

**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE

May 16, 2016

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$44,320,504 for the year ended June 30, 2015, which included \$3,446,168 in tax credits from the state. The County forwarded \$32,774,296 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$11,546,208 of the local tax revenue to finance County operations, a 7.3% increase over the prior year. Other revenues included charges for service of \$4,041,519, operating grants, contributions and restricted interest of \$6,426,898, capital grants, contributions and restricted interest of \$3,628,645, local option sales tax of \$1,693,177, unrestricted investment earnings of \$87,420 and other general revenues of \$297,927.

Expenses for County operations for the year ended June 30, 2015 totaled \$24,089,478, a 7.0% increase over the prior year. Expenses included \$7,640,832 for roads and transportation, \$4,629,961 for public safety and legal services and \$4,326,289 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1510-0056-B00F>.

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**LEE COUNTY**

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

**JUNE 30, 2015**

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**Lee County**

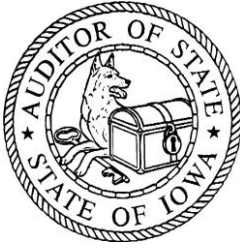
**Officials**

**(Before January 2015)**

|                  |                      |          |
|------------------|----------------------|----------|
| Rick Larkin      | Board of Supervisors | Jan 2015 |
| Ernest Schiller  | Board of Supervisors | Jan 2015 |
| Ron Fedler       | Board of Supervisors | Jan 2017 |
| Gary Folluo      | Board of Supervisors | Jan 2017 |
| Matt Pflug       | Board of Supervisors | Jan 2017 |
| Denise Fraise    | County Auditor       | Jan 2017 |
| Janet Strunk     | County Treasurer     | Jan 2015 |
| Nancy Booten     | County Recorder      | Jan 2015 |
| Jim Sholl        | County Sheriff       | Jan 2017 |
| Michael P. Short | County Attorney      | Jan 2015 |
| Teresa Murray    | County Assessor      | Jan 2016 |

**(After January 2015)**

|                  |                      |          |
|------------------|----------------------|----------|
| Ron Fedler       | Board of Supervisors | Jan 2017 |
| Gary Folluo      | Board of Supervisors | Jan 2017 |
| Matt Pflug       | Board of Supervisors | Jan 2017 |
| Don Hunold       | Board of Supervisors | Jan 2019 |
| Rick Larkin      | Board of Supervisors | Jan 2019 |
| Denise Fraise    | County Auditor       | Jan 2017 |
| Chris Spann      | County Treasurer     | Jan 2019 |
| Nancy Booten     | County Recorder      | Jan 2019 |
| Jim Sholl        | County Sheriff       | Jan 2017 |
| Michael P. Short | County Attorney      | Jan 2019 |
| Teresa Murray    | County Assessor      | Jan 2016 |



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

Independent Auditor's Report

To the Officials of Lee County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2015, 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 did not audit the financial statements of Lincoln Ridge Limited Partnership, a blended component unit, which represent less than 1% of the assets, net position and revenues of the aggregate remaining funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lincoln Ridge Limited Partnership blended component unit, is based solely on the report of the other auditors. 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lee County as of June 30, 2015, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of a Matter

As discussed in Note 21, Lee County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. 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 Funding Progress for the Retiree Health Plan on pages 9 through 15 and 60 through 70 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 and the other auditors 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 Lee 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 nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed described above and the report of the other auditors, 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 April 27, 2016 on our consideration of Lee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lee County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 27, 2016

**Lee County**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Lee County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the County is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated by \$4,726,549 to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate these amounts was not available.
- Lee County's net position at June 30, 2015 increased 9.7%, or approximately \$3.6 million, from the restated June 30, 2014 balance.
- Governmental activities revenues in fiscal year 2015 increased 12.7%, or approximately \$3,129,000, over fiscal year 2014. Capital grants, contributions and restricted interest increased approximately \$2,030,000 over fiscal year 2014, primarily due to a combination of state grants and private reimbursements for road projects related to the Iowa Fertilizer Plant. The County also experienced an increase in state tax credits and property and other county tax and a decrease in the gain on disposition of capital assets.
- Governmental activities expenses increased 7.0%, or approximately \$1,570,000, from fiscal year 2014 to fiscal year 2015. This was primarily due to an increase in roads and transportation function expenses relating to the Iowa Fertilizer Plant project.
- The County is in the fourteenth year of implementation of the Lee County Economic Development Plan. The goal of this plan is to bring much needed jobs to the County, thus employing our citizens and increasing the County's tax base. The Lee County Board of Supervisors, other than budgetary, allows this department to function with considerable autonomy.

### 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.

Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lee County as a whole and present an overall view of the County's finances.

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 Lee 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 Lee County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Agency 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 three 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 the 1) General Fund, 2) the Special Revenue

Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent 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) Proprietary funds account for the County's Internal Service Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

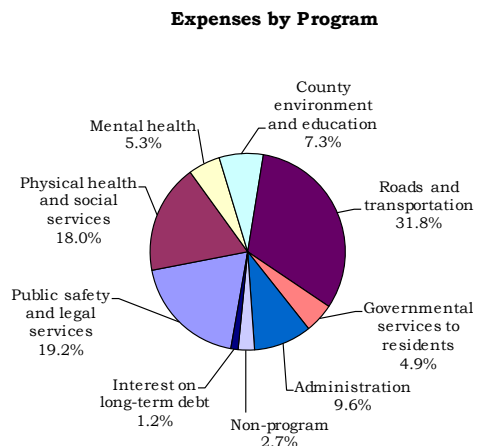
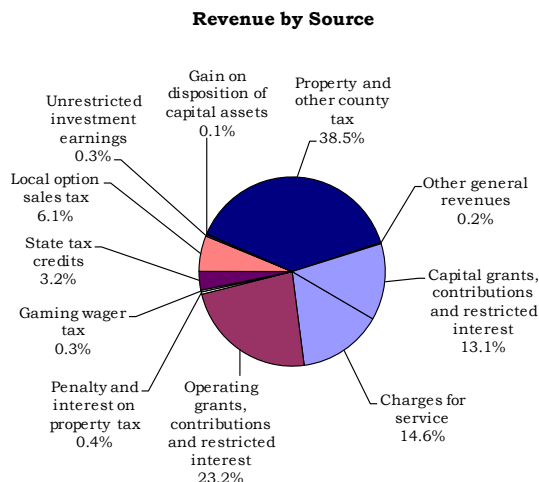
As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities.

| Net Position of Governmental Activities<br>(Expressed in Thousands) |                     |        |
|---|---------------------|--------|
|   | June 30,            |        |
|   | 2015 (Not Restated) | 2014   |
| Current and other assets  | \$ 28,689           | 25,254 |
| Capital assets  | 38,781              | 37,780 |
| Total assets  | 67,470              | 63,034 |
| Deferred outflows of resources                                      | 954                 | -      |
| Long-term liabilities   | 12,148              | 8,626  |
| Other liabilities   | 2,267               | 1,421  |
| Total liabilities   | 14,415              | 10,047 |
| Deferred inflows of resources                                       | 12,874              | 10,758 |
| Net position:   |                     |        |
| Net investment in capital assets                                    | 33,847              | 32,968 |
| Restricted  | 8,979               | 7,041  |
| Unrestricted  | (1,691)             | 2,220  |
| Total net position  | \$ 41,135           | 42,229 |

Prior to restatement, Lee County's total net position decreased approximately \$1,094,000, or 2.6%. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, decreased from approximately \$2,220,000 at June 30, 2014 to approximately (\$1,691,000) at the end of this year, a decrease of approximately \$3,911,000. The decrease is due primarily to the inclusion of the net pension liability as of July 1, 2014.

| Changes in Net Position of Governmental Activities      |                     |               |
|---|---------------------|---------------|
| (Expressed in Thousands)                                |                     |               |
|   | Year ended June 30, |               |
|   | 2015                | 2014          |
|   | (Not Restated)      |               |
| Revenues:   |                     |               |
| Program revenues:                                       |                     |               |
| Charges for service                                     | \$ 4,042            | 3,703         |
| Operating grants, contributions and restricted interest | 6,427               | 6,306         |
| Capital grants, contributions and restricted interest   | 3,629               | 1,599         |
| General revenues:                                       |                     |               |
| Property and other county tax                           | 10,655              | 10,188        |
| Penalty and interest on property tax                    | 115                 | 169           |
| Gaming wager tax  | 86                  | 84            |
| State tax credits                                       | 891                 | 575           |
| Local option sales tax                                  | 1,693               | 1,568         |
| Unrestricted investment earnings                        | 87                  | 85            |
| Gain on disposition of capital assets                   | 31                  | 184           |
| Other general revenues                                  | 66                  | 132           |
| Total revenues  | <u>27,722</u>       | <u>24,593</u> |
| Program expenses:                                       |                     |               |
| Public safety and legal services                        | 4,630               | 4,408         |
| Physical health and social services                     | 4,326               | 4,289         |
| Mental health   | 1,266               | 1,680         |
| County environment and education                        | 1,762               | 1,809         |
| Roads and transportation                                | 7,641               | 6,300         |
| Governmental services to residents                      | 1,185               | 917           |
| Administration  | 2,318               | 2,245         |
| Non-program   | 662                 | 560           |
| Interest on long-term debt                              | 300                 | 312           |
| Total expenses  | <u>24,090</u>       | <u>22,520</u> |
| Change in net position                                  | 3,632               | 2,073         |
| Net position beginning of year, as restated             | <u>37,503</u>       | <u>40,156</u> |
| Net position end of year                                | <u>\$ 41,135</u>    | <u>42,229</u> |



For fiscal year 2015, Lee County’s property tax rates increased to \$8.42095 per \$1,000 of taxable valuation for the countywide levy and the rural levy increased to \$2.876 per \$1,000 of taxable valuation. The overall tax levy rate increased \$.84153, from \$10.45542 to \$11.29695, per \$1,000 of taxable valuation. The countywide and the rural services taxable property valuations increased approximately \$6.1 million and \$7.2 million, respectively, from fiscal year 2014 to fiscal year 2015. The net effect of the increases in valuations and the decrease in tax rates was a net increase in property and other county tax revenue of approximately \$467,000.

Capital grants, contributions and restricted interest increased approximately \$2,030,000 over fiscal year 2014. The increase is due primarily to state grants and private reimbursements for road projects related to the Iowa Fertilizer Plant.

**INDIVIDUAL MAJOR FUND ANALYSIS**

As Lee County completed the year, its governmental funds reported a combined fund balance of \$13,204,112, which is more than the \$10,532,723 combined fund balance at the end of fiscal year 2014.

The General Fund, the operating fund for Lee County, ended fiscal year 2015 with an ending balance of \$5,528,882 compared to the prior year ending balance of \$5,179,887, an increase of \$348,995. Revenues increased \$897,689, primarily due to an increase in property tax and intergovernmental revenues. Expenditures increased \$1,020,913, or 8.5%, to \$13,036,589 in fiscal year 2015.

The Special Revenue, Mental Health Fund ended fiscal year 2015 with an ending balance of \$3,136,939 compared to the prior year ending balance of \$1,720,872, an increase of \$1,416,067. Revenues decreased \$105,166 and expenditures decreased \$535,042. The County joined the Southeast Iowa Link Mental Health Region during the year.

The Special Revenue, Rural Services Fund ended fiscal year 2015 with an ending balance of \$896,580 compared to the prior year ending balance of \$414,454, an increase of \$482,126. Revenues increased \$681,837, due primarily to an increase in local option sales tax revenue. Expenditures decreased \$24,382.

The Special Revenue, Secondary Roads Fund ended fiscal year 2015 with an ending balance of \$2,179,207 compared to the prior year ending balance of \$1,906,458, an increase of \$272,749. Revenues increased \$3,063,801 and expenditures increased \$2,945,892, both primarily due to increased pass-through receipts and disbursements associated with the Iowa Fertilizer Plant project.

The Debt Service Fund ended fiscal year 2015 with an ending balance of \$324,104 compared to the prior year ending balance of \$368,568, a decrease of \$44,464. Revenues increased \$11,291 and expenditures increased \$13,513.

### **BUDGETARY HIGHLIGHTS**

During the year, Lee County amended its budget two times. The first amendment was made on October 21, 2014 to increase budgeted disbursements and related debt for the conservation building project. The second amendment was made on May 26, 2015. This amendment was necessary for additional expenses in the Attorney's office, the Sheriff's office and the Recorder's office. This amendment increased budgeted disbursements in two functions by a total of \$62,293 and also moved \$656,308 of budgeted disbursements from the capital projects function to the roads and transportation function for secondary roads expenses.

The County's receipts were \$11,207,618 less than budgeted, a variance of 30%. Intergovernmental receipts were \$4,344,291 less than budgeted as a greater RISE grant was anticipated than was received in fiscal year 2015. Also, miscellaneous receipts were \$7,192,029 less than budgeted as the Iowa Fertilizer Plant project, which Lee County is reimbursed for, was delayed in fiscal year 2015.

Total disbursements were \$15,838,224 less than the amended budget, a variance of 41%. Actual disbursements for the capital projects function were \$12,653,910 less than budgeted, primarily due to a delay in the Iowa Fertilizer Plant project. Also, actual disbursements for the mental health function were \$1,330,092 less than budgeted as a State payment plan payback did not occur.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2015, the County had invested approximately \$38.8 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment, transportation equipment and administrative offices. This amount is a net increase of approximately \$1,000,000 from June 30, 2014.

Lee County had depreciation/amortization expense of approximately \$2.5 million in fiscal year 2015 and total accumulated depreciation/amortization of approximately \$36.3 million at June 30, 2015. Additional information about the County's capital assets is included in Note 5 to the financial statements.

#### **Long-Term Debt**

At June 30, 2015, the County had approximately \$7,880,000 of long-term debt outstanding. This represents an increase of approximately \$76,000 over June 30, 2014.

Outstanding debt increased primarily due to the issuance of \$510,000 of general obligation conservation building bonds, series 2014, as well as an installment purchase agreement for election equipment totaling approximately \$199,000. Offsetting this were scheduled payments of \$605,000 made on general obligation bonds and approximately \$28,000 made on installment purchase agreements. 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. Lee County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$105 million. Additional information about the County's long-term debt is included in Note 7 to the financial statements.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

From fiscal year 2014 to fiscal year 2015, the countywide and the rural taxable property valuations increased approximately \$6.1 million and \$7.2 million, respectively. In fiscal year 2016, the countywide and the rural taxable property valuations increased approximately \$64.5 million and \$28.9 million, respectively.

Amounts budgeted for disbursements in the fiscal year 2016 operating budget are approximately \$30.8 million, an increase of 35.9% over the fiscal year 2015 actual disbursements of approximately \$22.7 million. The significant projected increase in disbursements is primarily due to the pass-through receipts and disbursements for the Iowa Fertilizer Plant project. The County is expected to end fiscal year 2016 with a budgeted ending cash balance of approximately \$7.8 million compared to the June 30, 2015 actual cash balance of approximately \$11.9 million.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the County's citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lee County Board of Supervisors, P O Box 190, Fort Madison, IA, 52627-0190.

