	Jan 2022



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Rob Sand
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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, 2021, 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, 2021, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, Henry County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

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 50 through 59 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.

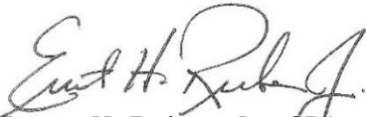
Supplementary Information

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 eight years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the one year ended June 30, 2012 (which is not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 August 30, 2022 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

August 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Henry County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2021 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities during fiscal year 2021. The beginning net position for governmental activities and fiduciary (custodial) funds was restated by \$1,325,783 to retroactively report in accordance with the GASBS.
- Revenues of the County's governmental activities increased 37.1%, or approximately \$6,290,000, from fiscal year 2020 to fiscal year 2021. Property tax increased approximately \$971,000, charges for services increased approximately \$835,000, operating grants, contributions and restricted interest increased approximately \$814,000 and capital grants, contributions and restricted interest increased approximately \$3,481,000.
- Program expenses of the County's governmental activities were 4.2%, or approximately \$727,000, more in fiscal year 2021 than in fiscal year 2020. Public safety and legal services expenses increased approximately \$360,000. Roads and transportation expenses increased approximately \$301,000. County environment and education expenses increased approximately \$137,000.
- The County's net position increased 14.3%, or approximately \$5,339,000, from the June 30, 2020 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 (Custodial 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 Custodial Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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 custodial capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Custodial Funds that account for auto license and use tax, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds is a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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,	
	2021	2020
Current and other assets	\$ 20,943	17,522
Capital assets	45,608	42,118
Total assets	66,551	59,640
Deferred outflows of resources	1,635	1,506
Long-term liabilities	13,045	12,590
Other liabilities	2,241	572
Total liabilities	15,286	13,162
Deferred inflows of resources	10,129	10,552
Net position:		
Net investment in capital assets	37,578	33,602
Restricted	6,383	5,557
Unrestricted	(1,190)	(1,727)
Total net position	\$ 42,771	37,432

Net position of Henry County's governmental activities increased 14.3% (approximately \$42.7 million compared to approximately \$37.4 million).

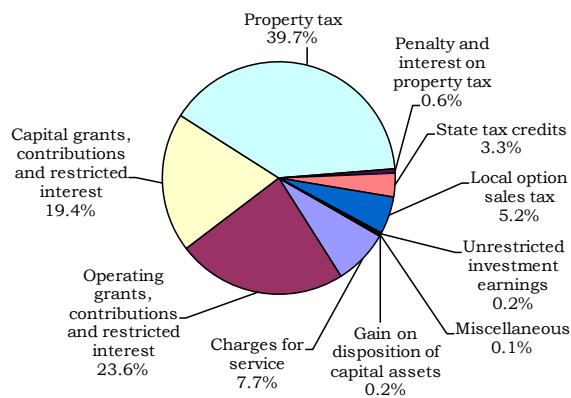
The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased 11.8%, or approximately \$3,976,000, over the prior year. The increase is largely due to road infrastructure assets contributed by the Iowa Department of Transportation.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$826,000, or 14.9%, over the prior year. This increase is primarily due to an increase in the amounts held at year end in the Special Revenue, Secondary Roads Fund.

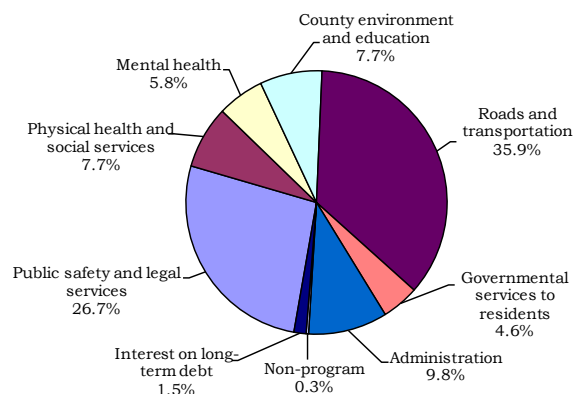
Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$1,727,000 at June 30, 2020 to a deficit of approximately \$1,190,000 at the end of this year. This decrease in the deficit is due to a decrease in pension related deferred inflows and an increase in funds available in the General Fund at year end.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2021	2020
Program revenues:		
Charges for service	\$ 1,780	945
Operating grants, contributions and restricted interest	5,495	4,681
Capital grants, contributions and restricted interest	4,519	1,038
General revenues:		
Property tax	9,211	8,240
Penalty and interest on property tax	151	45
State tax credits	762	701
Local option sales tax	1,221	981
Unrestricted investment earnings	53	191
Gain on disposition of capital assets	45	91
Miscellaneous	28	62
Total revenues	23,265	16,975
Program expenses:		
Public safety and legal services	4,788	4,428
Physical health and social services	1,382	1,472
Mental health	1,034	970
County environment and education	1,372	1,235
Roads and transportation	6,439	6,138
Governmental services to residents	822	756
Administration	1,755	1,831
Non-program	60	75
Interest on long-term debt	274	294
Total expenses	17,926	17,199
Change in net position	5,339	(224)
Net position beginning of year	37,432	37,656
Net position end of year	\$ 42,771	37,432

Revenues by Source



Expenses by Program



The County's governmental activities net position increased approximately \$5,339,000 during the year. Revenues for governmental activities increased approximately \$6,290,000 over the prior year, including property tax revenue which increased over the prior year approximately \$971,000, or 11.8%.

The County's taxable property valuation increased approximately \$37,150,000 and the tax levy rate increased approximately 6.1%. These increases help explain approximately \$971,000 increase in property tax revenues. The total Henry County assessed taxable property valuation for property tax payable in fiscal year 2022 increased approximately \$22,523,000. The tax levy rate is set to decrease to \$12.42159 per \$1,000 of taxable valuation. Property tax revenues is budgeted to increase approximately \$166,000 next year.

The County's capital grants, contributions and restricted interest increased 335.4% over fiscal year 2020 due to an increase of \$3,481,000 in infrastructure assets contributed by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$17.9 million compared to approximately \$17.2 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$6.1 million because some of the cost was paid by those who directly benefited from programs (approximately \$1,780,000) or by other government and organizations which subsidized certain programs with grants and contributions (approximately \$10,014,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for services increased in fiscal year 2021 from approximately \$6,664,000 to approximately \$11,794,000. As discussed above, the County received contributions of roads paid for by the Iowa Department of Transportation during fiscal year 2021.