**Lee County**

## **Basic Financial Statements**

Lee County  
Statement of Net Position  
June 30, 2015

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>  |                            |
| Cash, cash equivalents and pooled investments                | \$ 14,135,072              |
| Receivables:   |                            |
| Property tax:  |                            |
| Delinquent   | 31,627                     |
| Succeeding year  | 11,010,000                 |
| Interest and penalty on property tax                         | 39,138                     |
| Accounts   | 526,974                    |
| Accrued interest   | 7,358                      |
| E911 loan  | 265,000                    |
| Due from other governments                                   | 2,341,006                  |
| Inventories  | 307,564                    |
| Prepaid expense  | 24,575                     |
| Capital assets, net of accumulated depreciation/amortization | 38,781,246                 |
| <b>Total assets</b>  | <b>67,469,560</b>          |
| <b>Deferred Outflows of Resources</b>                        |                            |
| Pension related deferred outflows                            | 954,141                    |
| <b>Liabilities</b>   |                            |
| Accounts payable   | 1,764,273                  |
| Accrued interest payable                                     | 21,469                     |
| Salaries and benefits payable                                | 392,737                    |
| Due to other governments                                     | 88,596                     |
| Long-term liabilities:                                       |                            |
| Portion due or payable within one year:                      |                            |
| General obligation bonds                                     | 671,000                    |
| Installment purchase agreements                              | 99,950                     |
| Compensated absences   | 351,890                    |
| Portion due or payable after one year:                       |                            |
| General obligation bonds                                     | 6,909,000                  |
| Installment purchase agreements                              | 199,899                    |
| Compensated absences   | 75,533                     |
| Net pension liability  | 3,389,352                  |
| Net OPEB liability   | 450,900                    |
| <b>Total liabilities</b>                                     | <b>14,414,599</b>          |
| <b>Deferred Inflows of Resources</b>                         |                            |
| Unavailable property tax revenue                             | 11,010,000                 |
| Pension related deferred inflows                             | 1,863,932                  |
| <b>Total deferred inflows of resources</b>                   | <b>12,873,932</b>          |

Lee County  
Statement of Net Position  
June 30, 2015

|                                  | Governmental<br>Activities |
|----------------------------------|----------------------------|
| <b>Net Position</b>              |                            |
| Net investment in capital assets | 33,846,832                 |
| Restricted for:                  |                            |
| Nonexpendable:                   |                            |
| Permanent Fund - hospice care    | 82,500                     |
| Expendable:                      |                            |
| Supplemental levy purposes       | 760,081                    |
| Mental health purposes           | 3,126,064                  |
| Rural services purposes          | 993,507                    |
| Secondary roads purposes         | 2,147,211                  |
| Conservation land acquisition    | 114,364                    |
| Debt service                     | 47,722                     |
| Building repair and maintenance  | 739,070                    |
| Hospice care purposes            | 229,982                    |
| Other purposes                   | 739,046                    |
| Unrestricted                     | (1,691,209)                |
| <b>Total net position</b>        | <b>\$ 41,135,170</b>       |

See notes to financial statements.

**Lee County**

Lee County  
Statement of Activities  
Year ended June 30, 2015

|   | Program Revenues     |                           |  |  | Net<br>(Expense)<br>Revenue and<br>Changes in<br>Net Position |
|---|----------------------|---------------------------|--|--|---|
|   | Expenses             | Charges<br>for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants,<br>Contributions<br>and Restricted<br>Interest |   |
| <b>Functions/Programs:</b>                  |                      |                           |  |  |   |
| Governmental activities:                    |                      |                           |  |  |   |
| Public safety and legal services            | \$ 4,629,961         | 448,361                   | 88,777   | -  | (4,092,823)   |
| Physical health and social services         | 4,326,289            | 2,042,578                 | 1,448,573  | -  | (835,138)   |
| Mental health                               | 1,266,470            | 134,767                   | 760,877  | -  | (370,826)   |
| County environment and education            | 1,761,599            | 67,910                    | 657,954  | 59,504   | (976,231)   |
| Roads and transportation                    | 7,640,832            | 161,485                   | 3,379,453  | 3,569,141  | (530,753)   |
| Governmental services to residents          | 1,184,893            | 533,733                   | 235  | -  | (650,925)   |
| Administration                              | 2,317,889            | 51,914                    | 21,452   | -  | (2,244,523)   |
| Non-program                                 | 661,502              | 600,771                   | 54,226   | -  | (6,505)   |
| Interest on long-term debt                  | 300,043              | -                         | 15,351   | -  | (284,692)   |
| <b>Total</b>                                | <b>\$ 24,089,478</b> | <b>4,041,519</b>          | <b>6,426,898</b>   | <b>3,628,645</b>   | <b>(9,992,416)</b>  |
| <b>General Revenues:</b>                    |                      |                           |  |  |   |
| Property and other county tax levied for:   |                      |                           |  |  |   |
| General purposes                            |                      |                           |  |  | 9,874,565   |
| Debt service                                |                      |                           |  |  | 781,039   |
| Penalty and interest on property tax        |                      |                           |  |  | 114,670   |
| Gaming wager tax                            |                      |                           |  |  | 86,274  |
| State tax credits                           |                      |                           |  |  | 890,604   |
| Local option sales tax                      |                      |                           |  |  | 1,693,177   |
| Unrestricted investment earnings            |                      |                           |  |  | 87,420  |
| Gain on disposition of capital assets       |                      |                           |  |  | 30,643  |
| Miscellaneous                               |                      |                           |  |  | 66,340  |
| <b>Total general revenues</b>               |                      |                           |  |  | <b>13,624,732</b>   |
| Change in net position                      |                      |                           |  |  | 3,632,316   |
| Net position beginning of year, as restated |                      |                           |  |  | 37,502,854  |
| Net position end of year                    |                      |                           |  |  | <b>\$ 41,135,170</b>  |

See notes to financial statements.

Lee County  
Balance Sheet  
Governmental Funds

June 30, 2015

|   | Special              |                  |                   |
|---|----------------------|------------------|-------------------|
|   | General              | Mental<br>Health | Rural<br>Services |
| <b>Assets</b>   |                      |                  |                   |
| Cash, cash equivalents and pooled investments:                                |                      |                  |                   |
| County Treasurer  | \$ 5,516,146         | 3,038,046        | 828,060           |
| Component units   | -                    | -                | -                 |
| Receivables:  |                      |                  |                   |
| Property tax:   |                      |                  |                   |
| Delinquent  | 22,168               | 5,079            | 1,988             |
| Succeeding year   | 7,442,000            | 1,409,000        | 1,326,000         |
| Interest and penalty on property tax  | 39,138               | -                | -                 |
| Accounts  | 61,303               | -                | -                 |
| Accrued interest  | 6,862                | -                | -                 |
| E911 loan   | -                    | -                | -                 |
| Due from other governments  | 880,197              | 182,128          | 230,438           |
| Inventories   | -                    | -                | -                 |
| Prepaid items   | 21,250               | -                | -                 |
| <b>Total assets</b>   | <b>\$ 13,989,064</b> | <b>4,634,253</b> | <b>2,386,486</b>  |
| <b>Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b>       |                      |                  |                   |
| Liabilities:  |                      |                  |                   |
| Accounts payable  | \$ 322,034           | 39,040           | 8,783             |
| Salaries and benefits payable   | 284,390              | 6,242            | 16,903            |
| Due to other funds  | 6,194                | -                | -                 |
| Due to other governments  | 49,002               | 36,243           | 2,916             |
| Total liabilities   | 661,620              | 81,525           | 28,602            |
| Deferred inflows of resources:  |                      |                  |                   |
| Unavailable revenues:   |                      |                  |                   |
| Succeeding year property tax  | 7,442,000            | 1,409,000        | 1,326,000         |
| Other   | 356,562              | 6,789            | 135,304           |
| Total deferred inflows of resources   | 7,798,562            | 1,415,789        | 1,461,304         |
| Fund balances:  |                      |                  |                   |
| Nonspendable:   |                      |                  |                   |
| Inventories   | -                    | -                | -                 |
| Hospice care  | -                    | -                | -                 |
| Prepaid items   | 21,250               | -                | -                 |
| Restricted for:   |                      |                  |                   |
| Supplemental levy purposes  | 999,060              | -                | -                 |
| Mental health purposes  | -                    | 3,136,939        | -                 |
| Rural services purposes   | -                    | -                | 896,580           |
| Secondary roads purposes  | -                    | -                | -                 |
| Conservation land acquisition   | 114,364              | -                | -                 |
| Debt service  | -                    | -                | -                 |
| Hospice care  | -                    | -                | -                 |
| Building repair and maintenance (local option sales tax)                      | 694,582              | -                | -                 |
| Other purposes  | 54,202               | -                | -                 |
| Assigned for Sheriff's commissary   | 23,495               | -                | -                 |
| Unassigned  | 3,621,929            | -                | -                 |
| Total fund balances   | 5,528,882            | 3,136,939        | 896,580           |
| <b>Total liabilities, deferred inflows of resources<br/>and fund balances</b> | <b>\$ 13,989,064</b> | <b>4,634,253</b> | <b>2,386,486</b>  |

See notes to financial statements.



| <u>Revenue</u>   |                  |                  |                   |
|------------------|------------------|------------------|-------------------|
| <u>Secondary</u> | <u>Debt</u>      |                  |                   |
| <u>Roads</u>     | <u>Service</u>   | <u>Nonmajor</u>  | <u>Total</u>      |
| 1,728,570        | 59,025           | 741,869          | 11,911,716        |
| -                | -                | 599,251          | 599,251           |
| -                | 2,392            | -                | 31,627            |
| -                | 833,000          | -                | 11,010,000        |
| -                | -                | -                | 39,138            |
| 73,998           | -                | 390,684          | 525,985           |
| -                | 14               | 137              | 7,013             |
| -                | 265,000          | -                | 265,000           |
| 1,047,415        | -                | 710              | 2,340,888         |
| 305,279          | -                | -                | 305,279           |
| 3,325            | -                | -                | 24,575            |
| <u>3,158,587</u> | <u>1,159,431</u> | <u>1,732,651</u> | <u>27,060,472</u> |
| 757,728          | -                | 591,782          | 1,719,367         |
| 79,359           | -                | 2,469            | 389,363           |
| 104              | -                | -                | 6,298             |
| 97               | -                | -                | 88,258            |
| <u>837,288</u>   | <u>-</u>         | <u>594,251</u>   | <u>2,203,286</u>  |
| -                | 833,000          | -                | 11,010,000        |
| 142,092          | 2,327            | -                | 643,074           |
| <u>142,092</u>   | <u>835,327</u>   | <u>-</u>         | <u>11,653,074</u> |
| 305,279          | -                | -                | 305,279           |
| -                | -                | 82,500           | 82,500            |
| 3,325            | -                | -                | 24,575            |
| -                | -                | -                | 999,060           |
| -                | -                | -                | 3,136,939         |
| -                | -                | -                | 896,580           |
| 1,870,603        | -                | -                | 1,870,603         |
| -                | -                | -                | 114,364           |
| -                | 324,104          | -                | 324,104           |
| -                | -                | 229,982          | 229,982           |
| -                | -                | -                | 694,582           |
| -                | -                | 916,469          | 970,671           |
| -                | -                | -                | 23,495            |
| -                | -                | (90,551)         | 3,531,378         |
| <u>2,179,207</u> | <u>324,104</u>   | <u>1,138,400</u> | <u>13,204,112</u> |
| <u>3,158,587</u> | <u>1,159,431</u> | <u>1,732,651</u> | <u>27,060,472</u> |

**Lee County**

Lee County

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

June 30, 2015

**Total governmental fund balances (page 23)** \$ 13,204,112

**Amounts reported for governmental activities in the Statement of Net Position are different because:**

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$74,602,296 and the accumulated depreciation/amortization is \$35,979,975.

38,622,321

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.

643,074

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position, as follows:

Capital assets of \$451,639, net of accumulated depreciation/amortization of \$292,714

\$ 158,925

Compensated absences

(5,070)

Net OPEB liability

(2,841)

Net pension liability

(33,893)

Installment purchase agreement payable

(101,039)

Pension related deferred outflows

8,037

Pension related deferred intflows

(18,639)

Other net position

1,585,522

1,591,002

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources

946,104

Deferred inflows of resources

(1,845,293)

(899,189)

Long-term liabilities, including general obligation bonds payable, other postemployment benefits payable, net pension liability, accrued interest payable and compensated absences payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(12,026,150)

**Net position of governmental activities (page 19)**

\$ 41,135,170

See notes to financial statements.

Lee County

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

Year ended June 30, 2015

|  | General      | Mental<br>Health | Special<br>Rural<br>Services |
|--|--------------|------------------|------------------------------|
| <b>Revenues:</b>   |              |                  |                              |
| Property and other county tax                                | \$ 6,965,144 | 1,575,311        | 1,436,986                    |
| Local option sales tax                                       | 441,071      | -                | 1,323,214                    |
| Interest and penalty on property tax                         | 139,728      | -                | -                            |
| Intergovernmental  | 4,031,831    | 892,302          | 106,705                      |
| Licenses and permits   | 92,422       | -                | -                            |
| Charges for service  | 1,042,782    | -                | -                            |
| Use of money and property                                    | 214,065      | -                | -                            |
| Miscellaneous  | 259,731      | 69               | 167                          |
| Total revenues   | 13,186,774   | 2,467,682        | 2,867,072                    |
| <b>Expenditures:</b>   |              |                  |                              |
| Operating:   |              |                  |                              |
| Public safety and legal services                             | 4,071,295    | -                | 621,614                      |
| Physical health and social services                          | 4,299,656    | -                | -                            |
| Mental health  | 54,767       | 1,051,615        | -                            |
| County environment and education                             | 1,104,404    | -                | 171,727                      |
| Roads and transportation                                     | -            | -                | -                            |
| Governmental services to residents                           | 1,177,058    | -                | 1,830                        |
| Administration   | 2,129,200    | -                | -                            |
| Non-program  | 63,574       | -                | -                            |
| Debt service   | -            | -                | -                            |
| Capital projects   | 136,635      | -                | -                            |
| Total expenditures   | 13,036,589   | 1,051,615        | 795,171                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | 150,185      | 1,416,067        | 2,071,901                    |
| <b>Other financing sources (uses):</b>                       |              |                  |                              |
| Transfers in   | -            | -                | -                            |
| Transfers out  | -            | -                | (1,589,775)                  |
| Installment purchase proceeds                                | 198,810      | -                | -                            |
| General obligation bonds issued                              | -            | -                | -                            |
| Total other financing sources (uses)                         | 198,810      | -                | (1,589,775)                  |
| Change in fund balances                                      | 348,995      | 1,416,067        | 482,126                      |
| Fund balances beginning of year                              | 5,179,887    | 1,720,872        | 414,454                      |
| Fund balances end of year                                    | \$ 5,528,882 | 3,136,939        | 896,580                      |

See notes to financial statements.

| <u>Revenue</u>     |                 |                  |                   |
|--------------------|-----------------|------------------|-------------------|
| <u>Secondary</u>   | <u>Debt</u>     |                  |                   |
| <u>Roads</u>       | <u>Service</u>  | <u>Nonmajor</u>  | <u>Total</u>      |
| -                  | 782,293         | -                | 10,759,734        |
| -                  | -               | -                | 1,764,285         |
| -                  | -               | -                | 139,728           |
| 4,509,649          | 78,878          | 230,858          | 9,850,223         |
| 19,350             | -               | -                | 111,772           |
| 85                 | -               | 5,232            | 1,048,099         |
| -                  | 1,121           | 82,441           | 297,627           |
| 2,320,005          | -               | 439,330          | 3,019,302         |
| <u>6,849,089</u>   | <u>862,292</u>  | <u>757,861</u>   | <u>26,990,770</u> |
| -                  | -               | 1,634            | 4,694,543         |
| -                  | -               | 46,344           | 4,346,000         |
| -                  | -               | 75,623           | 1,182,005         |
| -                  | -               | 439,017          | 1,715,148         |
| 5,394,021          | -               | -                | 5,394,021         |
| -                  | -               | 11,832           | 1,190,720         |
| -                  | -               | -                | 2,129,200         |
| -                  | -               | -                | 63,574            |
| -                  | 906,756         | -                | 906,756           |
| 2,772,094          | -               | 497,495          | 3,406,224         |
| <u>8,166,115</u>   | <u>906,756</u>  | <u>1,071,945</u> | <u>25,028,191</u> |
| <u>(1,317,026)</u> | <u>(44,464)</u> | <u>(314,084)</u> | <u>1,962,579</u>  |
| 1,589,775          | -               | -                | 1,589,775         |
| -                  | -               | -                | (1,589,775)       |
| -                  | -               | -                | 198,810           |
| -                  | -               | 510,000          | 510,000           |
| <u>1,589,775</u>   | <u>-</u>        | <u>510,000</u>   | <u>708,810</u>    |
| 272,749            | (44,464)        | 195,916          | 2,671,389         |
| 1,906,458          | 368,568         | 942,484          | 10,532,723        |
| <u>2,179,207</u>   | <u>324,104</u>  | <u>1,138,400</u> | <u>13,204,112</u> |

Lee County

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

Year ended June 30, 2015

**Change in fund balances - Total governmental funds (page 27)** \$ 2,671,389

**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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

|  |                    |           |
|--|--------------------|-----------|
| Expenditures for capital assets  | \$ 3,173,985       |           |
| Capital assets contributed by the Iowa Department of<br>Transportation | 270,307            |           |
| Depreciation/amortization expense                                      | <u>(2,418,077)</u> | 1,026,215 |

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 financial resources. 4,510

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 | (17,856)         |           |
| Other        | <u>(131,850)</u> | (149,706) |

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. (708,810)

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. 605,000

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 704,048

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          | 1,392        |           |
| Other postemployment benefits | (56,483)     |           |
| Pension expense               | (279,412)    |           |
| Interest on long-term debt    | <u>1,713</u> | (332,790) |

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The change in net position of the Internal Service Funds is reported with governmental activities. (187,540)

**Change in net position of governmental activities (page 21)** \$ 3,632,316

See notes to financial statements.

Lee County  
Statement of Net Position  
Proprietary Funds  
June 30, 2015

|  | Internal<br>Service |
|--|---------------------|
| <b>Assets</b>  |                     |
| Current assets:  |                     |
| Cash and cash equivalents                                    | \$ 1,624,105        |
| Receivables:   |                     |
| Accounts   | 989                 |
| Accrued interest   | 345                 |
| Due from other funds   | 6,452               |
| Due from other governments                                   | 118                 |
| Inventories  | 2,285               |
| Noncurrent assets:   |                     |
| Capital assets, net of accumulated depreciation/amortization | 158,925             |
| <b>Total assets</b>  | <b>1,793,219</b>    |
| <b>Deferred Outflows of Resources</b>                        |                     |
| Pension-related deferred outflows                            | 8,037               |
| <b>Liabilities</b>   |                     |
| Current liabilities:   |                     |
| Accounts payable   | 44,906              |
| Salaries and benefits payable                                | 3,374               |
| Due to other funds   | 154                 |
| Due to other governments                                     | 338                 |
| Installment purchase agreement payable                       | 33,680              |
| Compensated absences   | 5,070               |
| Non-current liabilities:                                     |                     |
| Net OPEB liability   | 2,841               |
| Net pension liability  | 33,893              |
| Installment purchase agreement payable                       | 67,359              |
| <b>Total liabilities</b>                                     | <b>191,615</b>      |
| <b>Deferred Inflows of Resources</b>                         |                     |
| Pension-related deferred inflows                             | 18,639              |
| <b>Net Position</b>  |                     |
| Net investment in capital assets                             | 57,886              |
| Unrestricted   | 1,533,116           |
| <b>Total net position</b>                                    | <b>\$ 1,591,002</b> |

See notes to financial statements.

## Lee County

Statement of Revenues, Expenses and  
Changes in Fund Net Position  
Proprietary Funds

Year ended June 30, 2015

|   |               | <u>Internal<br/>Service</u> |
|---|---------------|-----------------------------|
| Operating revenues:   |               |                             |
| Reimbursements from operating funds<br>and other governmental units |               | \$ 2,643,929                |
| Reimbursements from employees and others                            |               | 273,583                     |
| Miscellaneous reimbursements  |               | 11,789                      |
| Total operating revenues  |               | <u>2,929,301</u>            |
| Operating expenses:   |               |                             |
| Medical and health services   | \$ 2,744,211  |                             |
| Salaries and benefits   | 87,618        |                             |
| Administrative fees, network access fees<br>and stop-loss premium   | 59,134        |                             |
| Supplies, utilities and data processing                             | 161,447       |                             |
| Maintenance agreements  | 14,450        |                             |
| Non-capitalized equipment   | 13,084        |                             |
| Depreciation/amortization   | <u>41,105</u> | <u>3,121,049</u>            |
| Operating loss  |               | (191,748)                   |
| Non-operating revenues:   |               |                             |
| Interest income   |               | <u>4,208</u>                |
| Change in net position  |               | (187,540)                   |
| Net position beginning of year, as restated                         |               | <u>1,778,542</u>            |
| Net position end of year  |               | <u><u>\$ 1,591,002</u></u>  |

See notes to financial statements.



Lee County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2015

|   | Internal<br>Service |
|---|---------------------|
| Cash flows from operating activities:   |                     |
| Cash received from operating funds and other governmental units                   | \$ 2,642,906        |
| Cash received from employees and others   | 284,623             |
| Cash paid to suppliers for services   | (3,089,320)         |
| Net cash used by operating activities   | (161,791)           |
| Cash flows from capital and related financing activities:                         |                     |
| Purchase of equipment   | (11,860)            |
| Installment purchase agreement payment  | (28,326)            |
| Net cash used by capital and related financing activities                         | (40,186)            |
| Cash flows from investing activities:   |                     |
| Interest on investments   | 4,254               |
| Decrease in cash and cash equivalents   | (197,723)           |
| Cash and cash equivalents beginning of year                                       | 1,821,828           |
| Cash and cash equivalents end of year   | \$ 1,624,105        |
| <b>Reconciliation of operating loss to net cash used by operating activities:</b> |                     |
| Operating loss  | \$ (191,748)        |
| Adjustments to reconcile operating loss to net cash used by operating activities: |                     |
| Depreciation/amortization expense   | 41,105              |
| Changes in assets and liabilities:  |                     |
| Increase in accounts receivable   | (749)               |
| Decrease in due from other governments  | 14                  |
| Increase in due from other funds  | (1,038)             |
| Increase in inventories   | (1,437)             |
| Decrease in accounts payable  | (7,928)             |
| Increase in salaries and benefits payable   | 372                 |
| Increase in due to other funds  | 21                  |
| Increase in due to other governments  | 338                 |
| Increase in compensated absences  | 1,512               |
| Decrease in pension liability   | (20,063)            |
| Increase in deferred outflows of resources  | (1,346)             |
| Increase in deferred inflows of resources   | 18,639              |
| Increase in net OPEB liability  | 517                 |
| Net cash used by operating activities   | \$ (161,791)        |

See notes to financial statements.

Lee County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2015

**Assets**

Cash, cash equivalents and pooled investments:

|                        |              |
|------------------------|--------------|
| County Treasurer       | \$ 3,196,190 |
| Other County officials | 407,579      |

Receivables:

Property tax:

|                 |            |
|-----------------|------------|
| Delinquent      | 111,574    |
| Succeeding year | 30,134,000 |

|          |       |
|----------|-------|
| Accounts | 7,840 |
|----------|-------|

|                  |     |
|------------------|-----|
| Accrued interest | 138 |
|------------------|-----|

|                     |         |
|---------------------|---------|
| Special assessments | 212,065 |
|---------------------|---------|

Drainage assessments:

|         |         |
|---------|---------|
| Current | 174,585 |
|---------|---------|

|        |         |
|--------|---------|
| Future | 115,315 |
|--------|---------|

|                            |         |
|----------------------------|---------|
| Due from other governments | 260,705 |
|----------------------------|---------|

|                  |       |
|------------------|-------|
| Prepaid expenses | 3,725 |
|------------------|-------|

**Total assets**

---

|            |
|------------|
| 34,623,716 |
|------------|

---

**Liabilities**

|                  |         |
|------------------|---------|
| Accounts payable | 432,749 |
|------------------|---------|

|                               |        |
|-------------------------------|--------|
| Salaries and benefits payable | 53,204 |
|-------------------------------|--------|

|                          |            |
|--------------------------|------------|
| Due to other governments | 32,609,679 |
|--------------------------|------------|

|                |         |
|----------------|---------|
| Trusts payable | 367,100 |
|----------------|---------|

|                      |        |
|----------------------|--------|
| Compensated absences | 35,318 |
|----------------------|--------|

|           |           |
|-----------|-----------|
| Bank loan | 1,125,666 |
|-----------|-----------|

**Total liabilities**

---

|            |
|------------|
| 34,623,716 |
|------------|

---

**Net position**

---

|      |
|------|
| \$ - |
|------|

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See notes to financial statements.

Lee County

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

Lee 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, Lee 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 Lee County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Great River Progressive Housing Corporation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of fostering low-income housing within Lee County. In accordance with criteria set forth by the Governmental Accounting Standards Board, Great River Progressive Housing Corporation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Lincoln Ridge Limited Partnership is an agreement between the Great River Progressive Housing Corporation (General Partner) and Lee County Development Corporation (Limited Partner) pursuant to the provisions of the Iowa Uniform Limited Partnership Act. The Partnership is established for the

sole purpose of engaging in the business of constructing, acquiring, developing, owning, renting, leasing and disposing of a residential multi-dwelling housing project of up to 16 units for hard to house persons of low income. In accordance with criteria set forth by the Governmental Accounting Standards Board, Lincoln Ridge Limited Partnership meets the definition of a component unit which should be blended. The partnership's financial activity included in this report is from the partnership's financial report for the year ended December 31, 2014. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Lee County Economic Development Group has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of encouraging economic development and expansion in Lee County. In accordance with criteria set forth by the Governmental Accounting Standards Board, Lee County Economic Development Group meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Three Rivers Conservation Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of supporting the mission of the Lee County Conservation Board. In accordance with criteria set forth by the Governmental Accounting Standards Board, Three Rivers Conservation Foundation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Friends of the Lee County Health Department (Friends of Public Health) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of supporting and enhancing the health of the public. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends of Public Health meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

#### Discretely Presented Component Unit

Lee County EMS Ambulance, Inc. (EMS) has been incorporated under the provisions of the Iowa Business Corporation Act to provide ambulance services. The County and EMS have entered into a 28E Agreement as a joint undertaking to assure ambulance services are provided in Lee County. In accordance with the agreement, ambulance service is primarily financed through revenue from recipients of the services and through a subsidy provided by the County. The County Board of Supervisors must approve user rates and changes to these rates.

In accordance with criteria set forth by the Governmental Accounting Standards Board, EMS meets the definition of a component unit which should be discretely presented. Condensed financial statements prepared on the accrual basis of accounting for the year ended December 31, 2014 are presented in Note 14.

#### Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lee County Assessor's Conference Board, Lee County Emergency Management Commission,

Lee County Joint E911 Service Board and Children First – Lee/Van Buren Empowerment Area. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Great River Regional Waste Authority, South Iowa Area Crime Commission, South Iowa Detention Service Agency, Lee County Narcotics Task Force, Southeast Iowa Regional Planning Commission, Southeast Iowa Community Action Agency, Regional Workforce Investment Board, Quad County Decategorization Board, Geode Resource Conservation and Development, Inc., Regional Utility Service Systems Commission, Southeast Iowa Regional Economic Port Authority, Southeast Iowa Link, and Public Safety Answering Point (PSAP) Association.

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 units. 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/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

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

financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

Proprietary Funds – Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents 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 non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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



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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class                      | Amount    |
|----------------------------------|-----------|
| Infrastructure                   | \$ 50,000 |
| Land, buildings and improvements | 25,000    |
| Intangibles                      | 50,000    |
| Equipment and vehicles           | 5,000     |

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

| Asset Class           | Estimated Useful lives (In Years) |
|-----------------------|-----------------------------------|
| Buildings             | 40 - 50                           |
| Building improvements | 20 - 50                           |
| Infrastructure        | 10 - 65                           |
| Intangibles           | 3 - 20                            |
| Equipment             | 2 - 20                            |
| Vehicles              | 3 - 10                            |

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

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund 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.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although, certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Health Plan Trust Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2015 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.

Three Rivers Conservation Foundation's investments at June 30, 2015 consist of stocks and stock mutual funds with a fair value of \$180,140. Disclosure of concentration of credit risk and interest rate risk do not apply to these investments.

Friends of Public Health's investments at June 30, 2015 consist of Series A preferred interest in IO-MEGA, LLC with a cost of \$75,000. Fair value is not determinable for this investment. Disclosures of concentration of credit risk and interest rate do not apply to this investment.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2015 is as follows:

| Receivable Fund        | Payable Fund               | Amount          |
|------------------------|----------------------------|-----------------|
| Internal Service:      |                            |                 |
| Supplies               | General                    | \$ 4,694        |
|                        | Special Revenue:           |                 |
|                        | Secondary Roads            | 104             |
|                        | Internal Service:          |                 |
|                        | Employee Health Plan Trust | 5               |
|                        | Information Technology     | 149             |
| Internal Service:      |                            |                 |
| Information Technology | General                    | <u>1,500</u>    |
| Total                  |                            | <u>\$ 6,452</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, 2015 is as follows:

| Transfer to      | Transfer from    | Amount              |
|------------------|------------------|---------------------|
| Special Revenue: | Special Revenue: |                     |
| Secondary Roads  | Rural Services   | <u>\$ 1,589,775</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, 2015 was as follows:

|   | Balance<br>Beginning<br>of Year | Increases   | Decreases | Balance<br>End<br>of Year |
|---|---------------------------------|-------------|-----------|---------------------------|
| <b>Governmental activities:</b>                       |                                 |             |           |                           |
| Capital assets not being depreciated/amortized:       |                                 |             |           |                           |
| Land  | \$ 993,136                      | -           | -         | 993,136                   |
| Land, road network                                    | 976,085                         | 609,499     | -         | 1,585,584                 |
| Construction in progress                              | 827,906                         | 2,457,408   | -         | 3,285,314                 |
| Total capital assets not being depreciated/amortized  | 2,797,127                       | 3,066,907   | -         | 5,864,034                 |
| Capital assets being depreciated/amortized:           |                                 |             |           |                           |
| Buildings   | 14,487,075                      | 114,004     | -         | 14,601,079                |
| Improvements other than buildings                     | 945,315                         | -           | -         | 945,315                   |
| Equipment and vehicles                                | 7,261,777                       | 291,231     | (481,902) | 7,071,106                 |
| Equipment, internal service                           | 177,972                         | 11,860      | -         | 189,832                   |
| Intangibles   | 125,420                         | -           | -         | 125,420                   |
| Intangibles, internal service                         | 261,807                         | -           | -         | 261,807                   |
| Infrastructure, road network                          | 45,995,342                      | -           | -         | 45,995,342                |
| Total capital assets being depreciated/amortized      | 69,254,708                      | 417,095     | (481,902) | 69,189,901                |
| Less accumulated depreciation/amortization for:       |                                 |             |           |                           |
| Buildings   | 5,526,451                       | 348,749     | -         | 5,875,200                 |
| Improvements other than buildings                     | 619,185                         | 25,138      | -         | 644,323                   |
| Equipment and vehicles                                | 5,247,819                       | 492,818     | (458,562) | 5,282,075                 |
| Equipment, internal service                           | 151,504                         | 14,155      | -         | 165,659                   |
| Intangibles   | 125,420                         | -           | -         | 125,420                   |
| Intangibles, internal service                         | 100,105                         | 26,950      | -         | 127,055                   |
| Infrastructure, road network                          | 22,501,585                      | 1,551,372   | -         | 24,052,957                |
| Total accumulated depreciation/amortization           | 34,272,069                      | 2,459,182   | (458,562) | 36,272,689                |
| Total capital assets being depreciated/amortized, net | 34,982,639                      | (2,042,087) | (23,340)  | 32,917,212                |
| Governmental activities capital assets, net           | \$37,779,766                    | 1,024,820   | (23,340)  | 38,781,246                |

Depreciation/amortization expense was charged to the following functions:

|  |                     |
|--|---------------------|
| Governmental activities:   |                     |
| Public safety and legal services                                   | \$ 90,879           |
| Physical health and social services                                | 28,597              |
| Mental health  | 76,679              |
| County environment and education                                   | 56,780              |
| Roads and transportation   | 1,887,433           |
| Administration   | 318,814             |
| Total depreciation/amortization expense -<br>government activities | <u>\$ 2,459,182</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, 2015 is as follows:

| Fund                         | Description | Amount               |
|------------------------------|-------------|----------------------|
| General                      | Services    | \$ 49,002            |
| Special Revenue:             |             |                      |
| Mental Health                | Services    | 36,243               |
| Rural Services               | Services    | 2,916                |
| Secondary Roads              | Services    | 97                   |
|                              |             | <u>39,256</u>        |
| Total for governmental funds |             | <u>\$ 88,258</u>     |
| Agency:                      |             |                      |
| County Assessor              | Collections | \$ 623,321           |
| Schools                      |             | 17,652,999           |
| Community Colleges           |             | 1,323,397            |
| Corporations                 |             | 10,645,687           |
| Auto License and Use Tax     |             | 713,014              |
| All other                    |             | <u>1,651,261</u>     |
| Total for agency funds       |             | <u>\$ 32,609,679</u> |

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

|   | General<br>Obligation<br>Jail Bonds | General<br>Obligation<br>Solid Waste<br>Disposal<br>Bonds | General<br>Obligation<br>Emergency<br>Services<br>Bonds | General<br>Obligation<br>Conservation<br>Building<br>Bonds | Installment<br>Purchase<br>Agreements | Compen-<br>sated<br>Absences | Net<br>Pension<br>Liability | Net<br>OPEB<br>Liability | Total             |
|---|-------------------------------------|---|---|--|---------------------------------------|------------------------------|-----------------------------|--------------------------|-------------------|
| Balance beginning<br>of year, as restated | \$ 4,840,000                        | 2,520,000   | 315,000   | -  | 129,365                               | 427,303                      | 5,395,631                   | 393,900                  | 14,021,199        |
| Increases                                 | -                                   | -   | -   | 510,000  | 198,810                               | 554,117                      | -                           | 79,800                   | 1,342,727         |
| Decreases                                 | 285,000                             | 270,000   | 50,000  | -  | 28,326                                | 553,997                      | 2,006,279                   | 22,800                   | 3,216,402         |
| Balance end of year                       | <u>\$ 4,555,000</u>                 | <u>2,250,000</u>  | <u>265,000</u>  | <u>510,000</u>   | <u>299,849</u>                        | <u>427,423</u>               | <u>3,389,352</u>            | <u>450,900</u>           | <u>12,147,524</u> |
| Due within one year                       | \$ 295,000                          | 280,000   | 50,000  | 46,000   | 99,950                                | 351,890                      | -                           | -                        | 1,122,840         |

General Obligation Jail Bonds

The County sold \$5,400,000 of general obligation bonds dated June 1, 2008 to pay the cost to construct, furnish and equip an addition to and renovate portions of the County Jail, including an area for centralized dispatch.