INDIVIDUAL MAJOR FUND ANALYSIS

As Henry County completed the year, its governmental funds reported a combined fund balance of approximately \$8.6 million, an increase of approximately \$1,700,000 from last year's total of approximately \$6.9 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund ended fiscal year 2021 with an ending balance of \$3,053,691 compared to the prior year ending balance of \$2,548,754, an increase of \$504,937. Revenues increased \$1,547,430 or 20.8%, primarily due to a \$602,668 increase for care of prisoners at the new jail and a \$372,988 increase in coronavirus relief funds. Expenditures increased \$502,949 or 6.3% when compared to the prior year.
- The Special Revenue, Mental Health Fund ended fiscal year 2021 with an ending balance of \$149,908 compared to the prior year ending balance of \$93,486, an increase of \$56,422. Revenues increased \$603,289 due primarily to an increase in property tax revenue. Expenditures increased \$98,040 due to an increase in distributions to the Mental Health Region.
- Special Revenue, Rural Services Fund revenues increased approximately \$90,000 and expenditures increased approximately \$27,000 from the prior year. The ending fund balance decreased approximately \$25,000 from the prior year to approximately \$99,000.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2021 with an ending balance of \$4,142,958 compared to the prior year ending balance of \$3,122,019, an increase of \$1,020,939. Revenues increased \$811,058 due primarily to an increase in road use taxes of approximately \$300,000. The County also received \$260,013 in FEMA funding and \$260,159 in bridge replacement funding. Expenditures increased \$94,547 due to a decrease in capital project costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, Henry County amended its budget once. The amendment was made in May 2021 to increase budgeted intergovernmental receipts for grant funding and to provide for additional disbursements in certain county departments.

The County's receipts were \$1,530,929 more than budgeted, a variance of 8.1%. The County received \$1,642,512 more in intergovernmental receipts than anticipated in fiscal year 2021. This was primarily due to the receipt of the American Rescue Plan Act (ARPA) funds of \$1,937,916.

Total disbursements were \$2,399,495 less than the amended budget. Actual disbursements for the capital projects, roads and transportation and public safety and legal services functions were \$819,732, \$581,747 and \$287,123, respectively, less than budgeted. This was primarily due to the timing of construction on planned capital projects, the County spending less in equipment operations than anticipated and spending less on housing inmate costs than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, Henry County had approximately \$45.6 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 \$3,490,000, or 8.3%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2021	2020
Land	\$ 3,037	3,037
Construction in progress	497	146
Buildings and improvements	10,246	10,373
Intangibles	397	397
Equipment and vehicles	3,004	3,198
Infrastructure	28,427	24,967
Total	\$ 45,608	42,118

The County had depreciation expense of \$2,327,563 in fiscal year 2021 and total accumulated depreciation of \$35,433,352 at June 30, 2021. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2021, Henry County had \$8,030,000 of general obligation notes outstanding, compared to \$8,634,000 at June 30, 2020.

Debt decreased as a result of scheduled debt repayments during fiscal year 2020.

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 \$72.9 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 4.6% versus 8% a year ago. This compares with the State's unemployment rate of 4.0% and the national rate of 5.9%.

These indicators were taken into account when adopting the budget for fiscal year 2022. Amounts available for appropriation (i.e., beginning balance plus revenues) in the operating budget are approximately \$22,326,000, a decrease of 2.4% from the final fiscal year 2021 budget. Budgeted disbursements are expected to decrease approximately \$1,660,000 from the final fiscal year 2021 budget, primarily in the capital projects and county environment and education functions. The County has added no major new programs or initiatives to the fiscal year 2022 budget.

If these estimates are realized, the County's budgetary operating balance is expected to increase approximately \$1,102,000 by the close of fiscal year 2022.

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, 2021

	Governmental Activities
Assets	
Cash and pooled investments	\$ 8,199,232
Cash held by health plan trustee	648,958
Receivables:	
Property tax:	
Delinquent	11,504
Succeeding year	9,868,504
Interest and penalty on property tax	8,054
Accounts	70,393
Accrued interest	60
Due from other governments	961,353
Inventories	1,058,360
Prepaid insurance	116,525
Capital assets not being depreciated	3,931,215
Capital assets, net of accumulated depreciation	41,676,578
Total assets	66,550,736
Deferred Outflows of Resources	
Pension related deferred outflows	1,625,842
OPEB related deferred outflows	9,164
	1,635,006
Liabilities	
Accounts payable	282,275
Accrued interest payable	20,951
Due to other governments	59
Unearned revenues	1,937,916
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	620,000
Compensated absences	247,955
Total OPEB liability	10,156
Portion due or payable after one year:	
General obligation notes	7,410,000
Compensated absences	288,952
Landfill closure and postclosure care costs	5,000
Net pension liability	4,192,266
Total OPEB liability	270,881
Total liabilities	15,286,411
Deferred Inflows of Resources	
Unavailable property tax revenue	9,868,504
Pension related deferred inflows	199,744
OPEB related deferred inflows	60,292
Total deferred inflows of resources	10,128,540
Net Position	
Net investment in capital assets	37,577,793
Restricted for:	
Supplemental levy purposes	825,128
Mental health purposes	118,384
Rural services purposes	77,215
Secondary roads purposes	4,036,470
Debt service	66,769
Conservation land acquisition	101,606
Community betterment	860,391
Other purposes	297,404
Unrestricted	(1,190,369)
Total net position	\$ 42,770,791

See notes to financial statements.

Henry County
Statement of Activities
Year ended June 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Expenses					
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,787,818	864,645	272,981	-	(3,650,192)
Physical health and social services	1,382,225	182,035	492,315	-	(707,875)
Mental health	1,034,451	-	235,157	-	(799,294)
County environment and education	1,371,747	109,509	166,592	-	(1,095,646)
Roads and transportation	6,438,771	214,196	4,312,108	4,518,826	2,606,359
Governmental services to residents	822,472	380,576	16,114	-	(425,782)
Administration	1,755,111	28,936	-	-	(1,726,175)
Non-program	59,618	-	-	-	(59,618)
Interest on long-term debt	273,633	-	65	-	(273,568)
Total	\$ 17,925,846	1,779,897	5,495,332	4,518,826	(6,131,791)
General Revenues:					
Property and other county tax levied for:					
General purposes					8,382,580
Debt service					828,536
Penalty and interest on property tax					150,941
State tax credits and replacements					761,554
Local option sales tax					1,220,995
Unrestricted investment earnings					52,958
Gain on disposition of capital assets					45,227
Miscellaneous					27,844
Total general revenues					11,470,635
Change in net position					5,338,844
Net position beginning of year					37,431,947
Net position end of year					\$ 42,770,791

See notes to financial statements.