A summary of the annual bond principal and interest requirements to maturity is as follows:

| Year Ending<br>June 30, | Interest<br>Rates | Principal    | Interest  | Total     |
|-------------------------|-------------------|--------------|-----------|-----------|
| 2016                    | 4.00%             | \$ 235,000   | 162,320   | 397,320   |
| 2017                    | 5.00              | 245,000      | 152,920   | 397,920   |
| 2018                    | 5.00              | 255,000      | 140,670   | 395,670   |
| 2019                    | 3.70              | 265,000      | 127,920   | 392,920   |
| 2020                    | 3.70              | 280,000      | 118,115   | 398,115   |
| 2021-2025               | 3.80-4.00         | 1,600,000    | 421,900   | 2,021,900 |
| 2026-2028               | 4.00              | 1,140,000    | 92,400    | 1,232,400 |
| Total                   |                   | \$ 4,020,000 | 1,216,245 | 5,236,245 |

The County sold \$650,000 of general obligation bonds dated July 1, 2013 to pay the cost to construct an addition to the County jail facility and upgrade utility systems to accommodate the larger facility population.

A summary of the annual bond principal and interest requirements to maturity is as follows:

| Year Ending<br>June 30, | Interest<br>Rates | Principal  | Interest | Total   |
|-------------------------|-------------------|------------|----------|---------|
| 2016                    | 2.00%             | \$ 60,000  | 10,700   | 70,700  |
| 2017                    | 2.00              | 65,000     | 9,500    | 74,500  |
| 2018                    | 2.00              | 65,000     | 8,200    | 73,200  |
| 2019                    | 2.00              | 65,000     | 6,900    | 71,900  |
| 2020                    | 2.00              | 70,000     | 5,600    | 75,600  |
| 2021-2023               | 2.00              | 210,000    | 8,400    | 218,400 |
| Total                   |                   | \$ 535,000 | 49,300   | 584,300 |

General Obligation Solid Waste Disposal Bonds

The County sold \$3,900,000 of general obligation bonds dated November 1, 2007 for the purpose of paying the County's share of the cost of construction of works and facilities necessary to expand the Great River Regional Waste Authority's landfill to provide an additional fifteen years of available permitted and approved landfill for disposal of the County's solid waste.

A summary of the annual bond principal and interest requirements to maturity is as follows:

| Year Ending<br>June 30, | Interest<br>Rates | Principal    | Interest | Total     |
|-------------------------|-------------------|--------------|----------|-----------|
| 2016                    | 4.00%             | \$ 280,000   | 86,242   | 366,242   |
| 2017                    | 3.73              | 295,000      | 75,042   | 370,042   |
| 2018                    | 3.75              | 305,000      | 64,038   | 369,038   |
| 2019                    | 3.80              | 320,000      | 52,600   | 372,600   |
| 2020                    | 3.80              | 335,000      | 40,440   | 375,440   |
| 2021-2022               | 3.85-3.90         | 715,000      | 41,946   | 756,946   |
| Total                   |                   | \$ 2,250,000 | 360,308  | 2,610,308 |

General Obligation Emergency Services Bonds

The County sold \$500,000 of general obligation bonds dated April 6, 2010 for the purpose of paying costs in connection with the acquisition and installation of emergency services communication equipment.

A summary of the annual bond principal and interest requirements to maturity is as follows:

| Year Ending<br>June 30, | Interest<br>Rates | Principal  | Interest | Total   |
|-------------------------|-------------------|------------|----------|---------|
| 2016                    | 3.80%             | \$ 50,000  | 11,705   | 61,705  |
| 2017                    | 4.10              | 50,000     | 9,805    | 59,805  |
| 2018                    | 4.40              | 55,000     | 7,755    | 62,755  |
| 2019                    | 4.70              | 55,000     | 5,335    | 60,335  |
| 2020                    | 5.00              | 55,000     | 2,750    | 57,750  |
| Total                   |                   | \$ 265,000 | 37,350   | 302,350 |

These bonds were issued under the U.S. Department of the Treasury Recovery Zone Economic Development Bonds program. As such, the County will receive credits for up to 45% of the interest payable to bond holders. During the year ended June 30, 2015, the County received credits totaling \$5,602.

General Obligation Conservation Building Bonds

The County sold \$510,000 of general obligation bonds dated October 1, 2014 for the purpose of constructing a new conservation building.



A summary of the annual bond principal and interest requirements to maturity is as follows:

| Year Ending<br>June 30, | Interest<br>Rates | Principal  | Interest | Total   |
|-------------------------|-------------------|------------|----------|---------|
| 2016                    | 2.10%             | \$ 46,000  | 10,710   | 56,710  |
| 2017                    | 2.10              | 47,000     | 9,744    | 56,744  |
| 2018                    | 2.10              | 48,000     | 8,757    | 56,757  |
| 2019                    | 2.10              | 49,000     | 7,749    | 56,749  |
| 2020                    | 2.10              | 50,000     | 6,720    | 56,720  |
| 2021-2025               | 2.10              | 270,000    | 17,220   | 287,220 |
| Total                   |                   | \$ 510,000 | 60,900   | 570,900 |

#### Installment Purchase Agreements

On January 28, 2013, the County entered into an interest-free installment purchase agreement to purchase aerial photography for its Geographic Information System. On April 7, 2015, the County entered into an interest-free installment purchase agreement to purchase election equipment. A summary of the installment purchase agreements are as follows:

| Year<br>Ending<br>June 30, | Geographic<br>Information<br>System | Election<br>Equipment | Total   |
|----------------------------|-------------------------------------|-----------------------|---------|
| 2016                       | \$ 33,680                           | 66,270                | 99,950  |
| 2017                       | 33,680                              | 66,270                | 99,950  |
| 2018                       | 33,679                              | 66,270                | 99,949  |
| Total                      | \$ 101,039                          | 198,810               | 299,849 |

#### **(8) E911 Loan Receivable**

On April 1, 2010, the County entered into a \$500,000 loan agreement with the E911 Service Board. The E911 Service Board agreed to pay all amounts due by the County under the general obligation emergency services bonds issued on April 6, 2010. Note 7 reports the summary of the annual bond principal and interest requirements to maturity. The balance of the loan receivable, \$265,000 at June 30, 2015, is reported in the Debt Service fund.

The bonds were issued under the U.S. Department of the Treasury Recovery Zone Economic Development Bonds program. As such, the County will receive credits for up to 45% of the interest payable to bond holders. The E911 Service Board is responsible for the remaining portion of the interest payable to bond holders.

#### **(9) Endowment**

In 1998, the Lee County Health Department was given \$82,500 to establish the Gilbert Neff Memorial for the purpose of assisting needy persons in gaining access to hospice care. The endowment requires the principal amount be held in trust and only the interest generated by the investment be spent. The Health Department has established written guidelines for the use of these funds.

The County maintains the endowment principal in the Permanent, Neff Memorial Fund. Interest earned on the principal is credited to the Special Revenue, Neff Memorial Fund to be used in accordance with the endowment provisions. The balance in the Permanent Fund is reported as nonspendable for hospice care while the balance in the Special Revenue Fund is reported as restricted for hospice care.

**(10) Pension Plan**

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

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

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

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used 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 years of service greater than 22 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 - Effective July 1, 2012, as a result of a 2010 law change, the 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%. 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 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll for a total rate of 19.76%. Protection occupation members contributed 6.76% of covered payroll and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$709,640.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$3,389,352 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 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, 2014, the County's collective proportion was 0.085462%, which was a decrease of 0.008511% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$282,234. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 38,811                         | 44,351                           |
| Changes of assumptions   | 157,603                           | 37,434                           |
| Net difference between projected and actual earnings on pension plan investments   | -                                 | 1,782,147                        |
| Changes in proportion and differences between County contributions and the County's proportionate share of contributions | 48,087                            | -                                |
| County contributions subsequent to the measurement date  | 709,640                           | -                                |
| Total  | \$ 954,141                        | 1,863,932                        |

\$709,640 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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<br>Ending<br>June 30, | Amount         |
|----------------------------|----------------|
| 2016                       | \$ (407,519)   |
| 2017                       | (407,519)      |
| 2018                       | (407,519)      |
| 2019                       | (407,519)      |
| 2020                       | 10,645         |
| Total                      | \$ (1,619,431) |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

|  |   |
|--|---|
| Rate of inflation<br>(effective June 30, 2014)                   | 3.00% per annum.  |
| Rates of salary increase<br>(effective June 30, 2010)            | 4.00 to 17.00% average, including inflation.<br>Rates vary by membership group. |
| Long-term investment rate of return<br>(effective June 30, 1996) | 7.50% compounded annually, net of investment<br>expense, including inflation.   |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

| Asset Class            | Asset Allocation | Long-Term Expected Real Rate of Return |
|------------------------|------------------|--|
| US equity              | 23%              | 6.31%                                  |
| Non US equity          | 15               | 6.76                                   |
| Private equity         | 13               | 11.34                                  |
| Real estate            | 8                | 3.52                                   |
| Core plus fixed income | 28               | 2.06                                   |
| Credit opportunities   | 5                | 3.67                                   |
| TIPS                   | 5                | 1.92                                   |
| Other real assets      | 2                | 6.27                                   |
| Cash                   | 1                | (0.69)                                 |
| Total                  | 100%             |  |

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

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

|  | 1%<br>Decrease<br>(6.50%) | Discount<br>Rate<br>(7.50%) | 1%<br>Increase<br>(8.50%) |
|--|---------------------------|-----------------------------|---------------------------|
| County's proportionate share of<br>the net pension liability (asset) | \$ 7,464,747              | \$3,389,352                 | \$ (47,741)               |

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(11) Other Postemployment Benefits (OPEB)**

Plan Description - The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 159 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits plan, which is a partially self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

|  |                          |
|--|--------------------------|
| Annual required contribution               | \$ 79,700                |
| Interest on net OPEB obligation            | 15,800                   |
| Adjustment to annual required contribution | <u>(15,700)</u>          |
| Annual OPEB cost                           | 79,800                   |
| Contributions made                         | <u>(22,800)</u>          |
| Increase in net OPEB obligation            | 57,000                   |
| Net OPEB obligation beginning of year      | <u>393,900</u>           |
| Net OPEB obligation end of year            | <u><u>\$ 450,900</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$22,800 to the medical plan. Plan members eligible for benefits contributed \$59,100, or 72.2% of the premium costs.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2013                | \$ 101,784       | 33.6%                                      | \$ 334,600          |
| 2014                | 105,700          | 43.9                                       | 393,900             |
| 2015                | 79,800           | 28.6                                       | 450,900             |

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$703,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$703,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,564,000 and the ratio of the UAAL to covered payroll was 10.7%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3.0% is assumed for the purpose of this computation.

Mortality rates are from the RP2014 Total Dataset Headcount Weighted Mortality with Scale MP-2014, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2015 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2015.

Projected claim costs of the medical plan are \$1,450 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(12) Risk Management**

The County is exposed to various risks of loss related to torts; theft damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(13) Employee Health Insurance Plan**

The County has a fully-insured health insurance plan with Wellmark. The deductibles have been set at \$3,000 for single coverage and \$6,000 for family coverage.

The Internal Service, Employee Health Plan Trust Fund was established to account for the collection of premiums from individuals and departments which are then paid to Wellmark, as well as for the partial self-funding of a reduction in the County's health insurance plan deductibles. The deductible reduction is funded by both employee and County contributions and is administered through a service agreement with Advantage Administrators. The agreement is subject to automatic renewal provisions.

Monthly payments of service fees and plan contributions to the Employee Health Plan Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Advantage Administrators and health insurance premiums are paid to Wellmark from the Employee Health Plan Trust Fund. The County's contribution for the year ended June 30, 2015 was \$2,310,086.

The self-funded deductible reduction qualifies for an exemption from the requirements of Code of Iowa Chapter 509A regarding a mini self-funded plan.

**(14) Lee County EMS Ambulance, Inc.**

Lee County EMS Ambulance, Inc. (EMS) provides ambulance service for Lee County. EMS reports its financial activity using a calendar year end. As permitted by GASB Statement No. 34, the County has opted to present condensed financial information for its discretely presented component unit. Following is the condensed financial information for EMS for the year ended December 31, 2014.

| Condensed Statement of Net Position             |                   |
|---|-------------------|
| December 31, 2014                               |                   |
| <b>Assets</b>                                   |                   |
| Accounts receivable, net of allowance           | \$ 323,391        |
| Capital assets, net of accumulated depreciation | 170,721           |
| Other   | 13,468            |
| <b>Total assets</b>                             | <u>507,580</u>    |
| <b>Liabilities</b>                              |                   |
| Accounts payable                                | 12,045            |
| Salaries and benefits payable                   | 47,378            |
| Notes payable                                   | 11,500            |
| <b>Total liabilities</b>                        | <u>70,923</u>     |
| <b>Net position</b>                             |                   |
| Net investment in capital assets                | 170,721           |
| Unrestricted                                    | 265,936           |
| <b>Total net position</b>                       | <u>\$ 436,657</u> |

| Condensed Statement of Revenues, Expenses and Changes in Fund Net Position |                   |
|--|-------------------|
| Year ended December 31, 2014   |                   |
| Operating revenues:  |                   |
| Patient income   | \$ 1,731,688      |
| County subsidy   | 405,600           |
| Other  | 9,005             |
| Total operating revenues   | <u>2,146,293</u>  |
| Operating expenses:  |                   |
| Salaries and benefits  | \$ 1,188,041      |
| Insurance  | 368,413           |
| Other  | 552,886           |
|  | <u>2,109,340</u>  |
| Operating income   | <u>36,953</u>     |
| Non-operating revenue (expense):   |                   |
| Gain on disposal of capital asset  | 500               |
| Interest expense   | (1,214)           |
| Net non-operating revenue (expense)  | <u>(714)</u>      |
| Net income   | 36,239            |
| Net position beginning of year   | <u>400,418</u>    |
| Net position end of year   | <u>\$ 436,657</u> |



**(15) Ambulance Subsidy Agreement**

On May 20, 2014, the County entered into an agreement with Lee County EMS Ambulance Inc. (EMS). As part of this agreement, the County agreed to continue to subsidize EMS to provide ambulance service to the County. The County's obligation under this agreement commenced on July 1, 2014 and terminates on June 30, 2017. Pursuant to the agreement, the County is to pay \$421,200 per year for three years at \$35,100 per month.

**(16) Jointly Governed Organization**

The County participates in the Lee County Public Safety Answering Point Association, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2015:

|  |            |                         |
|--|------------|-------------------------|
| Additions:                             |            |                         |
| Contributions from governmental units: |            |                         |
| Member contributions                   |            | \$ 829,122              |
| Interest on investments                |            | 178                     |
| Miscellaneous                          |            | 30                      |
| Total additions                        |            | <u>829,330</u>          |
| Deductions:                            |            |                         |
| Salaries                               | \$ 515,052 |                         |
| Benefits                               | 260,423    |                         |
| Office supplies                        | 3,277      |                         |
| Legal representation and publications  | 592        |                         |
| Telephone                              | 5,374      |                         |
| Equipment                              | 5,371      |                         |
| Labor relation services                | 7,076      |                         |
| Liability services                     | 2,966      |                         |
| Contractual services                   | 534        |                         |
| Maintenance and improvements           | 2,771      |                         |
| Data processing services               | 19,590     |                         |
|  |            | <u>823,026</u>          |
| Net                                    |            | 6,304                   |
| Balance beginning of year              |            | <u>36,110</u>           |
| Balance end of year                    |            | <u><u>\$ 42,414</u></u> |

**(17) Early Childhood Iowa Area Board**

The County is the fiscal agent for Children First, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2015 is as follows:

|   | Early<br>Childhood | School<br>Ready | Total   |
|---|--------------------|-----------------|---------|
| Revenues:                                 |                    |                 |         |
| State grants:                             |                    |                 |         |
| Early childhood                           | \$ 105,218         | -               | 105,218 |
| Family support and parent education       | -                  | 199,555         | 199,555 |
| Preschool support for low-income families | -                  | 87,619          | 87,619  |
| Quality improvement                       | -                  | 46,525          | 46,525  |
| Allocation for administration             | 5,618              | 10,968          | 16,586  |
| Other grant programs                      | -                  | 21,345          | 21,345  |
| Total state grants                        | 110,836            | 366,012         | 476,848 |
| Interest on investments                   | 80                 | 257             | 337     |
| Total revenues                            | 110,916            | 366,269         | 477,185 |
| Expenditures:                             |                    |                 |         |
| Program services:                         |                    |                 |         |
| Early childhood                           | 93,089             | -               | 93,089  |
| Family support and parent education       | -                  | 199,555         | 199,555 |
| Preschool support for low income families | -                  | 83,050          | 83,050  |
| Quality improvement                       | -                  | 46,882          | 46,882  |
| Other program services                    | -                  | 24,645          | 24,645  |
| Total program services                    | 93,089             | 354,132         | 447,221 |
| Administration                            | 6,077              | 10,670          | 16,747  |
| Total expenditures                        | 99,166             | 364,802         | 463,968 |
| Change in fund balance                    | 11,750             | 1,467           | 13,217  |
| Fund balance beginning of year            | 6,222              | 20,059          | 26,281  |
| Fund balance end of year                  | \$ 17,972          | 21,526          | 39,498  |

**(18) Deficit Fund Balance**

The Special Revenue, Lincoln Ridge Limited Partnership Fund had a deficit unassigned fund balance of \$90,551 at June 30, 2015. The deficit balance was the result of a lower occupancy rate at the apartment building. The deficit will be eliminated through efforts to increase the occupancy rate.

**(19) County Financial Information Included in the Southeast Iowa Link Mental Health Region**

Southeast Iowa Link, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Des Moines County, Henry County, Jefferson County, Keokuk County, Lee County, Louisa County, Van Buren County and Washington County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Southeast Iowa Link Mental Health Region for the year ended June 30, 2015, as follows:

|                                       |               |                     |
|---------------------------------------|---------------|---------------------|
| Revenues:                             |               |                     |
| Property and other county tax         |               | \$ 1,575,311        |
| Intergovernmental:                    |               |                     |
| State tax credits                     | \$ 136,213    |                     |
| Social services block grant           | 756,089       | 892,302             |
| Miscellaneous                         |               | <u>69</u>           |
| Total revenues                        |               | <u>2,467,682</u>    |
| Expenditures:                         |               |                     |
| Services to persons with:             |               |                     |
| Mental illness                        | 764,606       |                     |
| Intellectual disabilities             | 15,105        |                     |
| Other developmental disabilities      | <u>26,065</u> | 805,776             |
| General administration:               |               |                     |
| Direct administration                 | 210,209       |                     |
| Distribution to regional fiscal agent | <u>35,617</u> | 245,826             |
| County provided services              |               | <u>13</u>           |
| Total expenditures                    |               | <u>1,051,615</u>    |
| Excess of revenues over expenditures  |               | 1,416,067           |
| Fund balance beginning of year        |               | <u>1,720,872</u>    |
| Fund balance end of year              |               | <u>\$ 3,136,939</u> |

**(20) Subsequent Event**

The County issued \$5,885,000 of general obligation refunding bonds to refund the series 2007 general obligation solid waste disposal bonds and the series 2008 general obligation jail bonds. The bonds are dated April 1, 2016 and bear interest at rates ranging from 2.00% to 3.00% per annum.

**(21) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities and the Internal Service, Information Technology Fund were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

|  | Governmental<br>Activities | Internal<br>Service<br>Information<br>Technology |
|--|----------------------------|--|
| Net position June 30, 2014, as previously reported   | \$ 42,229,403              | 133,091  |
| Net pension liability at June 30, 2014   | (5,395,631)                | (53,956)   |
| Deferred outflows of resources<br>related to prior year contributions made after<br>the June 30, 2013 measurement date | 669,082                    | 6,691  |
| Net position July 1, 2014, as restated   | <u>\$ 37,502,854</u>       | <u>85,826</u>                                    |

**Required Supplementary Information**

Lee 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, 2015

|   | Actual               | Less<br>Funds not<br>Required to<br>be Budgeted | Net               |
|---|----------------------|---|-------------------|
| <b>Receipts:</b>  |                      |   |                   |
| Property and other county tax   | \$ 12,624,927        | -   | 12,624,927        |
| Interest and penalty on property tax                                  | 140,674              | -   | 140,674           |
| Intergovernmental   | 9,039,497            | 210,051   | 8,829,446         |
| Licenses and permits  | 109,771              | -   | 109,771           |
| Charges for service   | 1,039,605            | -   | 1,039,605         |
| Use of money and property   | 299,639              | 80,252  | 219,387           |
| Miscellaneous   | 2,916,710            | 319,720   | 2,596,990         |
| <b>Total receipts</b>   | <b>26,170,823</b>    | <b>610,023</b>                                  | <b>25,560,800</b> |
| <b>Disbursements:</b>   |                      |   |                   |
| Public safety and legal services                                      | 4,676,825            | -   | 4,676,825         |
| Physical health and social services                                   | 4,319,598            | 5   | 4,319,593         |
| Mental health   | 1,246,698            | 60,454  | 1,186,244         |
| County environment and education                                      | 1,710,236            | 419,845   | 1,290,391         |
| Roads and transportation  | 4,475,545            | -   | 4,475,545         |
| Governmental services to residents                                    | 919,239              | -   | 919,239           |
| Administration  | 2,137,878            | -   | 2,137,878         |
| Non-program   | 62,076               | -   | 62,076            |
| Debt service  | 906,756              | -   | 906,756           |
| Capital projects  | 2,706,685            | -   | 2,706,685         |
| <b>Total disbursements</b>  | <b>23,161,536</b>    | <b>480,304</b>                                  | <b>22,681,232</b> |
| <b>Excess (deficiency) of receipts<br/>over (under) disbursements</b> | <b>3,009,287</b>     | <b>129,719</b>                                  | <b>2,879,568</b>  |
| Other financing sources, net  | 510,000              | -   | 510,000           |
| Balance beginning of year   | 8,991,680            | 469,532   | 8,522,148         |
| <b>Balance end of year</b>  | <b>\$ 12,510,967</b> | <b>599,251</b>                                  | <b>11,911,716</b> |

See accompanying independent auditor's report.

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| Budgeted Amounts |             | Final to     |
|------------------|-------------|--------------|
| Original         | Final       | Net          |
|                  |             | Variance     |
| 12,327,825       | 12,327,825  | 297,102      |
| 115,010          | 115,010     | 25,664       |
| 12,991,392       | 13,173,737  | (4,344,291)  |
| 112,700          | 112,700     | (2,929)      |
| 999,232          | 999,232     | 40,373       |
| 250,595          | 250,895     | (31,508)     |
| 9,722,439        | 9,789,019   | (7,192,029)  |
| 36,519,193       | 36,768,418  | (11,207,618) |
| 4,691,935        | 4,765,276   | 88,451       |
| 4,769,174        | 4,751,074   | 431,481      |
| 2,516,336        | 2,516,336   | 1,330,092    |
| 1,432,295        | 1,504,175   | 213,784      |
| 4,764,765        | 5,421,073   | 945,528      |
| 980,046          | 982,246     | 63,007       |
| 2,236,762        | 2,236,762   | 98,884       |
| -                | 75,112      | 13,036       |
| 899,417          | 906,807     | 51           |
| 15,476,738       | 15,360,595  | 12,653,910   |
| 37,767,468       | 38,519,456  | 15,838,224   |
| (1,248,275)      | (1,751,038) | 4,630,606    |
| 500              | 510,500     | (500)        |
| 7,539,193        | 7,539,193   | 982,955      |
| 6,291,418        | 6,298,655   | 5,613,061    |

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Lee County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2015

|                              | Governmental Funds |                             |                              |
|------------------------------|--------------------|-----------------------------|------------------------------|
|                              | Cash<br>Basis      | Accrual<br>Adjust-<br>ments | Modified<br>Accrual<br>Basis |
| Revenues                     | \$ 26,170,823      | 819,947                     | 26,990,770                   |
| Expenditures                 | 23,161,536         | 1,866,655                   | 25,028,191                   |
| Net                          | 3,009,287          | (1,046,708)                 | 1,962,579                    |
| Other financing sources, net | 510,000            | 198,810                     | 708,810                      |
| Beginning fund balances      | 8,991,680          | 1,541,043                   | 10,532,723                   |
| Ending fund balances         | \$ 12,510,967      | 693,145                     | 13,204,112                   |

See accompanying independent auditor's report.



Lee County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2015

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Permanent Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$751,988. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

**Lee County**

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Lee County

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

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Required Supplementary Information

|  | <u>2015</u> |
|--|-------------|
| County's collective proportion of the net pension liability (asset)  | 0.085462%   |
| County's collective proportionate share of the net pension liability (asset)   | \$ 3,389    |
| County's covered-employee payroll  | \$ 7,415    |
| County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll | 45.70%      |
| Plan fiduciary net position as a percentage of the total pension liability   | 87.61%      |

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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Lee County

Schedule of County Contributions

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

Required Supplementary Information

|   | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  | <u>2012</u>  |
|---|--------------|--------------|--------------|--------------|
| Statutorily required contribution                                     | \$ 710       | 669          | 630          | 571          |
| Contributions in relation to the<br>statutorily required contribution | <u>(710)</u> | <u>(669)</u> | <u>(630)</u> | <u>(571)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>  | <u>-</u>     | <u>-</u>     | <u>-</u>     |
| County's covered-employee payroll                                     | \$ 7,867     | 7,415        | 7,135        | 6,858        |
| Contributions as a percentage of<br>covered-employee payroll          | 9.03%        | 9.02%        | 8.83%        | 8.33%        |

See accompanying independent auditor's report.

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| <u>2011</u>  | <u>2010</u>  | <u>2009</u>  | <u>2008</u>  | <u>2007</u>  | <u>2006</u>  |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 497          | 445          | 413          | 374          | 349          | 362          |
| <u>(497)</u> | <u>(445)</u> | <u>(413)</u> | <u>(374)</u> | <u>(349)</u> | <u>(362)</u> |
| -            | -            | -            | -            | -            | -            |
| 6,745        | 6,398        | 6,234        | 6,042        | 5,818        | 6,106        |
| 7.37%        | 6.96%        | 6.62%        | 6.19%        | 6.00%        | 5.93%        |

Lee County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

*Changes of benefit terms:*

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

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

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

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

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

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

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

Lee County

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

Required Supplementary Information

| Year<br>Ended<br>June 30, | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|---------------------------|--------------------------------|--|---|--------------------------------------|--------------------------|---------------------------|---|
| 2009                      | Jul 1, 2008                    | -                                      | \$ 781  | 781                                  | 0.0%                     | \$ 5,879                  | 13.3%   |
| 2010                      | Jul 1, 2008                    | -                                      | 781   | 781                                  | 0.0                      | 5,879                     | 13.3  |
| 2011                      | Jul 1, 2008                    | -                                      | 781   | 781                                  | 0.0                      | 5,879                     | 13.3  |
| 2012                      | Jul 1, 2011                    | -                                      | 889   | 889                                  | 0.0                      | 6,468                     | 13.7  |
| 2013                      | Jul 1, 2011                    | -                                      | 889   | 889                                  | 0.0                      | 6,468                     | 13.7  |
| 2014                      | Jul 1, 2011                    | -                                      | 889   | 889                                  | 0.0                      | 6,468                     | 13.7  |
| 2015                      | Jul 1, 2014                    | -                                      | 703   | 703                                  | 0.0                      | 6,564                     | 10.7  |

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.