Henry County
Balance Sheet
Governmental Funds

June 30, 2021

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 4,267,420	89,909	93,098	2,565,861
Cash held by health plan trustee	403,225	18,877	1,425	212,627
Receivables:				
Property tax:				
Delinquent	8,848	556	882	-
Succeeding year	6,647,630	417,594	1,927,120	-
Interest and penalty on property tax	8,054	-	-	-
Accounts	62,986	-	2,020	3,434
Accrued interest	43	-	-	-
Due from other funds	2,090	-	-	-
Due from other governments	355,969	41,573	1,861	473,767
Inventories	-	-	-	1,058,360
Prepaid insurance	116,525	-	-	-
Total assets	\$ 11,872,790	568,509	2,026,406	4,314,049
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 107,239	483	-	106,561
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenues	1,937,916	-	-	-
Total Liabilities	2,045,155	483	-	106,561
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	6,647,630	417,594	1,927,120	-
Other	126,314	524	633	64,530
Total deferred inflows of resources	6,773,944	418,118	1,927,753	64,530
Fund balances:				
Nonspendable:				
Inventories	-	-	-	1,058,360
Prepaid insurance	116,525	-	-	-
Restricted for:				
Supplemental levy purposes	347,604	-	-	-
Mental health purposes	-	131,031	-	-
Rural services purposes	-	-	97,228	-
Secondary roads purposes	-	-	-	2,871,971
Conservation land acquisition	101,606	-	-	-
Debt service	-	-	-	-
Other purposes	34,918	-	-	-
Health benefits	403,225	18,877	1,425	212,627
Community betterment	-	-	-	-
Assigned for:				
Historic preservation	10,447	-	-	-
Conservation purposes	89,952	-	-	-
Economic development	168,629	-	-	-
Unassigned	1,780,785	-	-	-
Total fund balances	3,053,691	149,908	98,653	4,142,958
Total liabilities, deferred inflows of resources and fund balances	\$ 11,872,790	568,509	2,026,406	4,314,049

See notes to financial statements.

Nonmajor	Total
1,182,944	8,199,232
12,804	648,958
1,218	11,504
876,160	9,868,504
-	8,054
1,953	70,393
17	60
-	2,090
88,183	961,353
-	1,058,360
-	116,525
<u>2,163,279</u>	<u>20,945,033</u>
67,992	282,275
2,090	2,090
59	59
-	1,937,916
<u>70,141</u>	<u>2,222,340</u>
876,160	9,868,504
1,152	193,153
<u>877,312</u>	<u>10,061,657</u>
-	1,058,360
-	116,525
-	347,604
-	131,031
-	97,228
-	2,871,971
-	101,606
86,568	86,568
274,405	309,323
12,804	648,958
847,587	847,587
-	10,447
-	89,952
-	168,629
(5,538)	1,775,247
<u>1,215,826</u>	<u>8,661,036</u>
<u>2,163,279</u>	<u>20,945,033</u>

Henry County

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

June 30, 2021

Total governmental fund balances (page 19) \$ 8,661,036

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 \$81,041,145 and the accumulated depreciation is \$35,433,352.

45,607,793

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.

193,153

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	1,635,006	
Deferred inflows of resources	<u>(260,036)</u>	1,374,970

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.

(13,066,161)

Net position of governmental activities (page 16)

\$ 42,770,791

See notes to financial statements.

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

Year ended June 30, 2021

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 5,826,430	790,938	1,813,706	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	152,809	-	-	-
Intergovernmental	2,138,597	299,220	116,143	4,532,419
Licenses and permits	50	-	38,071	5,975
Charges for service	756,804	-	5,006	12,814
Use of money and property	78,768	-	-	-
Miscellaneous	44,004	-	-	65,807
Total revenues	8,997,462	1,090,158	1,972,926	4,617,015
Expenditures:				
Operating:				
Public safety and legal services	4,087,955	-	362,929	-
Physical health and social services	1,250,842	-	72,243	-
Mental health	-	1,033,736	-	-
County environment and education	726,193	-	114,364	-
Roads and transportation	-	-	-	4,533,993
Governmental services to residents	782,118	-	4,273	-
Administration	1,593,606	-	-	-
Non-program	33,118	-	-	-
Debt service	-	-	-	-
Capital projects	18,693	-	-	705,940
Total expenditures	8,492,525	1,033,736	553,809	5,239,933
Excess (deficiency) of revenues over (under) expenditures	504,937	56,422	1,419,117	(622,918)
Other financing sources (uses):				
Transfers in	-	-	-	1,643,857
Transfers out	-	-	(1,443,857)	-
Total other financing sources (uses)	-	-	(1,443,857)	1,643,857
Change in fund balances	504,937	56,422	(24,740)	1,020,939
Fund balances beginning of year	2,548,754	93,486	123,393	3,122,019
Fund balances end of year	\$ 3,053,691	149,908	98,653	4,142,958

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
833,142	9,264,216
1,220,995	1,220,995
-	152,809
85,405	7,171,784
714	44,810
4,386	779,010
269	79,037
16,075	125,886
<u>2,160,986</u>	<u>18,838,547</u>

6,711	4,457,595
40,677	1,363,762
-	1,033,736
407,011	1,247,568
148,350	4,682,343
1,957	788,348
73,419	1,667,025
26,500	59,618
879,991	879,991
214,169	938,802
<u>1,798,785</u>	<u>17,118,788</u>

<u>362,201</u>	<u>1,719,759</u>
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7,994	1,651,851
<u>(207,994)</u>	<u>(1,651,851)</u>
<u>(200,000)</u>	<u>-</u>
162,201	1,719,759
<u>1,053,625</u>	<u>6,941,277</u>
<u>1,215,826</u>	<u>8,661,036</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, 2021

Change in fund balances - Total governmental funds (page 23) \$ 1,719,759

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	\$ 1,253,304	
Capital assets contributed by the Iowa Department of Transportation	4,518,826	
Depreciation expense	<u>(2,327,563)</u>	3,444,567

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.

45,227

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	(53,100)	
Other	<u>(83,383)</u>	(136,483)

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 repayments exceeded issuances.

604,000

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.

589,625

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	(9,367)	
Pension expense	(897,430)	
OPEB expense	(23,412)	
Interest payable	<u>2,358</u>	(927,851)

Change in net position of governmental activities (page 17) \$ 5,338,844

See notes to financial statements.

Henry County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2021

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,416,150
Other County officials	61,339
Cash held by health plan trustee	38,868
Receivables:	
Property tax:	
Delinquent	35,016
Succeeding year	22,716,000
Accounts	17,676
Accrued interest	23
Special assessments	7,079
Due from other governments	32,186
Total assets	<u>25,324,337</u>

Liabilities

Accounts payable	12,018
Due to other governments	1,531,937
Trusts payable	8,935
Compensated absences	26,691
Total liabilities	<u>1,579,581</u>

Deferred Inflows of Resources

Unavailable property tax revenue	<u>22,716,000</u>
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Net position

Restricted for individuals, organizations and other governments	<u>\$ 1,028,756</u>
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See notes to financial statements.