**Supplementary Information**

Lee County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2015

|  | Resource<br>Enhancement<br>and<br>Protection | County<br>Recorder's<br>Records<br>Management | Sheriff<br>Reserves | Great River<br>Progressive<br>Housing<br>Corporation | Special<br>Lincoln<br>Ridge<br>Limited<br>Partnership |
|--|--|---|---------------------|--|---|
| <b>Assets</b>                                  |  |   |                     |  |   |
| Cash, cash equivalents and pooled investments: |  |   |                     |  |   |
| County Treasurer                               | \$ 14,143                                    | 47,349  | 4,904               | -  | -   |
| Component units                                | -  | -   | -                   | 472  | 36,660  |
| Receivables:                                   |  |   |                     |  |   |
| Accounts                                       | -  | -   | -                   | -  | 11,900  |
| Accrued interest                               | 3  | 11  | -                   | -  | -   |
| Due from other governments                     | -  | -   | -                   | -  | -   |
| <b>Total assets</b>                            | <b>\$ 14,146</b>                             | <b>47,360</b>                                 | <b>4,904</b>        | <b>472</b>   | <b>48,560</b>   |
| <b>Liabilities and Fund Balances</b>           |  |   |                     |  |   |
| Liabilities:                                   |  |   |                     |  |   |
| Accounts payable                               | \$ -   | 7,700   | -                   | -  | 108,612   |
| Salaries and benefits payable                  | -  | -   | -                   | -  | -   |
| Total liabilities                              | -  | 7,700   | -                   | -  | 108,612   |
| Fund balances:                                 |  |   |                     |  |   |
| Nonspendable:                                  |  |   |                     |  |   |
| Hospice care                                   | -  | -   | -                   | -  | -   |
| Restricted for:                                |  |   |                     |  |   |
| Hospice care                                   | -  | -   | -                   | -  | -   |
| Other purposes                                 | 14,146                                       | 39,660  | 4,904               | 472  | 30,499  |
| Unassigned                                     | -  | -   | -                   | -  | (90,551)  |
| Total fund balances                            | 14,146                                       | 39,660  | 4,904               | 472  | (60,052)  |
| <b>Total liabilities and fund balances</b>     | <b>\$ 14,146</b>                             | <b>47,360</b>                                 | <b>4,904</b>        | <b>472</b>   | <b>48,560</b>   |

See accompanying independent auditor's report.

| Revenue     |              |         |            |          |          |          |  |           |           |
|-------------|--------------|---------|------------|----------|----------|----------|--|-----------|-----------|
| Lee County  |              | Friends |            |          |          |          |  | Permanent |           |
| Economic    | Three Rivers | of      | Sheriff's  | Memorial | Neff     | Capital  |  | Neff      |           |
| Development | Conservation | Public  | Forfeiture | Trust    | Memorial | Projects |  | Memorial  | Total     |
| Group       | Foundation   | Health  |            |          |          |          |  |           |           |
| -           | -            | -       | 7,725      | 208,069  | 25,162   | 352,017  |  | 82,500    | 741,869   |
| 161,776     | 225,506      | 174,837 | -          | -        | -        | -        |  | -         | 599,251   |
| 378,500     | -            | -       | -          | 284      | -        | -        |  | -         | 390,684   |
| -           | -            | -       | -          | 48       | 6        | 69       |  | -         | 137       |
| -           | -            | -       | 710        | -        | -        | -        |  | -         | 710       |
| 540,276     | 225,506      | 174,837 | 8,435      | 208,401  | 25,168   | 352,086  |  | 82,500    | 1,732,651 |
| 351,422     | -            | -       | -          | 3,587    | -        | 120,461  |  | -         | 591,782   |
| 2,469       | -            | -       | -          | -        | -        | -        |  | -         | 2,469     |
| 353,891     | -            | -       | -          | 3,587    | -        | 120,461  |  | -         | 594,251   |
| -           | -            | -       | -          | -        | -        | -        |  | 82,500    | 82,500    |
| -           | -            | -       | -          | 204,814  | 25,168   | -        |  | -         | 229,982   |
| 186,385     | 225,506      | 174,837 | 8,435      | -        | -        | 231,625  |  | -         | 916,469   |
| -           | -            | -       | -          | -        | -        | -        |  | -         | (90,551)  |
| 186,385     | 225,506      | 174,837 | 8,435      | 204,814  | 25,168   | 231,625  |  | 82,500    | 1,138,400 |
| 540,276     | 225,506      | 174,837 | 8,435      | 208,401  | 25,168   | 352,086  |  | 82,500    | 1,732,651 |

Lee County

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

Year ended June 30, 2015

|  | Resource<br>Enhancement<br>and<br>Protection | County<br>Recorder's<br>Records<br>Management | Sheriff<br>Reserves | Great River<br>Progressive<br>Housing<br>Corporation | Special<br>Lincoln Ridge<br>Limited<br>Partnership |
|--|--|---|---------------------|--|--|
| Revenues:  |  |   |                     |  |  |
| Intergovernmental  | \$ 20,807                                    | -   | -                   | 51   | -  |
| Charges for service  | -  | 5,232   | -                   | -  | -  |
| Use of money and property                                    | 58   | 133   | -                   | -  | 58,103   |
| Miscellaneous  | -  | -   | 600                 | -  | 2,888  |
| Total revenues   | 20,865                                       | 5,365   | 600                 | 51   | 60,991   |
| Expenditures:  |  |   |                     |  |  |
| Operating:   |  |   |                     |  |  |
| Public safety and legal services                             | -  | -   | 961                 | -  | -  |
| Physical health and social services                          | -  | -   | -                   | -  | -  |
| Mental health  | -  | -   | -                   | -  | 75,623   |
| County environment and education                             | 19,926                                       | -   | -                   | -  | -  |
| Governmental services to residents                           | -  | 11,832  | -                   | -  | -  |
| Capital projects   | -  | -   | -                   | -  | -  |
| Total expenditures   | 19,926                                       | 11,832  | 961                 | -  | 75,623   |
| Excess (deficiency) of revenues over<br>(under) expenditures | 939  | (6,467)                                       | (361)               | 51   | (14,632)   |
| Other financing sources:                                     |  |   |                     |  |  |
| Bond proceeds  | -  | -   | -                   | -  | -  |
| Change in fund balances                                      | 939  | (6,467)                                       | (361)               | 51   | (14,632)   |
| Fund balances beginning of year                              | 13,207                                       | 46,127  | 5,265               | 421  | (45,420)   |
| Fund balances end of year                                    | \$ 14,146                                    | 39,660  | 4,904               | 472  | (60,052)   |

See accompanying independent auditor's report.

| Revenue  |  |                                   |                         |                   |                  |                     |                               |           |
|--|--|-----------------------------------|-------------------------|-------------------|------------------|---------------------|-------------------------------|-----------|
| Lee County<br>Economic<br>Development<br>Group | Three Rivers<br>Conservation<br>Foundation | Friends<br>of<br>Public<br>Health | Sheriff's<br>Forfeiture | Memorial<br>Trust | Neff<br>Memorial | Capital<br>Projects | Permanent<br>Neff<br>Memorial | Total     |
| 210,000  | -  | -                                 | -                       | -                 | -                | -                   | -                             | 230,858   |
| -  | -  | -                                 | -                       | -                 | -                | -                   | -                             | 5,232     |
| 114  | 21,853                                     | 182                               | -                       | 619               | 140              | 1,239               | -                             | 82,441    |
| 329,742  | 15,863                                     | -                                 | 1,527                   | 29,206            | -                | 59,504              | -                             | 439,330   |
| 539,856  | 37,716                                     | 182                               | 1,527                   | 29,825            | 140              | 60,743              | -                             | 757,861   |
| -  | -  | -                                 | 673                     | -                 | -                | -                   | -                             | 1,634     |
| -  | -  | 5                                 | -                       | 46,339            | -                | -                   | -                             | 46,344    |
| -  | -  | -                                 | -                       | -                 | -                | -                   | -                             | 75,623    |
| 404,751  | 14,340                                     | -                                 | -                       | -                 | -                | -                   | -                             | 439,017   |
| -  | -  | -                                 | -                       | -                 | -                | -                   | -                             | 11,832    |
| -  | -  | -                                 | -                       | -                 | -                | 497,495             | -                             | 497,495   |
| 404,751  | 14,340                                     | 5                                 | 673                     | 46,339            | -                | 497,495             | -                             | 1,071,945 |
| 135,105  | 23,376                                     | 177                               | 854                     | (16,514)          | 140              | (436,752)           | -                             | (314,084) |
| -  | -  | -                                 | -                       | -                 | -                | 510,000             | -                             | 510,000   |
| 135,105  | 23,376                                     | 177                               | 854                     | (16,514)          | 140              | 73,248              | -                             | 195,916   |
| 51,280   | 202,130                                    | 174,660                           | 7,581                   | 221,328           | 25,028           | 158,377             | 82,500                        | 942,484   |
| 186,385  | 225,506                                    | 174,837                           | 8,435                   | 204,814           | 25,168           | 231,625             | 82,500                        | 1,138,400 |

**Schedule 3**Lee County  
Combining Schedule of Net Position  
Internal Service Funds

June 30, 2015

|   | Supplies         | Employee<br>Health Plan<br>Trust | Information<br>Technology | Total            |
|---|------------------|----------------------------------|---------------------------|------------------|
| <b>Assets</b>   |                  |                                  |                           |                  |
| Current assets:   |                  |                                  |                           |                  |
| Cash and cash equivalents                                       | \$ 13,829        | 1,500,295                        | 109,981                   | 1,624,105        |
| Receivables:  |                  |                                  |                           |                  |
| Accounts  | -                | 54                               | 935                       | 989              |
| Accrued interest  | -                | 345                              | -                         | 345              |
| Due from other funds  | 4,952            | -                                | 1,500                     | 6,452            |
| Due from other governments                                      | 118              | -                                | -                         | 118              |
| Inventories   | 2,285            | -                                | -                         | 2,285            |
| Noncurrent assets:  |                  |                                  |                           |                  |
| Capital assets, net of accumulated<br>depreciation/amortization | 10,815           | -                                | 148,110                   | 158,925          |
| <b>Total assets</b>   | <b>31,999</b>    | <b>1,500,694</b>                 | <b>260,526</b>            | <b>1,793,219</b> |
| <b>Deferred Outflows of Resources</b>                           |                  |                                  |                           |                  |
| Pension-related deferred outflows                               | -                | -                                | 8,037                     | 8,037            |
| <b>Liabilities</b>  |                  |                                  |                           |                  |
| Current liabilities:  |                  |                                  |                           |                  |
| Accounts payable  | 1,151            | 43,026                           | 729                       | 44,906           |
| Salaries and benefits payable                                   | -                | -                                | 3,374                     | 3,374            |
| Due to other funds  | -                | 5                                | 149                       | 154              |
| Due to other governments  | -                | 338                              | -                         | 338              |
| Installment purchase agreement payable                          | -                | -                                | 33,680                    | 33,680           |
| Compensated absences  | -                | -                                | 5,070                     | 5,070            |
| Non-current liabilities:  |                  |                                  |                           |                  |
| Net OPEB liability  | -                | -                                | 2,841                     | 2,841            |
| Net pension liability   | -                | -                                | 33,893                    | 33,893           |
| Installment purchase agreement payable                          | -                | -                                | 67,359                    | 67,359           |
| <b>Total liabilities</b>  | <b>1,151</b>     | <b>43,369</b>                    | <b>147,095</b>            | <b>191,615</b>   |
| <b>Deferred Inflows of Resources</b>                            |                  |                                  |                           |                  |
| Pension-related deferred inflows                                | -                | -                                | 18,639                    | 18,639           |
| <b>Net Position</b>   |                  |                                  |                           |                  |
| Net investment in capital assets                                | 10,815           | -                                | 47,071                    | 57,886           |
| Unrestricted  | 20,033           | 1,457,325                        | 55,758                    | 1,533,116        |
| <b>Total net position</b>                                       | <b>\$ 30,848</b> | <b>1,457,325</b>                 | <b>102,829</b>            | <b>1,591,002</b> |

See accompanying independent auditor's report.

## Lee County

Combining Schedule of Revenues, Expenses and  
Changes in Fund Net Position  
Internal Service Funds

Year ended June 30, 2015

|   | Supplies         | Employee<br>Health Plan<br>Trust | Information<br>Technology | Total            |
|---|------------------|----------------------------------|---------------------------|------------------|
| Operating revenues:   |                  |                                  |                           |                  |
| Reimbursements from operating funds<br>and other governmental units | \$ 83,361        | 2,310,086                        | 250,482                   | 2,643,929        |
| Reimbursements from employees and others                            | -                | 273,583                          | -                         | 273,583          |
| Miscellaneous reimbursements  | -                | 10,854                           | 935                       | 11,789           |
| Total operating revenues  | <u>83,361</u>    | <u>2,594,523</u>                 | <u>251,417</u>            | <u>2,929,301</u> |
| Operating expenses:   |                  |                                  |                           |                  |
| Medical and health services   | -                | 2,744,211                        | -                         | 2,744,211        |
| Salaries and benefits   | -                | -                                | 87,618                    | 87,618           |
| Administrative fees, network access fees<br>and stop-loss premium   | -                | 59,134                           | -                         | 59,134           |
| Supplies, utilities and data processing                             | 79,469           | 216                              | 81,762                    | 161,447          |
| Maintenance agreements  | -                | -                                | 14,450                    | 14,450           |
| Non-capitalized equipment   | -                | -                                | 13,084                    | 13,084           |
| Depreciation/amortization   | 3,605            | -                                | 37,500                    | 41,105           |
| Total operating expenses  | <u>83,074</u>    | <u>2,803,561</u>                 | <u>234,414</u>            | <u>3,121,049</u> |
| Operating income (loss)   | 287              | (209,038)                        | 17,003                    | (191,748)        |
| Non-operating revenues:   |                  |                                  |                           |                  |
| Interest income   | -                | 4,208                            | -                         | 4,208            |
| Change in net position  | 287              | (204,830)                        | 17,003                    | (187,540)        |
| Net position beginning of year, as restated                         | <u>30,561</u>    | <u>1,662,155</u>                 | <u>85,826</u>             | <u>1,778,542</u> |
| Net position end of year  | <u>\$ 30,848</u> | <u>1,457,325</u>                 | <u>102,829</u>            | <u>1,591,002</u> |

See accompanying independent auditor's report.

**Lee County**



Lee County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2015

|   | Employee    |             |            |             |
|---|-------------|-------------|------------|-------------|
|   | Health Plan |             |            |             |
|   | Supplies    | Trust       | Technology | Information |
|   |             |             |            | Total       |
| <b>Cash flows from operating activities:</b>  |             |             |            |             |
| Cash received from operating funds and other governmental units                                       | \$ 83,838   | 2,310,086   | 248,982    | 2,642,906   |
| Cash received from employees and others   | -           | 284,623     | -          | 284,623     |
| Cash paid to suppliers for services   | (81,875)    | (2,799,450) | (207,995)  | (3,089,320) |
| Net cash provided (used) by operating activities  | 1,963       | (204,741)   | 40,987     | (161,791)   |
| <b>Cash flows from capital and related financing activities:</b>                                      |             |             |            |             |
| Purchase of equipment   | -           | -           | (11,860)   | (11,860)    |
| Installment purchase agreement payment  | -           | -           | (28,326)   | (28,326)    |
| Net cash used by capital and related financing activities   | -           | -           | (40,186)   | (40,186)    |
| <b>Cash flows from investing activities:</b>  |             |             |            |             |
| Interest on investments   | -           | 4,254       | -          | 4,254       |
| Net increase (decrease) in cash and cash equivalents  | 1,963       | (200,487)   | 801        | (197,723)   |
| Cash and cash equivalents beginning of year   | 11,866      | 1,700,782   | 109,180    | 1,821,828   |
| Cash and cash equivalents end of year   | \$ 13,829   | 1,500,295   | 109,981    | 1,624,105   |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |             |             |            |             |
| Operating income (loss)   | 287         | (209,038)   | 17,003     | (191,748)   |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |             |             |            |             |
| Depreciation/amortization expense   | 3,605       | -           | 37,500     | 41,105      |
| Changes in assets and liabilities:  |             |             |            |             |
| (Increase) decrease in accounts receivable  | -           | 186         | (935)      | (749)       |
| Decrease in due from other governments  | 14          | -           | -          | 14          |
| (Increase) decrease in due from other funds   | 462         | -           | (1,500)    | (1,038)     |
| Increase in inventories   | (1,437)     | -           | -          | (1,437)     |
| Increase (decrease) in accounts payable   | (968)       | 3,790       | (10,750)   | (7,928)     |
| Increase in salaries and benefits payable   | -           | -           | 372        | 372         |
| Increase (decrease) in due to other funds   | -           | (17)        | 38         | 21          |
| Increase in due to other governments  | -           | 338         | -          | 338         |
| Increase in compensated absences  | -           | -           | 1,512      | 1,512       |
| Decrease in pension liability   | -           | -           | (20,063)   | (20,063)    |
| Increase in deferred outflows of resources  | -           | -           | (1,346)    | (1,346)     |
| Increase in deferred inflows of resources   | -           | -           | 18,639     | 18,639      |
| Increase in net OPEB liability  | -           | -           | 517        | 517         |
| Net cash provided (used) by operating activities  | \$ 1,963    | (204,741)   | 40,987     | (161,791)   |

See accompanying independent auditor's report.

Lee County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2015

|  | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Drainage<br>Districts | Schools           |
|--|-------------------|--|--------------------|-----------------------|-------------------|
| <b>Assets</b>                                  |                   |  |                    |                       |                   |
| Cash, cash equivalents and pooled investments: |                   |  |                    |                       |                   |
| County Treasurer                               | \$ -              | 4,037                                  | 193,483            | 1,103,243             | 293,163           |
| Other County officials                         | 208,451           | -                                      | -                  | -                     | -                 |
| Receivables:                                   |                   |  |                    |                       |                   |
| Property tax:                                  |                   |  |                    |                       |                   |
| Delinquent                                     | -                 | 746                                    | 1,429              | -                     | 57,836            |
| Succeeding year                                | -                 | 233,000                                | 457,000            | -                     | 17,302,000        |
| Accounts                                       | 7,658             | -                                      | 102                | -                     | -                 |
| Accrued interest                               | -                 | -                                      | -                  | -                     | -                 |
| Special assessments                            | -                 | -                                      | -                  | -                     | -                 |
| Drainage assessments:                          |                   |  |                    |                       |                   |
| Current  | -                 | -                                      | -                  | 174,585               | -                 |
| Future   | -                 | -                                      | -                  | 115,315               | -                 |
| Due from other governments                     | -                 | -                                      | -                  | 110,710               | -                 |
| Prepaid expenses                               | -                 | -                                      | 3,725              | -                     | -                 |
| <b>Total assets</b>                            | <b>\$ 216,109</b> | <b>237,783</b>                         | <b>655,739</b>     | <b>1,503,853</b>      | <b>17,652,999</b> |
| <b>Liabilities</b>                             |                   |  |                    |                       |                   |
| Liabilities:                                   |                   |  |                    |                       |                   |
| Accounts payable                               | \$ -              | -                                      | 199                | 378,187               | -                 |
| Salaries and benefits payable                  | -                 | -                                      | 12,459             | -                     | -                 |
| Due to other governments                       | 48,467            | 237,783                                | 623,321            | -                     | 17,652,999        |
| Trusts payable                                 | 167,642           | -                                      | -                  | -                     | -                 |
| Compensated absences                           | -                 | -                                      | 19,760             | -                     | -                 |
| Bank loan payable                              | -                 | -                                      | -                  | 1,125,666             | -                 |
| <b>Total liabilities</b>                       | <b>\$ 216,109</b> | <b>237,783</b>                         | <b>655,739</b>     | <b>1,503,853</b>      | <b>17,652,999</b> |

See accompanying independent auditor's report.

| Community Colleges | Corporations      | Townships      | Auto License and Use Tax | Drivers License Trust | Payee Accounts | Other            | Total             |
|--------------------|-------------------|----------------|--------------------------|-----------------------|----------------|------------------|-------------------|
| 19,740             | 155,368           | 6,851          | 713,014                  | 802                   | -              | 706,489          | 3,196,190         |
| -                  | -                 | -              | -                        | -                     | 199,128        | -                | 407,579           |
| 3,657              | 47,319            | 576            | -                        | -                     | -              | 11               | 111,574           |
| 1,300,000          | 10,443,000        | 394,000        | -                        | -                     | -              | 5,000            | 30,134,000        |
| -                  | -                 | -              | -                        | -                     | -              | 80               | 7,840             |
| -                  | -                 | -              | -                        | -                     | -              | 138              | 138               |
| -                  | -                 | -              | -                        | -                     | -              | 212,065          | 212,065           |
| -                  | -                 | -              | -                        | -                     | -              | -                | 174,585           |
| -                  | -                 | -              | -                        | -                     | -              | -                | 115,315           |
| -                  | -                 | -              | -                        | -                     | -              | 149,995          | 260,705           |
| -                  | -                 | -              | -                        | -                     | -              | -                | 3,725             |
| <u>1,323,397</u>   | <u>10,645,687</u> | <u>401,427</u> | <u>713,014</u>           | <u>802</u>            | <u>199,128</u> | <u>1,073,778</u> | <u>34,623,716</u> |
| -                  | -                 | -              | -                        | -                     | -              | 54,363           | 432,749           |
| -                  | -                 | -              | -                        | -                     | -              | 40,745           | 53,204            |
| 1,323,397          | 10,645,687        | 401,427        | 713,014                  | 802                   | -              | 962,782          | 32,609,679        |
| -                  | -                 | -              | -                        | -                     | 199,128        | 330              | 367,100           |
| -                  | -                 | -              | -                        | -                     | -              | 15,558           | 35,318            |
| -                  | -                 | -              | -                        | -                     | -              | -                | 1,125,666         |
| <u>1,323,397</u>   | <u>10,645,687</u> | <u>401,427</u> | <u>713,014</u>           | <u>802</u>            | <u>199,128</u> | <u>1,073,778</u> | <u>34,623,716</u> |

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

Year ended June 30, 2015

| <b>Assets and Liabilities</b>      | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Drainage<br>Districts | Schools           |
|------------------------------------|-------------------|--|--------------------|-----------------------|-------------------|
| Balances beginning of year         | \$ 206,049        | 238,385                                | 629,875            | 2,115,906             | 16,302,283        |
| Additions:                         |                   |  |                    |                       |                   |
| Property and other county tax      | -                 | 230,958                                | 454,508            | -                     | 17,349,639        |
| E911 surcharges                    | -                 | -                                      | -                  | -                     | -                 |
| State tax credits                  | -                 | 20,005                                 | 38,327             | -                     | 1,384,460         |
| Drivers license fees               | -                 | -                                      | -                  | -                     | -                 |
| Office fees and collections        | 705,143           | -                                      | -                  | -                     | -                 |
| Auto licenses, use tax and postage | -                 | -                                      | -                  | -                     | -                 |
| Assessments                        | -                 | -                                      | -                  | 157,162               | -                 |
| Trusts                             | 1,295,676         | -                                      | -                  | -                     | -                 |
| Miscellaneous                      | -                 | -                                      | 145                | 948,850               | -                 |
| Total additions                    | <u>2,000,819</u>  | <u>250,963</u>                         | <u>492,980</u>     | <u>1,106,012</u>      | <u>18,734,099</u> |
| Deductions:                        |                   |  |                    |                       |                   |
| Agency remittances:                |                   |  |                    |                       |                   |
| To other funds                     | 464,846           | -                                      | -                  | -                     | -                 |
| To other governments               | 232,751           | 251,565                                | 467,116            | 1,718,065             | 17,383,383        |
| Trusts paid out                    | 1,293,162         | -                                      | -                  | -                     | -                 |
| Total deductions                   | <u>1,990,759</u>  | <u>251,565</u>                         | <u>467,116</u>     | <u>1,718,065</u>      | <u>17,383,383</u> |
| Balances end of year               | <u>\$ 216,109</u> | <u>237,783</u>                         | <u>655,739</u>     | <u>1,503,853</u>      | <u>17,652,999</u> |

See accompanying independent auditor's report.

| Community<br>Colleges | Corpora-<br>tions | Townships | Auto<br>License<br>and<br>Use Tax | Drivers<br>License<br>Trust | Payee<br>Accounts | Other     | Total      |
|-----------------------|-------------------|-----------|-----------------------------------|-----------------------------|-------------------|-----------|------------|
| 1,177,817             | 11,796,198        | 379,831   | 653,143                           | 161                         | 185,970           | 894,841   | 34,580,459 |
| 1,291,799             | 10,504,215        | 383,240   | -                                 | -                           | -                 | 4,373     | 30,218,732 |
| -                     | -                 | -         | -                                 | -                           | -                 | 227,442   | 227,442    |
| 98,076                | 990,167           | 24,117    | -                                 | -                           | -                 | 412       | 2,555,564  |
| -                     | -                 | -         | -                                 | 160,300                     | -                 | -         | 160,300    |
| -                     | -                 | -         | -                                 | -                           | -                 | -         | 705,143    |
| -                     | -                 | -         | 9,352,702                         | -                           | -                 | -         | 9,352,702  |
| -                     | -                 | -         | -                                 | -                           | -                 | 84,020    | 241,182    |
| -                     | -                 | -         | -                                 | -                           | 1,246,086         | 838,575   | 3,380,337  |
| -                     | -                 | -         | -                                 | -                           | -                 | 2,542,987 | 3,491,982  |
| 1,389,875             | 11,494,382        | 407,357   | 9,352,702                         | 160,300                     | 1,246,086         | 3,697,809 | 50,333,384 |
| -                     | -                 | -         | 361,209                           | -                           | -                 | -         | 826,055    |
| 1,244,295             | 12,644,893        | 385,761   | 8,931,622                         | 159,659                     | -                 | 2,704,603 | 46,123,713 |
| -                     | -                 | -         | -                                 | -                           | 1,232,928         | 814,269   | 3,340,359  |
| 1,244,295             | 12,644,893        | 385,761   | 9,292,831                         | 159,659                     | 1,232,928         | 3,518,872 | 50,290,127 |
| 1,323,397             | 10,645,687        | 401,427   | 713,014                           | 802                         | 199,128           | 1,073,778 | 34,623,716 |

Lee County

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

For the Last Ten Years

|                                      | 2015                 | 2014              | 2013              | 2012              |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
| <b>Revenues:</b>                     |                      |                   |                   |                   |
| Property and other county tax        | \$ 10,759,734        | 10,260,723        | 10,398,427        | 10,226,662        |
| Local option sales tax               | 1,764,285            | 1,318,713         | 1,511,657         | 1,409,188         |
| Tax increment financing              | -                    | -                 | -                 | -                 |
| Interest and penalty on property tax | 139,728              | 146,058           | 148,139           | 145,270           |
| Intergovernmental                    | 9,850,223            | 8,271,583         | 7,944,450         | 10,657,595        |
| Licenses and permits                 | 111,772              | 101,664           | 93,635            | 105,568           |
| Charges for service                  | 1,048,099            | 1,006,977         | 1,028,187         | 916,932           |
| Use of money and property            | 297,627              | 309,196           | 311,682           | 292,716           |
| Miscellaneous                        | 3,019,302            | 899,461           | 374,143           | 408,049           |
| <b>Total</b>                         | <b>\$ 26,990,770</b> | <b>22,314,375</b> | <b>21,810,320</b> | <b>24,161,980</b> |
| <b>Expenditures:</b>                 |                      |                   |                   |                   |
| <b>Operating:</b>                    |                      |                   |                   |                   |
| Public safety and legal services     | \$ 4,694,543         | 4,428,780         | 4,255,457         | 4,422,016         |
| Physical health and social services  | 4,346,000            | 4,290,759         | 4,234,139         | 3,982,400         |
| Mental health                        | 1,182,005            | 1,753,244         | 2,683,788         | 6,615,100         |
| County environment and education     | 1,715,148            | 1,800,562         | 1,292,962         | 1,115,886         |
| Roads and transportation             | 5,394,021            | 5,130,710         | 4,703,670         | 4,552,964         |
| Governmental services to residents   | 1,190,720            | 918,840           | 958,573           | 958,038           |
| Administration                       | 2,129,200            | 1,989,089         | 2,026,221         | 2,022,340         |
| Non-program                          | 63,574               | 8,734             | 17,038            | -                 |
| Debt service                         | 906,756              | 893,243           | 815,576           | 813,334           |
| Capital projects                     | 3,406,224            | 579,977           | 100,416           | 648,571           |
| <b>Total</b>                         | <b>\$ 25,028,191</b> | <b>21,793,938</b> | <b>21,087,840</b> | <b>25,130,649</b> |

See accompanying independent auditor's report.

| Modified Accrual Basis |            |            |            |            |            |
|------------------------|------------|------------|------------|------------|------------|
| 2011                   | 2010       | 2009       | 2008       | 2007       | 2006       |
| 10,193,550             | 9,599,284  | 9,329,877  | 9,040,272  | 9,320,366  | 9,344,253  |
| 1,508,640              | 1,614,653  | 1,444,024  | 1,448,841  | 1,425,915  | 1,422,521  |
| -                      | -          | -          | -          | 393,163    | 750,066    |
| 141,028                | 143,078    | 135,727    | 132,804    | 270,733    | 136,627    |
| 9,899,246              | 9,143,676  | 9,684,756  | 9,758,681  | 8,719,573  | 8,732,583  |
| 98,426                 | 86,269     | 82,522     | 72,023     | 55,974     | 62,265     |
| 943,735                | 867,688    | 899,956    | 934,639    | 873,083    | 892,849    |
| 309,502                | 326,842    | 482,356    | 494,545    | 471,460    | 364,782    |
| 371,510                | 303,476    | 314,528    | 240,354    | 494,190    | 1,123,788  |
| 23,465,637             | 22,084,966 | 22,373,746 | 22,122,159 | 22,024,457 | 22,829,734 |
| 4,185,481              | 3,888,632  | 3,689,993  | 3,618,670  | 3,512,938  | 3,332,940  |
| 3,882,964              | 3,817,068  | 3,913,476  | 3,535,142  | 3,275,224  | 3,134,004  |
| 4,824,623              | 4,327,187  | 4,584,834  | 4,732,019  | 4,662,962  | 4,396,349  |
| 1,189,364              | 1,493,459  | 1,405,654  | 1,537,120  | 1,617,237  | 1,675,269  |
| 4,476,579              | 3,790,575  | 3,763,046  | 4,000,157  | 3,862,651  | 3,928,318  |
| 903,704                | 893,551    | 961,591    | 916,840    | 878,334    | 1,144,205  |
| 2,305,653              | 2,216,598  | 2,036,986  | 2,203,781  | 1,912,371  | 1,842,355  |
| 63,199                 | 103,361    | 261,564    | 4,465,490  | 16,000     | -          |
| 818,097                | 747,089    | 736,339    | 90,769     | 416,396    | 1,373,528  |
| 271,567                | 2,199,820  | 3,865,711  | 774,443    | 603,521    | 361,224    |
| 22,921,231             | 23,477,340 | 25,219,194 | 25,874,431 | 20,757,634 | 21,188,192 |

**Schedule 9**

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

| Grantor/Program   | CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Expenditures |
|---|----------------|-------------------------------------|-------------------------|
| 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         |                                     | \$ 16,187               |
| U.S. Department of Justice:                             |                |                                     |                         |
| Governor's Office of Drug Control Policy:               |                |                                     |                         |
| Edward Byrne Memorial Justice Assistance Grant Program  |                |                                     |                         |
|   | 16.738         | 12-JAG-78337                        | 44,460                  |
| Edward Byrne Memorial Justice Assistance Grant Program  |                |                                     |                         |
|   | 16.738         | 12-JAG-78657                        | 17,866                  |
| Edward Byrne Memorial Justice Assistance Grant Program  |                |                                     |                         |
|   | 16.738         | 14-CAMP-11                          | 441                     |
|   |                |                                     | <u>62,767</u>           |
| City of Keokuk:   |                |                                     |                         |
| Edward Byrne Memorial Justice Assistance Grant Program  |                |                                     |                         |
|   | 16.738         | 2014-DJ-BX-0549                     | 7,750                   |
|   |                |                                     | <u>70,517</u>           |
| U.S. Department of Transportation:                      |                |                                     |                         |
| Iowa Department of Transportation:                      |                |                                     |                         |
| Highway Planning and Construction                       |                |                                     |                         |
|   | 20.205         | BROS-C056(88)--8J-56                | 121,277                 |
| Highway Planning and Construction                       |                |                                     |                         |
|   | 20.205         | BROS-C056(89)--8J-56                | 81,477                  |
|   |                |                                     | <u>202,754</u>          |
| Iowa Department of Public Safety:                       |                |                                     |                         |
| State and Community Highway Safety                      |                |                                     |                         |
|   | 20.600         | PAP 14-402-MOPT, Task 14            | 4,118                   |
| State and Community Highway Safety                      |                |                                     |                         |
|   | 20.600         | PAP 15-402-MOPT, Task 15            | 5,063                   |
|   |                |                                     | <u>9,181</u>            |
| U.S. Department of Health and Human Services:           |                |                                     |                         |
| Iowa Department of Public Health:                       |                |                                     |                         |
| Public Health Emergency Preparedness, Hospital          |                |                                     |                         |
| Preparedness Program (HPP) and Public Health            |                |                                     |                         |
| Emergency Preparedness (PHEP) Aligned                   |                |                                     |                         |
| Cooperative Agreements                                  |                |                                     |                         |
|   | 93.074         | 5885BT35                            | 65,313                  |
| Maternal and Child Health Federal Consolidated Programs |                |                                     |                         |
|   | 93.110         | 5885MH15                            | 6,637                   |
| Immunization Cooperative Agreements                     |                |                                     |                         |
|   | 93.268         | 5884I447                            | 6,588                   |
| Immunization Cooperative Agreements                     |                |                                     |                         |
|   | 93.268         | 5885I447                            | 7,135                   |
|   |                |                                     | <u>13,723</u>           |
| Centers for Disease Control and Prevention -            |                |                                     |                         |
| Investigations and Technical Assistance                 |                |                                     |                         |
|   | 93.283         | 5885DH02                            | 1,900                   |
| Affordable Care Act (ACA) Maternal, Infant, and         |                |                                     |                         |
| Early Childhood Home Visiting Program                   |                |                                     |                         |
|   | 93.505         | 5884CH06                            | 87,395                  |
| Affordable Care Act (ACA) Maternal, Infant, and         |                |                                     |                         |
| Early Childhood Home Visiting Program                   |                |                                     |                         |
|   | 93.505         | 5885CH06                            | 153,053                 |
| Affordable Care Act (ACA) Maternal, Infant, and         |                |                                     |                         |
| Early Childhood Home Visiting Program                   |                |                                     |                         |
|   | 93.505         | 5886CH06                            | 71,426                  |
|   |                |                                     | <u>311,874</u>          |
| PPHF - Community Transformation Grants and              |                |                                     |                         |
| National Dissemination and Support for Community        |                |                                     |                         |
| Transformation Grants - financed solely by              |                |                                     |                         |
| Prevention and Public Health Funds                      |                |                                     |                         |
|   | 93.531         | 5884HP12                            | 29,574                  |