Henry County

Henry County
Statement of Changes in Fiduciary Net Position
Custodial Funds

June 30, 2021

Additions:	
Property and other county tax	\$ 21,631,244
911 surcharge	252,713
State tax credits	2,059,904
Drivers license fees	94,820
Office fees and collections	1,127,419
Auto licenses, use tax and postage	6,781,431
Assessments	72,550
Trusts	1,009,315
Miscellaneous	<u>446,047</u>
Total additions	<u>33,475,443</u>
Deductions:	
Agency remittances:	
To other funds	869,529
To other governments	31,893,626
Trusts paid out	<u>1,009,315</u>
Total deductions	<u>33,772,470</u>
Changes in net position	(297,027)
Net position beginning of year, as restated	<u>1,325,783</u>
Net position end of year	<u>\$ 1,028,756</u>

See notes to financial statements.

Henry County
Notes to Financial Statements
June 30, 2021

(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 Custodial 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.

Additionally, the County reports the following funds:

Fiduciary Funds – Custodial 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 lease agreements 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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2020.

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. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. 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

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment and infrastructure 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, the unamortized portion of the net difference between projected and actual earnings on pension plan assets 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.

Unearned Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Unearned revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the County has not made a qualifying expenditure. Unearned revenue costs of unspent American Rescue Plan Act proceeds.

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, 2021. 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 and unrecognized items not yet charged to pension expense.

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, 2021, disbursements exceeded the amounts budgeted in the county environment and education function prior to a budget amendment and disbursements exceeded the amount appropriated in one department prior to amendment.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2021 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 \$6,301,355. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	<u>\$ 2,090</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,443,857
	Community Betterment	<u>200,000</u>
		<u>1,643,857</u>
Capital Projects	Special Revenue: Community Betterment	<u>7,994</u>
Total		<u>\$ 1,651,851</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2021 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,036,673	-	-	3,036,673
Intangibles, road network	397,124	-	-	397,124
Construction in progress	145,586	5,240,373	(4,888,541)	497,418
Total capital assets not being depreciated	3,579,383	5,240,373	(4,888,541)	3,931,215
Capital assets being depreciated:				
Buildings	11,434,624	109,406	(14,350)	11,529,680
Improvements other than buildings	24,207	-	-	24,207
Equipment and vehicles	8,410,458	477,578	(266,877)	8,621,159
Infrastructure, road network	52,046,343	4,888,541	-	56,934,884
Total capital assets being depreciated	71,915,632	5,475,525	(281,227)	77,109,930
Less accumulated depreciation:				
Buildings	1,080,387	235,317	(14,350)	1,301,354
Improvements other than buildings	5,877	691	-	6,568
Equipment and vehicles	5,211,828	661,953	(256,877)	5,616,904
Infrastructure, road network	27,078,924	1,429,602	-	28,508,526
Total accumulated depreciation	33,377,016	2,327,563	(271,227)	35,433,352
Total capital assets being depreciated, net	38,538,616	3,147,962	(10,000)	41,676,578
Governmental activities capital assets, net	\$ 42,117,999	8,388,335	(4,898,541)	45,607,793

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 264,877
Physical health and social services	4,031
County environment and education	31,815
Roads and transportation	1,991,811
Administration	35,029
Total depreciation expense - governmental activities	<u>\$ 2,327,563</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2021 is as follows:

Fund	Description	Amount
Community Betterment	Services	\$ 59
Custodial:		
County Offices	Collections	\$ 52,404
Schools		336,392
Community Colleges		28,652
Corporations		234,451
Townships		2,154
Auto License and Use Tax		604,312
All other		273,572
Total for custodial funds		\$ 1,531,937

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2021 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	\$ 8,634,000	527,540	5,000	3,171,291	252,408	12,590,239
Increases	-	414,850	-	1,020,975	33,997	1,469,822
Decreases	604,000	405,483	-	-	5,368	1,014,851
Balance end of year	\$ 8,030,000	536,907	5,000	4,192,266	281,037	13,045,210
Due within one year	\$ 620,000	247,955	-	-	10,156	878,111

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, 2021, the County paid principal of \$375,000 and interest of \$268,572 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, 2021, the County paid principal of \$229,000 and interest of \$5,568 on the notes.

A summary of the County's June 30, 2021 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 Jul 9, 2019				
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
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	3.00	430,000	209,023	-	-	-	430,000	209,023
2027-2031	3.00	2,360,000	843,063	-	-	-	2,360,000	843,063
2032-2036	3.15-4.00	2,775,000	430,692	-	-	-	2,775,000	430,692
2037	3.50	620,000	21,700	-	-	-	620,000	21,700
Total		\$ 7,795,000	2,463,118		\$ 235,000	5,640	\$ 8,030,000	2,468,758

(8) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2021, 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 9.26% of covered payroll, for a total rate of 18.52%. Protection occupation members contributed 6.41% of covered payroll and the County contributed 9.61% of covered payroll, for a total rate of 16.02%.

The County's contributions to IPERS for the year ended June 30, 2021 totaled \$589,625.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the County reported a liability of \$4,192,266 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the County's proportion was 0.059679%, which was an increase of 0.004913% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$897,430. At June 30, 2021, 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	\$ 19,006	108,355
Changes of assumptions	278,714	79,941
Net difference between projected and actual earnings on IPERS' investments	337,802	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	400,695	11,448
County contributions subsequent to the measurement date	589,625	-
Total	\$ 1,625,842	199,744

\$589,625 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, 2022. 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
2022	\$ 165,247
2023	206,432
2024	208,957
2025	248,693
2026	7,144
Total	\$ 836,473

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 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, 2020 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 2020 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 geometric 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%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0%	

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	\$ 7,975,965	4,192,266	1,020,492

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2021.

(9) 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, 2021, 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 \$281,037 was measured as of June 30, 2021 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions – The total OPEB liability in the June 30, 2021 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	3.50% compounded annually,
(effective January 1, 2020)	including inflation.
Healthcare cost trend rate	5.00% per annum.
(effective January 1, 2020)	

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	\$ 252,408
Changes for the year:	
Service cost	24,403
Interest	9,594
Differences between expected and actual experiences	-
Changes in assumptions	-
Benefit payments	<u>(5,368)</u>
Net changes	<u>28,629</u>
Total OPEB liability end of year	<u>\$ 281,037</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	\$ 300,137	281,037	262,714

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	\$ 249,645	281,037	318,338

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the County recognized OPEB expense of \$23,412. At June 30, 2021, 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	\$ -	46,642
Changes in assumptions	9,164	13,650
Total	<u>\$ 9,164</u>	<u>60,292</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
2022	\$ (5,217)
2023	(5,217)
2024	(5,217)
2025	(5,217)
2026	(5,217)
Thereafter	(25,043)
	<u>\$ (51,128)</u>

(10) 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 785 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, 2021 were \$206,008.

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, 2021, no liability has been recorded in the County's financial statements. As of June 30, 2021, 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.

(11) 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 \$687,826 at June 30, 2021.

(12) 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, 2021:

Year ending June 30,	Amount
2022	\$ 5,812
2023	5,812
2024	2,906
	<u>\$ 14,530</u>

The County received \$2,906 for the year ended June 30, 2021.