Lee County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2015

| Grantor/Program   | CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Expenditures |
|---|----------------|-------------------------------------|-------------------------|
| Indirect (continued):   |                |                                     |                         |
| U.S. Department of Health and Human Services:   |                |                                     |                         |
| Iowa Department of Public Health:   |                |                                     |                         |
| PPHF Capacity Building Assistance to Strengthen<br>Public Health Immunization Infrastructure and<br>Performance financed in part by Prevention and<br>Public Health Funds | 93.539         | 5884I4128                           | 1,482                   |
| PPHF Capacity Building Assistance to Strengthen<br>Public Health Immunization Infrastructure and<br>Performance financed in part by Prevention and<br>Public Health Funds | 93.539         | 5885I447                            | <u>2,781</u>            |
|   |                |                                     | <u>4,263</u>            |
| Preventive Health and Health Services Block Grant funded<br>solely with Prevention and Public Health Funds (PPHF)   | 93.758         | 5885PHM42                           | <u>25,366</u>           |
| Maternal and Child Health Services Block Grant<br>to the States   | 93.994         | 5884MH15                            | 17,775                  |
| Maternal and Child Health Services Block Grant<br>to the States   | 93.994         | 5885MH15                            | 41,938                  |
| Maternal and Child Health Services Block Grant<br>to the States   | 93.994         | 5885DH02                            | <u>4,866</u>            |
|   |                |                                     | <u>64,579</u>           |
| Iowa Department of Human Services:  |                |                                     |                         |
| Human Services Administrative Reimbursements:   |                |                                     |                         |
| Refugee and Entrant Assistance_State<br>Administered Programs   | 93.566         |                                     | <u>36</u>               |
| Child Care Mandatory and Matching Funds<br>of the Child Care and Development Fund   | 93.596         |                                     | <u>4,180</u>            |
| Foster Care_Title IV-E  | 93.658         |                                     | <u>6,200</u>            |
| Adoption Assistance   | 93.659         |                                     | <u>1,956</u>            |
| Children's Health Insurance Program   | 93.767         |                                     | <u>99</u>               |
| Medical Assistance Program  | 93.778         |                                     | <u>30,496</u>           |
| Social Services Block Grant   | 93.667         |                                     | <u>4,979</u>            |
| Southeast Iowa Link:  |                |                                     |                         |
| Social Services Block Grant   | 93.667         |                                     | <u>756,089</u>          |
|   |                |                                     | <u>761,068</u>          |
| U.S. Department of Homeland Security:   |                |                                     |                         |
| Iowa Department of Homeland Security and<br>Emergency Management:   |                |                                     |                         |
| Disaster Grants - Public Assistance<br>(Presidentially Declared Disasters)  | 97.036         | FEMA-4119-DR-IA                     | 366                     |
| Disaster Grants - Public Assistance<br>(Presidentially Declared Disasters)  | 97.036         | FEMA-4126-DR-IA                     | 2,482                   |
| Disaster Grants - Public Assistance<br>(Presidentially Declared Disasters)  | 97.036         | FEMA-4187-DR-IA                     | <u>29,980</u>           |
|   |                |                                     | <u>32,828</u>           |
| Hazard Mitigation Grant   | 97.039         | DR-1977-0004-01                     | <u>7,342</u>            |
| Emergency Management Performance Grants   | 97.042         | EMPG-14-PT-56                       | 5,021                   |
| Emergency Management Performance Grants   | 97.042         | EMPG-15-PT-56                       | <u>18,056</u>           |
|   |                |                                     | <u>23,077</u>           |
| Total   |                |                                     | <u>\$ 1,689,150</u>     |

Lee County

Schedule of Expenditures of Federal Awards

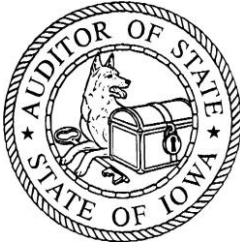
Year ended June 30, 2015

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Lee County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**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**

**Lee County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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 Lee 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, the discretely presented component unit and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 27, 2016. Our report includes a reference to other auditors who audited the financial statements of Lincoln Ridge Limited Partnership, a blended component unit, as described in our report on Lee County's financial statements. The financial statements of Lincoln Ridge Limited Partnership were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be a 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 through II-E-15 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-F-15 through II-H-15 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in 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, 2015 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.


## Lee County's Responses to the Findings

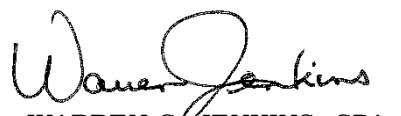
Lee County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lee County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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 Lee County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 27, 2016

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**Lee County**





**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
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Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Officials of Lee County:

Report on Compliance for Each Major Federal Program

We have audited Lee County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Lee 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 the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lee 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 Lee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.


## Report on Internal Control Over Compliance


The management of Lee 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 Lee County's internal control over compliance with the types of requirements that could have a direct and material effect on each of the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Lee 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. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 27, 2016

Lee County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA Number 93.505 – Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program.
  - CFDA Number 93.667 – Social Services Block Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lee County did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-15 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. The following weaknesses in the offices identified were noted for which no compensating controls exist:

County Treasurer – Individuals, including those who perform daily balancing, have the ability to void receipts in the DOT motor vehicle computer system. No report is maintained evidencing independent review of voided motor vehicle transactions.

County Recorder – The individual who prepares monthly bank reconciliations is, at times, responsible for handling and recording receipts. This individual also prepares and signs checks. In addition, mail is opened by employees who have access to accounting records.

County Sheriff – Civil – Bank reconciliations are not always reviewed by an independent person.

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

Responses –

County Treasurer – The Treasurer will run a Voided Transaction Report monthly and verify the voided transactions were done by the Treasurer or a deputy. Clerks are not authorized to void transactions.

County Recorder – We will review our controls and try to make changes where possible given our limited staff.

County Sheriff - Civil – An independent person in the Sheriff's Office will review bank reconciliations and sign or initial and date this review.

Conclusions – Responses accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-B-15 Ambulance Segregation of Duties – During our review of Lee County EMS Ambulance, Inc.'s internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of EMS' financial statements. The following weaknesses were noted for which no compensating controls exist:

Receipts – opening mail, collecting, recording, depositing, maintaining receivable records and posting. Also, an initial listing of mail receipts is not prepared and prenumbered receipts are not issued to customers.

Expenses – purchasing, check writing, signing, mailing, reconciling and recording.

Payroll – preparing, posting and distributing. Also, there is no evidence of review of timesheets.

Journal entries – preparing and journalizing with no independent review.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, Lee County EMS Ambulance, Inc. should review its operating procedures to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

Response – We will review our controls to try to make changes where possible to obtain maximum internal controls given our limited staff.

Conclusion – Response accepted.

II-C-15 Financial Reporting – During the audit, we identified material amounts of receivables and capital asset additions which were not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and capital asset additions are identified and included in the County's financial statements.

Response – We will review receipts and claims to ensure all items are identified and included in receivables and capital asset additions.

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- II-D-15 Ambulance Financial Reporting – Although Lee County EMS Ambulance, Inc. prepares an annual financial report, the financial report did not include patient billing receivables or accounts payable at December 31, 2014. A listing of accounts payable at December 31, 2014 was not prepared. Adjustments were subsequently made to properly record these amounts in the financial statements.

Recommendation – Lee County EMS Ambulance, Inc. should implement procedures to ensure payables and receivables are properly recorded and included in its financial statements.

Response – We will make sure payables and receivables are properly listed for inclusion in the financial statements.

Conclusion – Response accepted.

- II-E-15 Ambulance Billings, Collections, Delinquent Accounts and Write-offs – Lee County EMS Ambulance, Inc. does not reconcile ambulance billings, collections and delinquent accounts. There are no established procedures to document the approval of adjustments or write-offs of patient accounts in the ambulance billing system. Also, receipts recorded in the ambulance billing system are not reconciled to bank deposits.

Recommendation – Lee County EMS Ambulance, Inc. should establish procedures to reconcile ambulance billings, collections and delinquent accounts for each billing period. Procedures should be established to document approval of adjustments and write-offs of patient accounts and receipts recorded in the ambulance billing system should be reconciled to deposits by an independent person.

Response – We will try to develop written procedures to document approval of adjustments and write-offs of patient accounts. Reconciliations will be performed to reconcile ambulance billings, collections and delinquent accounts and receipts recorded in the billing system will be reconciled to deposits.

Conclusion – Response accepted.

- II-F-15 Capital Assets – The County Auditor’s office maintains a capital asset listing accounting for all assets, including those items below capitalization thresholds. This listing is maintained for internal control and insurance purposes. During the year ended June 30, 2015, the accuracy of the listing was not verified by each department. Additionally, there is no periodic testing of capital assets by an individual having no responsibility for the assets.

Recommendation – The capital asset listing should be updated for changes. Annually, the listing should be compared to actual assets to ensure its accuracy and departments should certify the listings accuracy. An independent person should periodically test the capital asset listing.

Response – Capital assets are updated but not verified by all departments. We will strongly recommend to department heads the importance of returning the verification document to the Auditor’s Office. We will have another employee in the County Auditor’s office do a spot check.

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-G-15 County Sheriff –The following items related to financial reporting and reconciling in the Sheriff’s Office were noted:

Civil – The Sheriff’s Office did not prepare a year-to-date spreadsheet of receipts and disbursements reconciled to beginning and ending book balances. Bank reconciliations are prepared each month and are reconciled with the book balance. However, the book balance is not reconciled with the fees owed to the County, State and trusts on hand at the end of each month.

Jail – The Sheriff’s Office does not print or reconcile a listing of inmate trust balances at the end of each month.

Recommendation – The Sheriff’s Office should prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile the beginning and ending balances to the bank reconciliation. The book balance should be reconciled with the fees owed to the County, State and trusts on hand at the end of each month.

A listing of the inmate trust balances should be printed at the end of each month and deducted from the commissary bank account to determine how much commissary profit should be paid to the County Treasurer each month.

Responses –

Civil – A year to date spreadsheet will be done for fiscal year 2015 and the book balance will be reconciled to the amounts owed to the County, State and trusts on hand each month.

Jail – We will generate a listing of the amounts held for inmates at month end to reconcile the book balance and determine commissary profits to be paid to the County Treasurer.

Conclusion – Responses accepted.

II-H-15 Conservation Foundation – Three Rivers Conservation Foundation, a component unit of the County, receives donations to fund various conservation projects within the County. The Foundation did not prepare annual financial statements. Only monthly financial statements were provided. The activity from the monthly financial statements did not reconcile to the ending balance on the year-end balance sheet. These matters were resolved for audit purposes.

Recommendation – The Foundation should prepare monthly bank reconciliations to ensure the monthly balance sheets and income statements reconcile to its bank and investment balances. Also, the Foundation should prepare annual financial statements. The bank reconciliations should be reviewed and signed or initialed by an independent person to document the review.

Response – The Foundation will reconcile monthly balance sheets and bank and investment statements. Once prepared, the statements will be reviewed by an independent person. The Foundation will also prepare annual financial statements going forward.

Conclusion – Response accepted.

Lee County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major programs were noted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

IV-A-15 Certified Budget - Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

IV-B-15 Questionable Expenditures - Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

| <u>Paid to</u> | <u>Purpose</u>                                      | <u>Amount</u> |
|----------------|---|---------------|
| County Market  | Public Health flowers for long-term care facilities | \$ 225        |
| Ivy Downtown   | Catered luncheon for hospice volunteers             | 289           |
| HyVee          | Food for Public Health training                     | 318           |
| HyVee          | Catered luncheon for staff and hospice volunteers   | 420           |

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation - The Board of Health should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response - The Lee County Health Department Policy on Miscellaneous Expenses was reviewed and revised in April 2016; proper documentation will be included with the claims. See attached revised policy.

Conclusion - Response accepted.

IV-C-15 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-D-15 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title and<br>Business Connection   | Transaction<br>Description                                   | Amount   |
|--|--|----------|
| Ernie Steffensmeier,<br>County Engineer, sister-in-law owns<br>Steffensmeier Welding               | Welding  | \$ 4,175 |
| Tammy Wilson, Financial Director<br>of Public Health, husband is a<br>shareholder in Agrineed Inc. | Supplies and<br>maintenance -<br>other County<br>departments | 12,703   |
| Rick Larkin, Board of Supervisors,<br>wife is a manager of The Kensington                          | Building rental-<br>Public Health                            | 42,580   |

The transactions with Agrineed, Inc. for supplies and maintenance for other County Departments do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(d) since the employee's salary is not directly affected by the transactions and her duties of employment do not directly involve procurement or preparation of any part of the transactions.

The transactions with The Kensington for building rental for the Public Health Department do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(d) since the Board member is not directly affected as a result of the transactions and his duties of employment do not directly involve procurement and preparation of any part of the transactions.

The transactions with Steffensmeier Welding may represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions were more than \$1,500 during the fiscal year and they were not competitively bid.

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

Response – We will consult the County Attorney for advice on the conflict of interest matters. A committee is also working on revising the County Bid Policy.

Conclusion – Response accepted.

IV-E-15 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 the coverage is adequate for current operations.

IV-F-15 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-H-15 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).

IV-I-15 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.

IV-J-15 Deficit Fund Balance – The Special Revenue, Lincoln Ridge Limited Partnership Fund had a deficit unassigned fund balance of \$90,551 at June 30, 2015.

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

Response – The Great River Progressive Housing Board is working in conjunction with our contracted Management Organization, Keyway Management, to address apartment vacancies and financial strategies to overcome this deficit. GRPH has also allowed for other disability populations to participate in this living environment as long as there are community based supports actively open with the prospective tenant as per the contract agreement and tax credit obligation. Finally, GRPH, Keyway and the Burns Development (Property Developer) are strategizing financial sustainability ongoing with tax credits as well as beyond once those credits expire.

Conclusion – Response accepted.

IV-K-15 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

IV-L-15 E-911 Budget – During the year ended June 30, 2015, the E-911 surcharge fund budget was exceeded.

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

Response – Currently, the budgets are sent to the LeeComm Director, as the secretary for the E911 Board. We were not aware that each fund associated with E911 were considered separate budgets. The Lee County Budget Director will monitor the budget and recommend to the secretary as to when a budget amendment should be performed.

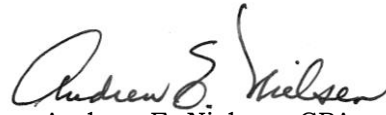
Conclusion – Response accepted.

Lee County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Brandon J. Vogel, Senior Auditor II  
Eric L. Rath, Senior Auditor  
Jesse J. Harthan, Staff Auditor  
Melissa E. Janssen, Staff Auditor  
Emma L. McGrane, Staff Auditor  
Nathaniel W. Packer, Staff Auditor  
Kristin R. Finke, Assistant Auditor  
Tyler H. Moran, Assistant Auditor  
Mallory A. Sims, Assistant Auditor  
Joseph B. Sparks, Assistant Auditor  
Luke M. Bormann, Auditor Intern  
Cole J. Hanley, Auditor Intern



Andrew E. Nielsen, CPA  
Deputy Auditor of State