(13) 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, 2021 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	\$ 5,799
City of Wayland	Urban renewal and economic development projects	7,311

(14) 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, Henry 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, 2021, as follows:

Revenues:		
Property and other county tax		\$ 790,938
Intergovernmental:		
State tax credits	\$ 69,623	
Payments from regional fiscal agent	229,597	299,220
Total revenues		<u>1,090,158</u>
Expenditures:		
Services to persons with:		
Mental illness		\$ 4,704
General administration:		
Direct administration	75,601	
Distribution to regional fiscal agent	724,179	799,780
County provided services		<u>229,252</u>
Total expenditures		<u>1,033,736</u>
Excess of revenues over expenditures		56,422
Fund balance beginning of year		<u>93,486</u>
Fund balance end of year		<u>\$ 149,908</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) Subsequent Event

On March 8, 2022 the Board of Supervisors authorized \$600,000 of general obligation capital loan notes, Series 2022A, to pay costs of construction and equipping of public buildings including a salt shed, grader shed, and a cold storage shed.

(16) 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 economies, 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 extent 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.

(17) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity.

	<u>Fiduciary Activities</u>
Net position June 30, 2020, as previously reported	\$ -
Change to implement GASBS No. 84	<u>1,325,783</u>
Net position July 1, 2020, as restated	<u>\$ 1,325,783</u>

(18) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented during fiscal year ending June 30, 2022. The revised requirements of this statement will require reporting of certain potentially significant lease assets and liabilities that are not currently reported.

Henry County

Required Supplementary Information

Henry County

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

Required Supplementary Information

Year ended June 30, 2021

	Actual	Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 10,522,273	-	10,522,273
Interest and penalty on property tax	155,560	-	155,560
Intergovernmental	8,683,924	-	8,683,924
Licenses and permits	42,576	-	42,576
Charges for service	721,137	-	721,137
Use of money and property	79,366	-	79,366
Miscellaneous	263,659	16,013	247,646
Total receipts	20,468,495	16,013	20,452,482
Disbursements:			
Public safety and legal services	4,455,840	-	4,455,840
Physical health and social services	1,375,750	-	1,375,750
Mental health	1,034,044	-	1,034,044
County environment and education	1,285,806	14,558	1,271,248
Roads and transportation	4,566,303	-	4,566,303
Governmental services to residents	787,349	-	787,349
Administration	1,707,252	-	1,707,252
Non-program	61,835	-	61,835
Debt service	878,741	-	878,741
Capital projects	1,085,983	-	1,085,983
Total disbursements	17,238,903	14,558	17,224,345
Excess (deficiency) of receipts over (under) disbursements	3,229,592	1,455	3,228,137
Other financing sources, net	596	-	596
Change in balances	3,230,188	1,455	3,228,733
Balance beginning of year	5,618,002	23,012	5,594,990
Balance end of year	\$ 8,848,190	24,467	8,823,723

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
10,182,813	10,432,813	89,460
53,300	53,300	102,260
6,688,646	7,041,412	1,642,512
180,012	180,012	(137,436)
686,670	732,170	(11,033)
118,805	118,805	(39,439)
209,000	363,041	(115,395)
18,119,246	18,921,553	1,530,929
4,732,963	4,742,963	287,123
1,618,251	1,619,201	243,451
1,172,697	1,172,697	138,653
1,162,133	1,462,113	190,865
5,074,700	5,148,050	581,747
815,793	817,793	30,444
1,780,708	1,800,708	93,456
68,500	68,500	6,665
886,100	886,100	7,359
1,905,715	1,905,715	819,732
19,217,560	19,623,840	2,399,495
(1,098,314)	(702,287)	3,930,424
-	-	596
(1,098,314)	(702,287)	3,931,020
3,963,033	3,963,033	1,631,957
2,864,719	3,260,746	5,562,977

Henry County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2021

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 20,468,495	(1,629,948)	18,838,547
Expenditures	17,238,903	(120,115)	17,118,788
Net	3,229,592	(1,509,833)	1,719,759
Other financing sources, net	596	(596)	-
Beginning fund balances	5,618,002	1,323,275	6,941,277
Ending fund balances	<u>\$ 8,848,190</u>	<u>(187,154)</u>	<u>8,661,036</u>

See accompanying independent auditor's report.

Henry County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2021

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 Custodial Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$406,280. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County 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, 2021, disbursements did not exceed the amounts budgeted by function. However, disbursements in county environment and education and one department exceeded the amounts budgeted and appropriated prior to approval of an amendment.

Henry County

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

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

Required Supplementary Information

	2021	2020	2019	2018
County's proportion of the net pension liability	0.059679%	0.054766%	0.049495%	0.050205%
County's proportionate share of the net pension liability	\$ 4,192	3,171	3,132	3,344
County's covered payroll	\$ 6,110	5,633	4,940	4,583
County's proportionate share of the net pension liability as a percentage of its covered payroll	68.61%	56.29%	63.40%	72.97%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

* 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.

2017	2016	2015
0.049920%	0.047435%	0.044927%
3,142	2,344	1,782
4,432	4,227	4,156
70.89%	55.45%	42.88%
81.82%	85.19%	87.61%

Henry County
Schedule of County Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 590	581	539	449
Contributions in relation to the statutorily required contribution	(590)	(581)	(539)	(449)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 6,216	6,110	5,633	4,940
Contributions as a percentage of covered payroll	9.49%	9.51%	9.57%	9.09%

See accompanying independent auditor's report.

Henry County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2021

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.

Henry County

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

For the Last Four Years
Required Supplementary Information

	2021	2020	2019	2018
Service cost	\$ 24,403	23,692	18,168	17,639
Interest cost	9,594	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	(5,368)	(1,730)	(12,047)	(7,063)
Net change in total OPEB liability	28,629	26,583	13,831	(49,724)
Total OPEB liability beginning of year	252,408	225,825	211,994	261,718
Total OPEB liability end of year	\$ 281,037	252,408	225,825	211,994
Covered-employee payroll	\$ 5,651,016	5,486,423	4,510,219	4,378,853
Total OPEB liability as a percentage of covered-employee payroll	5.0%	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, 2021	3.50%
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, 2021

			Special
	Resource Enhancement and Protection	Community Betterment	Sheriff's Foreiture
Assets			
Cash and pooled investments	\$ 144,837	821,151	58,342
Cash held by health plan trustee	-	12,804	-
Receivables:			
Property tax			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	1,606	17
Accrued interest	9	-	1
Due from other governments	-	88,183	-
Total assets	\$ 144,846	923,744	58,360
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	-	63,294	-
Due to other funds	-	-	-
Due to other government	-	59	-
	-	63,353	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax revenues	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Health benefits	-	12,804	-
Community betterment	-	847,587	-
Other purposes	144,846	-	58,360
Unassigned	-	-	-
Total fund balances	144,846	860,391	58,360
Total liabilities, deferred inflows of resources and fund balances	\$ 144,846	923,744	58,360

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	Capital Projects	Debt Service	Total
25,870	15,461	5,000	70	24,467	-	87,746	1,182,944
-	-	-	-	-	-	-	12,804
-	-	-	-	-	-	1,218	1,218
-	-	-	-	-	-	876,160	876,160
330	-	-	-	-	-	-	1,953
1	-	-	-	-	-	6	17
-	-	-	-	-	-	-	88,183
26,201	15,461	5,000	70	24,467	-	965,130	2,163,279
-	-	-	-	-	3,448	1,250	67,992
-	-	-	-	-	2,090	-	2,090
-	-	-	-	-	-	-	59
-	-	-	-	-	5,538	1,250	70,141
-	-	-	-	-	-	876,160	876,160
-	-	-	-	-	-	1,152	1,152
-	-	-	-	-	-	877,312	877,312
-	-	-	-	-	-	86,568	86,568
-	-	-	-	-	-	-	12,804
-	-	-	-	-	-	-	847,587
26,201	15,461	5,000	70	24,467	-	-	274,405
-	-	-	-	-	(5,538)	-	(5,538)
26,201	15,461	5,000	70	24,467	(5,538)	86,568	1,215,826
26,201	15,461	5,000	70	24,467	-	965,130	2,163,279

Henry County

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

Year ended June 30, 2021

	Resource Enhancement and Protection	Community Betterment	Sheriff's Forfeiture	Special County Recorder's Records Management
Revenues:				
Property tax and other county tax	\$ -	-	-	-
Local option sales tax	-	1,220,995	-	-
Intergovernmental	12,050	-	-	-
Licenses and permits	-	714	-	-
Charges for service	-	891	-	3,495
Use of money and property	158	-	11	14
Miscellaneous	-	-	52	-
Total revenues	12,208	1,222,600	63	3,509
Expenditures:				
Operating:				
Public safety and legal services	-	-	5,000	-
Physical health and social services	-	40,677	-	-
County environment and education	2,101	390,352	-	-
Roads and transportation	-	148,350	-	-
Governmental services to residents	-	-	-	1,957
Administration	-	73,419	-	-
Non-program	-	26,500	-	-
Debt service	-	-	-	-
Capital projects	-	82,960	-	-
Total expenditures	2,101	762,258	5,000	1,957
Excess (deficiency) of revenues over (under) expenditures	10,107	460,342	(4,937)	1,552
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	-	(207,994)	-	-
Total other financing sources (uses)	-	(207,994)	-	-
Changes in fund balances	10,107	252,348	(4,937)	1,552
Fund balances beginning of year	134,739	608,043	63,297	24,649
Fund balances end of year	\$ 144,846	860,391	58,360	26,201

See accompanying independent auditor's report.

Revenue						
Attorney's Forfeiture	Solid Waste	K-9	Friends of Conservation in Henry County	Capital Projects	Debt Service	Total
-	-	-	-	-	833,142	833,142
-	-	-	-	-	-	1,220,995
-	-	-	-	-	73,355	85,405
-	-	-	-	-	-	714
-	-	-	-	-	-	4,386
3	-	-	-	18	65	269
-	-	10	16,013	-	-	16,075
3	-	10	16,013	18	906,562	2,160,986
1,711	-	-	-	-	-	6,711
-	-	-	-	-	-	40,677
-	-	-	14,558	-	-	407,011
-	-	-	-	-	-	148,350
-	-	-	-	-	-	1,957
-	-	-	-	-	-	73,419
-	-	-	-	-	-	26,500
-	-	-	-	-	879,991	879,991
-	-	-	-	131,209	-	214,169
1,711	-	-	14,558	131,209	879,991	1,798,785
(1,708)	-	10	1,455	(131,191)	26,571	362,201
-	-	-	-	7,994	-	7,994
-	-	-	-	-	-	(207,994)
-	-	-	-	7,994	-	(200,000)
(1,708)	-	10	1,455	(123,197)	26,571	162,201
17,169	5,000	60	23,012	117,659	59,997	1,053,625
15,461	5,000	70	24,467	(5,538)	86,568	1,215,826

Henry County
Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	6,877	463,416	336,392
Other County officials	61,339	-	-	-
Cash held by health plan trustee	-	-	28,219	-
Receivables:				
Property tax:				
Delinquent	-	350	672	17,620
Succeeding year	-	263,000	505,000	13,211,000
Accounts	-	-	4,301	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	61,339	270,227	1,001,608	13,565,012
Liabilities				
Accounts payable	-	-	1,868	-
Due to other governments	52,404	6,877	-	336,392
Trusts payable	8,935	-	-	-
Compensated absences	-	-	14,637	-
Total liabilities	61,339	6,877	16,505	336,392
Deferred Inflows of Resources				
Unavailable revenues	-	263,000	505,000	13,211,000
Net Position				
Restricted for individuals, organizations and other governments	\$ -	350	480,103	17,620

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
28,652	234,451	2,154	62,535	604,312	677,361	2,416,150
-	-	-	-	-	-	61,339
-	-	-	-	-	10,649	38,868
1,567	11,745	108	-	-	2,954	35,016
1,163,000	5,043,000	180,000	-	-	2,351,000	22,716,000
-	-	-	-	-	13,375	17,676
-	-	-	-	-	23	23
-	-	-	7,079	-	-	7,079
-	-	-	-	-	32,186	32,186
1,193,219	5,289,196	182,262	69,614	604,312	3,087,548	25,324,337
-	-	-	-	-	10,150	12,018
28,652	234,451	2,154	62,535	604,312	204,160	1,531,937
-	-	-	-	-	-	8,935
-	-	-	-	-	12,054	26,691
28,652	234,451	2,154	62,535	604,312	226,364	1,579,581
1,163,000	5,043,000	180,000	-	-	2,351,000	22,716,000
1,567	11,745	108	7,079	-	510,184	1,028,756

Henry County

Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Schools
Additions:				
Property and other county tax	\$ -	246,309	458,919	12,151,571
911 surcharge	-	-	-	-
State tax credits	-	21,804	40,622	1,073,387
Drivers license fees	-	-	-	-
Office fees and collections	1,127,419	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	794,454	-	-	-
Miscellaneous	-	-	4,464	-
Total additions	1,921,873	268,113	504,005	13,224,958
Deductions:				
Agency remittances:				
To other funds	869,529	-	-	-
To other governments	257,890	270,865	491,731	13,359,114
Trusts paid out	794,454	-	-	-
Total deductions	1,921,873	270,865	491,731	13,359,114
Changes in net position	-	(2,752)	12,274	(134,156)
Net position beginning of year, as restated	-	3,102	467,829	151,776
Net position end of year	\$ -	350	480,103	17,620

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
1,027,217	5,399,028	172,861	-	-	2,175,339	21,631,244
-	-	-	-	-	252,713	252,713
90,964	635,516	9,581	-	-	188,030	2,059,904
-	-	-	-	94,820	-	94,820
-	-	-	-	-	-	1,127,419
-	-	-	-	6,781,431	-	6,781,431
-	-	-	72,550	-	-	72,550
-	-	-	-	-	214,861	1,009,315
-	-	-	-	-	441,583	446,047
1,118,181	6,034,544	182,442	72,550	6,876,251	3,272,526	33,475,443
-	-	-	-	-	-	869,529
1,129,494	6,103,717	184,248	65,471	6,876,251	3,154,845	31,893,626
-	-	-	-	-	214,861	1,009,315
1,129,494	6,103,717	184,248	65,471	6,876,251	3,369,706	33,772,470
(11,313)	(69,173)	(1,806)	7,079	-	(97,180)	(297,027)
12,880	80,918	1,914	-	-	607,364	1,325,783
1,567	11,745	108	7,079	-	510,184	1,028,756

Henry County

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

For the Last Ten Years

	2021	2020	2019	2018
Revenues:				
Property and other county tax	\$ 9,264,216	8,190,519	7,604,496	6,658,892
Local option sales tax	1,220,995	981,339	953,607	904,185
Interest and penalty on property tax	152,809	48,073	65,908	49,353
Intergovernmental	7,171,784	5,305,696	5,068,540	4,547,287
Licenses and permits	44,810	38,366	32,500	43,840
Charges for service	779,010	649,244	726,259	535,507
Use of money and property	79,037	210,136	281,879	138,798
Miscellaneous	125,886	157,011	134,901	140,586
Total	<u>\$ 18,838,547</u>	<u>15,580,384</u>	<u>14,868,090</u>	<u>13,018,448</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,457,595	4,137,544	3,860,506	3,694,061
Physical health and social services	1,363,762	1,461,387	1,325,111	1,025,678
Mental health	1,033,736	935,696	1,037,006	777,916
County environment and education	1,247,568	1,122,452	1,092,766	1,025,557
Roads and transportation	4,682,343	4,522,210	5,005,164	4,569,075
Governmental services to residents	788,348	732,753	688,521	692,055
Administration	1,667,025	1,407,783	1,544,612	1,473,997
Non-program	59,618	74,896	74,306	56,928
Debt service	879,991	865,464	871,760	358,388
Capital projects	938,802	3,877,138	7,003,224	1,362,413
Total	<u>\$ 17,118,788</u>	<u>19,137,323</u>	<u>22,502,976</u>	<u>15,036,068</u>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
6,457,527	7,020,608	6,878,857	7,041,662	6,865,372	6,589,097
996,246	920,179	783,381	864,028	777,807	855,385
56,632	60,283	54,816	70,180	70,778	63,445
4,970,154	4,450,334	4,034,237	3,956,994	3,754,964	4,877,919
22,455	26,800	54,217	50,844	45,897	48,269
563,050	599,611	506,529	538,556	577,826	1,469,369
109,846	92,833	63,087	56,905	59,925	69,677
348,673	131,610	186,410	363,188	100,310	149,318
13,524,583	13,302,258	12,561,534	12,942,357	12,252,879	14,122,479
3,464,399	3,115,584	3,210,299	3,091,679	2,913,511	2,874,447
897,765	932,994	847,679	829,896	919,124	822,782
720,300	449,387	455,095	431,591	440,919	2,854,242
1,183,223	1,000,390	1,276,337	1,073,816	996,801	951,092
4,399,107	4,058,854	3,849,219	3,659,681	3,789,962	3,227,979
636,934	601,242	552,586	546,676	522,693	539,799
1,527,382	1,328,083	1,315,147	1,331,540	1,126,226	1,146,849
62,135	72,466	56,424	59,105	53,964	83,149
233,800	233,100	232,303	232,625	230,821	149,927
1,192,337	608,289	546,443	858,275	843,576	553,572
14,317,382	12,400,389	12,341,532	12,114,884	11,837,597	13,203,838

Schedule 6

Henry County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

Grantor/Program	Assistance Listing Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Emergency Watershed Protection Program	10.923	NR206114XXXXCO47	\$ 36,137
U.S. Department of Health and Human Services: Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	D06RH32102-02-04	77,706
Total direct			<u>113,843</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY2021	<u>17,556</u>
U.S. Department of Treasury: Iowa Department of Revenue: COVID-19, Coronavirus Relief Fund	21.019	FY2021	372,988
Southeast Iowa Link (SEIL): COVID-19, Coronavirus Relief Fund	21.019	FY2021	<u>20,000</u>
			<u>392,988</u>
Election Assistance Commission: Iowa Secretary of State 2018 HAVA Election Security Grants	90.404	FY2021	<u>16,000</u>
U. S. Department of Health and Human Services: Iowa Department of Public Health: Clinton County Board of Health: Public Health Emergency Preparedness	93.069	5881BT03	<u>8,428</u>
Iowa Department of Public Health: Immunization Cooperative Agreements	93.268	588I442	7,420
COVID-19, Immunization Cooperative Agreements	93.268	588I442	6,698
COVID-19, Immunization Cooperative Agreements	93.268	5885BT444	<u>98,536</u>
			<u>112,654</u>
Iowa Department of Human Services: Human Services Administrative Reimbursements: Title IV-E Prevention Program	93.472	FY2021	<u>893</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY2021	<u>3,823</u>
Foster Care Title IV-E	93.658	FY2021	<u>4,608</u>
Adoption Assistance	93.659	FY2021	<u>2,265</u>
Social Services Block Grant	93.667	FY2021	<u>4,186</u>
Children's Health Insurance Program	93.767	FY2021	<u>376</u>
Medical Assistance Program	93.778	FY2021	<u>15,349</u>

Henry County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

Grantor/Program	Assistance Listing Number	Agency or Pass-through Number	Program Expenditures
Indirect: (Continued)			
Iowa Department of Public Health:			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	5881NB13	3,150
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4421	481,025
Total indirect			<u>1,063,301</u>
Total			<u>\$ 1,177,144</u>

See accompanying independent auditor's report.

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Henry County under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Henry County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Henry County.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – Henry County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
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Rob Sand
Auditor of State

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

To the Officials of Henry County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Henry County, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 30, 2022.

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 as a basis for designing 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 and Questioned Costs, 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 and Questioned Costs as items II-A-21 and II-B-21 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 and Questioned Costs as items II-C-21 through II-G-21 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 financial statements. 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2021 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.

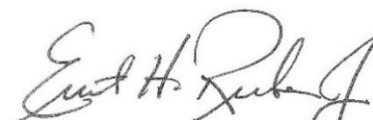
Henry County's Responses to the Findings

Henry County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

August 30, 2022



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Rob Sand
Auditor of State

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Officials of Henry County:

Report on Compliance for Each Major Federal Program

We have audited Henry County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal programs for the year ended June 30, 2021. Henry County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Henry County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henry County's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of Henry County's compliance.

Opinion on the Major Federal Programs

In our opinion, Henry County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

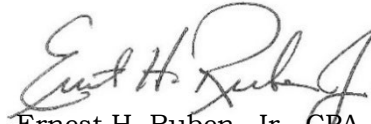
The management of Henry County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Henry County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-21 to be a material weakness.

Henry County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Henry County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

August 30, 2022

Henry County
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major programs were as follows:
 - Assistance Listing Number 21.019 – COVID 19, Coronavirus Relief Fund
 - Assistance Listing Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Henry County did not qualify as a low-risk auditee.

Henry County
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-21 Segregation of Duties
(2021-001)

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.	Sheriff
(4) Responsibilities for maintaining detail accounts receivable records is not segregated from posting receipts.	Public Health Nurse, Secondary Roads

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 and Questioned Costs

Year ended June 30, 2021

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 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 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. We have measures in place for fiscal year 2022 to work on segregation of duties. We have one person open the mail and do the deposit while a different person posts, maintains receivable records and daily reconciling of receipts.

Friends of Conservation – We have had a limited number of members, so it is difficult to segregate duties. We will try to segregate duties as much as possible.

Conclusion – Responses accepted.

II-B-21 Financial Reporting
(2021-002)

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – During the audit, we identified material amounts of receivables 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 and Questioned Costs

Year ended June 30, 2021

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off 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 are identified and properly recorded in the County's financial statements.

Response – 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.

Conclusion – Responses accepted.

II-C-21 Accounting Policies and Procedures Manual
(2021-003)

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 and Questioned Costs

Year ended June 30, 2021

II-D-21 County Sheriff's Jail Room and Board
(2021-004)

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.

II-E-21 Computer Systems
(2021-005)

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 and Questioned Costs

Year ended June 30, 2021

II-F-21 Reconciliation of Public Health Billings, Collections, Delinquent Accounts and Write-offs
(2021-006)

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, 2021. 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.

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 – A listing of delinquent accounts is prepared monthly (during fiscal year 2022). The director reviews the reconciliations and monitors delinquents and places initial on the report after review. I will begin dating the reports after review and plan to develop a written procedures for this process.

Conclusion – Response acknowledged. While the director is reviewing a summary of aging of receivables, there is not a reconciliation of billings, collections and delinquent accounts. Procedures should be established to perform this reconciliation.

II-G-21 Bank Reconciliation
(2021-007)

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances.

Condition – Bank reconciliations were not prepared for the Conservation and Friends of Conservation's bank account.

Cause – Procedures have not been designed and implemented to ensure all accounts are reconciled, and the amounts recorded in the books are complete and accurate to ensure proper accounting for all funds.

Henry County
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Effect – A lack of bank to book reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – A Friends of Conservation member should prepare bank reconciliations and have an independent person review the reconciliations for propriety. The reviews should be documented by the signature of initials of the reviewer and the date of the review.

Responses –

Conservation – We will do our best to prepare monthly bank reconciliations.

Friends of Conservation – We will begin preparing monthly bank reconciliations and have an independent person review them.

Conclusions –

Conservation – Response acknowledged. Bank reconciliation should be prepared monthly and have an independent person review the reconciliations to determine propriety.

Friends of Conservation – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Henry County
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

Assistance Listing Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Pass-through Entity Identifying Number: FEMA 4421
Federal Award Year: 2021
Prior Year Finding Number: NA
U. S. Department of Homeland Security
Passed through the Iowa Homeland Security and Emergency Management Division

III-A-21 Segregation of Duties over Federal Revenues
(2021-008)

The County Engineer's Department and the County Conservation Department did not properly segregate custody, record-keeping and reconciling functions for revenues, including those related to federal programs. See item II-A-21 (2021-001).

Henry County
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amount budgeted in the county environment and education function prior to the budget amendment. In addition, disbursements exceeded the amounts appropriated in one department prior to amendment.

Recommendation – The budget should have been amended as required by Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increase or decrease should be made before disbursements are allowed to exceed the appropriations.

Response – The County will amend future budgets before the function is exceeded.

Conclusion – Response accepted.

IV-B-21 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.

IV-C-21 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-21 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-21 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.

IV-F-21 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.

IV-G-21 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-21 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.

IV-I-21 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 and Questioned Costs

Year ended June 30, 2021

- IV-J-21 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.

- IV-K-21 Donations – During the fiscal year, the County donated \$7,500 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 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 cease providing future donations in compliance with the Iowa Constitution.

- IV-L-21 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."

During the fiscal year, the IT director worked 612.06 hours of overtime (comp time) hours which calculated to \$27,598 of comp time pay, 47% 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.

Henry County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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 – No, we don't have an approved document but will try as hours are hard to estimate as IT is an on-call basis depending on the breaking down of equipment that is essential 24/7 mainly in the 911 department. Auditor has given the approval to the IT Director to work as he needs to keep all the county equipment up and running for the best interest of the residents of Henry County and employees, which he does. This can be a lot of hours with updates being done when the offices are closed so not to interrupt business as well as keeping things up and assisting them when offices are open. In fiscal year 2024 the IT director will become a salaried employee earning no comp time or overtime with a salary that averages his last few years.

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

- IV-M-21 Separately Maintained Records – The Conservation Department maintains separate accounting records for its operations. Monthly financial reports are not provided to the County and the activity of this outside bank account held by the Conservation Department is not included in the County's computer system, the accounting records or the County's financial reports.

Recommendation – Chapter 331.552 of the Code of Iowa states, in part, the County Treasurer shall "keep a true account of all receipt and disbursements of the county." For better accountability, financial and budgetary control, the financial activity and balances of all County accounts should be reported in the County's computer system, accounting records and financial reports.

Response – We will discuss this issue with other conservation directors and our County Treasurer to determine the best method for handling this account.

Conclusion – Response accepted.

- IV-N-21 Emergency Management Budget – Disbursements during the year ended June 30, 2021 exceeded the amount budgeted. In addition, the notice for the public hearing on the budget was not published timely between ten to twenty days prior to the hearing as required by Chapter 24.9 of the Code of Iowa.

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

Response – We will monitor the budget more closely in the future and amend if necessary. We will publish future hearings timely.

Conclusion – Response accepted.

Henry County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

IV-O-21 Financial Condition – The Capital Projects Fund had a deficit fund balance of \$5,538 at June 30, 2021.

Recommendation – The County should investigate alternatives to eliminate the deficit fund balance to return the fund to a sound financial position.

Response – We will investigate alternatives to bring the fund to a sound financial position.

Conclusion – Response accepted.

Henry County

Staff

This audit was performed by:

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